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ABERDEEN
CITY COUNCIL

To: Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice-Convener, and Councillors Cameron, Cooney, Copland, Crockett, Donnelly, Flynn, Graham, Greig, Lawrence, Malik, Jean Morrison MBE, Nathan Morrison, Noble, Reynolds and Townson.

Town House,
ABERDEEN 18 September 2015

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in Committee Room 2 - Town House on **TUESDAY, 29 SEPTEMBER 2015 at 3.00 pm**.

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

1 Determination of Exempt Business

2 Minute, Workplan and Decision Tracking Sheet

2.1 Minute of Previous Meeting of 25 June 2015 (Pages 5 - 16)

2.2 Workplan (Pages 17 - 26)

2.3 Decision Tracking Statement (Pages 27 - 30)

3 Performance and Improvement

3.1 Elected Member Development - Report by the Interim Director of Corporate Governance (Pages 31 - 32)

8.1 Annual Report to Members and the Controller of Audit on the 2014/15 Audit - Report by External Audit (Pages 151 - 214)

8.2 Annual Audited Accounts 2014/15 - Report by the Interim Director of Corporate Governance (Pages 215 - 402)

9 Value For Money

9.1 Audit Scotland Value for Money National Reviews - Report by the Interim Director of Corporate Governance (Pages 403 - 416)

10 Exempt Reports

10.1 Matters Under Investigation

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

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 25 June 2015. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice-Convener; and Councillors Cameron, Cooney, Crockett, Finlayson (as substitute for Councillor Malik), Graham, Greig, Lawrence, MacGregor (as substitute for Councillor May), Jean Morrison MBE, Nathan Morrison, Noble, Reynolds, Thomson (as substitute for Councillor Donnelly) and Townson.

ORDER OF AGENDA

1. The Convener advised that she proposed to take item 8.2 (Fleet Management Governance) directly after agenda item 6.5 (Roads Construction Consent) to enable the internal auditor to depart the meeting once the report had been considered.

The Committee resolved:-
to concur with the suggestion of the Convener in relation to the agenda order.

TRANSFER OF SITE, LANGDYKES ROAD - REFERRAL FROM FINANCE, POLICY AND RESOURCES COMMITTEE

2. The Committee had before it by way of a remit, (1) the minute extract from the Finance, Policy and Resources Committee of 9 June which requested this Committee to carry out a comprehensive review of the process followed to identify a site on the south of the city to ensure compliance with legal requirements and good practice; and (2) the report circulated to that Committee by the Director of Communities, Housing and Infrastructure.

Councillor Finlayson provided details of the concerns he had raised at the Finance, Policy and Resources Committee.

The Committee resolved:-
to request the Chief Internal Auditor, meet with the appropriate Directors to agree the scope for the review and report back to the Committee.

MINUTE OF PREVIOUS MEETING OF 11 MAY 2015

3. The Committee had before it the minute of its previous meeting of 11 May 2015.

The Committee resolved:-
(i) in relation to article 20, resolution (iii) to note that the calculation method had been received from Audit Scotland and that percentage for Aberdeen's proportion of the 8.5% reduction in Scottish Government funding would be calculated and circulated to the Committee; and
(ii) to otherwise approve the minute as a correct record.

WORKPLAN

4. The Committee had before it the workplan prepared by the clerk which set out the future schedule of reports.

The Committee resolved:-
to note the workplan.

DECISION TRACKING SHEET

5. The Committee had before it the decision tracking statement as prepared by the clerk.

The Committee resolved:-
(i) in relation to item 1 (CareFirst Budgetary Control and Forecasting), to note that the Corporate Performance and Transformation Manager would seek clarification on when the Short Term Working Group would complete their remit;
(ii) in relation to item 4 (Audit Scotland Value for Money National Reviews), to note that a report would be submitted to this Committee in November 2015; and
(iii) to otherwise note the decision tracking sheet.

MATTER OF URGENCY

The Convener intimated that she had directed in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, that the following item be considered as a matter of urgency to enable the Committee to consider the item of business without delay in view of the commitment given to Audit Scotland that the minutes of the Governance Hub would be considered at this meeting.

DECLARATIONS OF INTEREST

Councillor Lawrence declared an interest in the subject matter of the following article by virtue of his appointment on the Board of Sport Aberdeen. Councillor Reynolds declared an interest in the following subject matter by virtue of his appointment on the Board of AECC Ltd. Neither Councillor felt it necessary to withdraw from the meeting during consideration of the item.

AUDIT, RISK AND SCRUTINY COMMITTEE
25 June 2015

ALEO GOVERNANCE HUB MINUTE OF MEETINGS OF 15 JUNE AND 17 JUNE 2015

6. The Committee had before it the minutes of the ALEO Governance Hub Meetings of 15 June and 17 June.

Councillor Cameron shared his concerns relating to the lack of internal audit arrangements for Bon Accord Care and sought assurance that the recommendations within the minutes would be implemented. The Senior Democratic Services Manager advised that the responsible officers would pursue the recommendations prior to the next scheduled Governance Hubs meetings in December 2015.

Councillor Noble sought clarification as to who from the Council would be attending the Board Meetings of the Sport Aberdeen, wherein the Senior Democratic Services Manager advised that each ALEO had a lead officer from the Council assigned to it and they would attend the Board Meetings to represent their Service.

Councillor Graham sought clarification relating to the Shareholder Scrutiny Group which had been set up to monitor and scrutinise ALEO's, wherein the Chief Executive advised that the ALEO Governance Hubs were scrutinising each ALEO and that the minutes from those meetings would be presented to this Committee in the future and that the Shareholder Scrutiny Group would no longer meet.

The Committee resolved:-
(i) in relation to Bon Accord Care, item 5, resolution (i) and in response to a question from Councillor Cameron, to note that the responsible officer would pursue the recommendations prior to the next Arm's Length External Organisations (ALEO) Governance Hub Meeting due to be held in December 2015;
(ii) in relation to Sport Aberdeen, item 8 and in response to a question from Councillor Noble, to note that each ALEO had a nominated lead officer from the Council who would represent their Service at future ALEO Board meetings;
(iii) to thank officers for providing the minutes within a short timeframe to this Committee;
(iv) in response to a question from Councillor Graham, to note that Service Committees would receive a report in relation to the ALEO's they were responsible for and that in future the minutes from the ALEO Governance Hub would be presented to this Committee and that the Shareholder Scrutiny Group would no longer meet
(v) to otherwise note the content of the minutes.

MINUTE OF MEETING OF CORPORATE HEALTH AND SAFETY COMMITTEE OF 20 FEBRUARY 2015

7. The Committee had before it the minute of meeting of the Corporate Health and Safety Committee of 20 February 2015.

The Committee resolved:-
to note the content of the minute.

INTERNAL AUDIT ANNUAL REPORT

8. The Committee had before it a report by PricewaterhouseCoopers which outlined the work undertaken by Internal Audit for the year ended 31 March 2015 and included the Head of Internal Audit's annual opinion on the adequacy and effectiveness of governance, risk management and control.

The Convener thanked the internal auditors for their commitment, advice and working relationship with officers throughout their term of appointment.

The Committee resolved:-
(i) to concur with the thanks from the Convener provided to PriceWaterhouseCoopers staff for their commitment and working relationship with officers throughout their term of appointment; and
(ii) to otherwise note the content of the report.

EXTERNAL AUDIT PROGRESS UPDATE

9. The Committee had before it a report by Audit Scotland, external auditor which provided an update on the progress with the external audit of 2014/15 financial year.

The external auditor provided a verbal update in relation to their planned review of the Marischal Square Development.

The Committee resolved:-
(i) to note the verbal update provided by the External Auditor in relation to their planned review of the Marischal Square Development; and
(ii) to otherwise note the content of the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
25 June 2015

AUDIT, RISK AND SCRUTINY ANNUAL REPORT - CG/15/79

10. The Committee had before it a report by the Interim Director of Corporate Governance which presented the annual report of the Audit, Risk and Scrutiny Committee.

The report recommended:
That the Committee –
(a) approve the annual report; and
(b) refer the report to the next meeting of Full Council for their consideration.

The Committee resolved:-
(i) to thank the Corporate Performance and Transformation Manager for the comprehensive report; and
(ii) to otherwise approve the recommendations contained in the report.

DATA PROTECTION REPORTING - JANUARY TO MARCH 2015 - CG/15/82

11. With reference to article 7 of the minute of its meeting of 26 February 2015, the Committee had before it a report by the Interim Director of Corporate Governance which provided an overview of (1) Subject Access Requests Statistics; (2) Data Breaches and Near Misses; (3) Data Protection Training and (4) a general update for the period January to March 2015.

The report recommended:
that the Committee note the report.

Councillor Nathan Morrison sought information relating to unauthorised disclosures and how this could be prevented. The Legal Manager advised that the Service were working with colleagues within Human Resources and that all staff were expected to complete the basic data protection online course at the commencement of their employment and that for some areas of work more comprehensive training was required.

Councillor Graham stated that the statistics were improving and enquired as to whether the additional training provided had made an impact. The Legal Manager advised that an annual report providing an overview throughout the year could be presented to this Committee at the meeting where no quarterly report was presented.

The Committee resolved:-
(i) in response to a question from Councillor Nathan Morrison, to note that all staff were expected to complete the basic data protection course and that for some areas of work more comprehensive training was required and implemented;

(ii) in response to a comment from Councillor Graham, to note that an annual report providing an overview throughout the year would be presented to this Committee at the meeting where no quarterly report was presented; and
(iii) to otherwise note the content of the report.

CORPORATE GOVERNANCE RISK REGISTER - CG/15/80

12. With reference to article 9 of the minute of meeting of the Audit and Risk Committee of 23 September 2014, the Committee had before it a report by the Interim Director of Corporate Governance which presented the Service Risk Register.

The report recommended:
That the Committee -
(a) note the content of the Corporate Governance Risk Register and the status of controls and mitigation in place to manage risks as presented in Appendix 1 to the report;
(b) note that the content of the register would be kept under regular review by the service's Senior Management Team; and
(c) note that the Risk Register would be reported twice each year to the Finance, Policy and Strategy Committee as part of the regular service performance reporting process.

Councillor Cameron sought clarification in relation to the risk of Council losing representation within National Collective Bargaining arrangements through the Scottish Local Government Partnership not being able to secure an agreement with COSLA and how this was progressing. The Head of Human Resources and Customer Service advised that discussions were still ongoing and that an update would be provided to this Committee in due course.

The Committee resolved:-
(i) in response to a question from Councillor Cameron relating to the risk of Council losing representation within National Collective Bargaining arrangements through the Scottish Local Government Partnership not being able to secure an agreement with COSLA, to note the verbal update provided by the Head of Human Resources and Customer Service and that a further update would be provided to the Committee in due course; and
(ii) to otherwise approve the recommendations contained in the report.

CONTINUOUS CONTROLS - FINANCIAL CONTROLS PROGRAMME

13. The Committee had before it a report by PricewaterhouseCoopers which summarised the work that had been undertaken in relation to continuous financial auditing for the six month period up to 31 March 2015.

The Committee resolved:-
to note the content of the report and endorse the recommendations for improvement.

PENSION FUND FINANCIAL CONTROLS

14. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the design and operating effectiveness of the key controls in relation to the pension payroll and the pension fund at the North East Pension and Transport Fund.

The Committee resolved:-
to note the content of the report and endorse the recommendations for improvements.

COMPLIANCE WITH PUBLIC RECORDS (SCOTLAND) ACT - PHASE 2

15. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into Phase Two of their review of the Council's compliance with the Act and assessed the progress made on implementing the Records Management Plan.

The Head of IT and Transformation requested that for two of the recommendations, the responsible officers be amended to become joint responsible officers to include: (1) for 3.02 (Identifying and Maintaining Business Critical and Key Information Assets) the IT Technology Services Manager; and (2) for 3.03 (Business Continuity Planning – Control Design) the Head of Policy, Performance and Resources.

The Committee resolved:-
(i) in relation to recommendation 3.02 (Identifying and Maintaining Business Critical and Key Information Assets) to include the IT Technology Services Manager as a responsible person;
(ii) in relation to recommendation 3.03 (Business Continuity Planning – Control Design) to include the Head of Policy, Performance and Resources as a responsible person; and
(iii) to otherwise note the content of the report and endorse the recommendations for improvement.

MANAGEMENT INFORMATION ICT

16. The Committee had before it a report by PricewaterhouseCoopers which presented an audit into the existing ICT management information requirements, the system's capabilities to collect and analyse data and to review the design and operating effectiveness of controls in place to ensure the integrity of that data.

The Committee resolved:-
to note the content of the report and endorse the recommendations for improvement.

ROADS CONSTRUCTION CONSENT

17. The Committee had before it a report by PricewaterhouseCoopers which advised that the Road Construction Consent (RCC) team revised the requirements for dealing with RCC applications to help improve internal processes and to drive efficiency in how they were managed. Management had requested that Internal Audit evaluate the new process and assess whether the controls in place were sufficient for the RCC to achieve their objectives.

The Committee resolved:-
to note the content of the report and endorse the recommendations for improvement.

FLEET MANAGEMENT GOVERNANCE

18. The Committee had before it a report by PricewaterhouseCoopers which advised that following the Traffic Commissioners public enquiry in September 2014, management had acted to implement significant change within Fleet services to address the governance and control failures identified in the Commissioner's report. Management had requested that a review be undertaken on the proposed changes to evaluate the design and adequacy of the governance and control arrangements being implemented.

Councillor Graham sought information relating to where reports relating to Fleet Services would be reported to ensure that Councillors had an oversight over fleet compliance. The Head of Public Infrastructure and Environment advised that any health and safety aspects would be reported to the Corporate Health and Safety Committee, which in turn would be reported to this Committee via the minutes and that all other performance issues would be reported to the Communities, Housing and Infrastructure Committee via the Performance Indicators.

The Head of Public Infrastructure and Infrastructure further advised that a staff survey had been carried out to ascertain the knowledge of staff on what they were required to do for safety and driver/vehicle compliance. This had identified training needs which were being implemented. The survey would continue to be issued to ensure that the training implemented had been successful.

The Committee resolved:-

(i) in response to a question from Councillor Graham, to note that the health and safety aspects would be reported to Corporate Health and Safety Committee and all other performance issues would be reported to Communities, Housing and Infrastructure via the Performance Indicators; and

(ii) to otherwise note the content of the report and endorse the recommendations for improvement.

REVIEW OF ICT SERVICES - REPORT BY THE EXTERNAL AUDITOR

19. The Committee had before it a report by Audit Scotland, external auditor which presented an audit into the management of ICT Services.

Councillor Nathan Morrison enquired as to whether the Council still had pcs operating on Windows XP which was no longer going to be supported, wherein the advised that there was a programme in place to replace those pcs operating on Windows XP and that the programme should be complete by the end of July 2015.

The Committee resolved:-

(i) in response to a question from Councillor Nathan Morrison, to note that a programme of work had been implemented to replace old pcs operating on Windows XP and that this was envisaged to be complete by the end of July 2015; and

(ii) to otherwise note the content of the report and endorse the recommendations for improvement.

OUTSTANDING AUDIT RECOMMENDATIONS

20. The Committee had before it a report by the Interim Director of Corporate Governance which provided an update on progress with implementing Internal Audit recommendations included within reports previously approved by the Committee.

The report recommended:

that the Committee consider the report and request actions or explanations as appropriate.

The Committee resolved:-
(i) in relation to Community Centres, Protecting Vulnerable Groups (PVG) Checks, to request that a checklist be designed and issued to all Community Centres which allows them to check off the list of items that they are to implement and that this and a report be submitted to the next meeting to provide further information on the PVG checks for volunteers of the community centres;
(ii) in relation to CareFirst, Monitoring and Forecasting Operating Effectiveness, to note that this item was complete;
(iii) in relation to CareFirst, Authorisation Rights, to note the revised date of 31 August 2015;
(iv) in relation to Compliance with Laws and Regulations, Training for staff, Control Design Deficiency, to note that a report would be submitted to this Committee in September 2015 providing details of the risk assessment and a list of priorities;
(v) to request that all outstanding audit recommendations are reported to include external audit and internal audit; and
(vi) to otherwise note the content of the report.

ARM'S LENGTH EXTERNAL ORGANISATIONS TIER 2 REVIEW - CG/15/85

21. With reference to article 19 of the minute of its meeting of 26 February 2015, the Committee had before it a report by the Interim Director of Corporate Governance which addressed outstanding audit recommendations in relation to Arms' Length External Organisations (ALEOs) and an outstanding remit to review Service Level Agreements (SLAs) with tier 2 ALEOs.

The report recommended:
That the Committee –
(a) agree that arrangements had been put in place to meet the two outstanding audit recommendations in relation to scrutiny of Arm's Length External Organisations (ALEOs) performance and risk management; and
(b) note the ongoing work in relation to the review of Service Level Agreements (SLAs) with tier 2 ALEOs and that a further report would be submitted to the next meeting of the Committee.

The Committee resolved:-
(i) to note that the timetable for reviewing the Service Level Agreement for each ALEO would be included in the report to be submitted to the next meeting of this Committee; and
(ii) to otherwise approve the recommendations contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE
25 June 2015

INTERIM REPORT ON THE 2014/15 AUDIT

22. The Committee had before it a report by Audit Scotland, external auditors, which provided a summary of their findings arising from routine audit work around governance and internal controls carried out in the period to May 2015 as part of the 2014/15 audit of Aberdeen City Council.

The Committee resolved:-
to note the content of the report.

UNAUDITED ANNUAL ACCOUNTS 2014/15 - CG/15/83

23. The Committee had before it a report by the Interim Director of Corporate Governance which (1) provided an overview of the Council's 2014/15 unaudited Annual Accounts; (2) enabled scrutiny and approval on the content of the Annual Governance Statement; and (3) provided the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

The report recommended:-
That the Committee-
(a) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2014/15;
(b) note the Council's unaudited Annual Accounts 2014/15, paying particular attention to the sections highlighted in paragraph 5.4;
(c) note the unaudited Annual Accounts 2014/15 of the Council's registered charities;
(d) note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to Audit Scotland by 30 June 2015;
(e) note that as now required by statute, the Audit, Risk & Scrutiny Committee on 29 September 2015 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Head of Finance, Chief Executive and Council Leader;
(f) note that the Audit, Risk & Scrutiny Committee of 29 September 2015 would receive the external auditor's "Combined Annual Report and Report to Those Charged with Governance on the 2014/15 audit" for debate and consideration and that the report would set out the auditor's finding and conclusions from all audit activity undertaken during the year, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
(g) note that the Audit, Risk & Scrutiny Committee on 29 September 2015 would also receive the audited Annual Accounts for the registered charities for

consideration and approval prior to their signature along with the associated external auditor's report.

In relation to the unaudited accounts presented to the Committee, Councillor Graham sought information on the Best Value Audit that had concluded in June 2015. The Interim Director advised that once the final report had been released, an action plan would be developed to address any recommendations and would be presented to Full Council at its meeting in August.

The Committee resolved:-

(i) in response to a question from Councillor Graham relating to the Best Value Audit, to note that following the release of the findings of the audit, an action plan would be submitted to Full Council in August; and

(ii) to otherwise approve the recommendations contained in the report.

ABERDEEN LOCAL SCRUTINY PLAN AND THE NATIONAL SCRUTINY PLAN 2015/16 - REPORTS BY EXTERNAL AUDIT

24. The Committee had before it a report by Audit Scotland, external auditor which presented the Local Scrutiny and National Scrutiny Plans for 2015/16. The local scrutiny plan sets out the planned scrutiny activity of Aberdeen City Council during 2015/16. There was a range of national scrutiny activity planned across councils over the next year and beyond and where activity had been identified for 2015/16 that impacted on individual councils they were included in the National Scrutiny Plan.

The Chief External Auditor advised that he had written to the Chief Executive of the Care Inspectorate requesting that they postpone their audit on adult services due to be undertaken in December 2015 to January 2016 as a further audit on multi-agency public protection arrangements (MAPPA) would be undertaken in June 2015.

The Committee resolved:-

(i) to note that the External Auditor had written to the Chief Executive of the Care Inspectorate requesting that they postpone their audit on adult services due to be undertaken in December 2015 to January 2016 as a further audit on multi-agency public protection arrangements (MAPPA) would be undertaken in June 2015;

(ii) to otherwise note the content of the report.

- JACKIE DUNBAR, Convener.

Agenda Item 2.2

AUDIT, RISK and SCRUTINY COMMITTEE

WORKPLAN

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
29 SEPTEMBER 2015				
Performance and Improvement				
1.	11/05/15 article 6	Elected Member Development	Standing Item	Committee Officer
2.	26/02/15 article 9	Internal Audit Progress and Performance		Internal Audit
3.	26/02/15 article 12	External Audit Progress Report		External Audit
4.		Data Protection Reporting April to June 2015		Governance Support Officer
Risk Management System				
5.		Health and Social Care Integration		Internal Auditor
6.		Shadow Joint Integration Board Risk Register		Performance and Risk Manager
7.		Council Tax Billing 2014/15		Internal Auditor
Control Environment and Assurance – Internal				
8.	26/02/15 article 9	Housing Rent Assessment	Internal Audit Plan agreed.	Internal Auditor
Control Environment and Assurance – External				
9.		Public Performance Reporting – Audit Scotland's Assessment		Head of Communication and Promotion

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
10.		Deduction of PAYE from Office Holders		Head of Legal and Democratic Services
Control Environment and Assurance – Audit Follow Up				
11.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
12.	26/02/15 article 28	Annual Audited Accounts 2014/15		Head of Finance
13.	26/02/15 article 12	Annual Report to Members and the Controller of Audit on the 2014/15 Audit - September committee		External Audit
Value For Money				
14.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Reports				
15.		Matters Under Investigation	Standing Item	
26 NOVEMBER 2015				
Performance and Improvement				
1.	11/05/15 article 6	Elected Member Development	Standing Item	Committee Officer
2.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
3.	26/02/15	External Audit Progress Report		External Audit
4.		Data Protection Reporting July to September 2015		Governance Support Officer
5.		Road Reinstatements from Utility Companies		Head of Public Infrastructure and Environment
Risk Management System				

No.	**Minute Reference**	**Item**	**Committee decision/ Update**	**Lead Officer(s)**
6.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal				
7.	26/02/15 article 9	Cross Service ALEO's	Internal Audit Plan agreed. Likely to be delayed to February 2016 Committee.	Internal Auditor
8.	26/02/15 article 9	Cross Service Recruitment Procedures	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Cross Service Corporate Policies and Procedures	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Cross Service Risk Registers	Internal Audit Plan agreed.	Internal Auditor
11.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial Regulations	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Commercial and Procurement Creditors System	Internal Audit Plan agreed.	Internal Auditor
13.	26/02/15 article 9	Human Resources & Org Dev Payroll System	Internal Audit Plan agreed.	Internal Auditor
14.	26/02/15 article 9	Adult Social Work/Integration Joint Board Social Work Tendering	Internal Audit Plan agreed.	Internal Auditor
15.	26/02/15 article 9	Finance Budget Setting Process	Internal Audit Plan agreed.	Internal Auditor
16.	26/02/15 article 9	Finance Council Tax	Internal Audit Plan agreed. Likely to be delayed to February 2016 Committee. (in for Feb)	Internal Auditor
17.	26/02/15 article 9	Education & Children's Services Recruitment Procedures	Internal Audit Plan agreed.	Internal Auditor
18.	26/02/15 article 9	Housing Rent Collection	Internal Audit Plan agreed.	Internal Auditor
19.	26/02/15	Housing	Internal Audit Plan agreed.	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
	article 9	Building Maintenance		
20.	26/02/15 article 9	Housing Sheltered Housing	Internal Audit Plan agreed	Internal Auditor
21.	26/02/15 article 9	Public Infrastructure & Environment Trade Waste	Internal Audit Plan agreed	Internal Auditor
22.	26/02/15 article 9	Pension Fund Investment Strategy	Internal Audit Plan agreed	Internal Auditor
23.	27/02/14 article 8	Control Assurance Mapping Outstanding from PWC	Internal Audit Plan agreed	Internal Audit
Control Environment and Assurance – External				
24.	26/06/15 article 2	Transfer of Site, Langdykes Road	to request the Chief Internal Auditor to meet with the appropriate Directors to agree the scope for the review and report back to the Committee.	Internal Audit
Control Environment and Assurance – Audit Follow Up				
25.		Audit Recommendations Outstanding	Standing Item	Internal Audit
26.	07/05/14 Article 5	Measures to Prevent and Detect Fraud	To request Officers to report to each meeting of the Committee on all ongoing fraud investigations. To request Officers to report at least annually on measures taken to prevent and detect fraud.	Head of Finance
Financial Reporting				
27.				
Value for Money				
28.				
Exempt Report				
29.		Matters Under Investigation	Standing Item	
25 FEBRUARY 2016				
Performance and Improvement				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.		Internal Audit Plan 2016/17		Internal Auditor
3.	26/02/15	External Audit Progress Report		External Audit
4.	N/A – instruction of Director of CG	Feedback/ Evaluation of External Auditors		Corporate Performance & Transformation Manager
5.		Data Protection Reporting October to December 2015		Governance Support Officer
Risk Management System				
6.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal				
7.	26/02/15 article 9	Cross Service Time Sheets/Allowances	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Cross Service Following the Public Pound	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Cross Service Data Protection	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Cross Service ALEO's	Internal Audit Plan agreed. (moved from Nov)	Internal Auditor
11.	26/02/15 article 9	Finance Bank Reconciliations	Internal Audit Plan agreed	Internal Auditor
12.	26/02/15 article 9	Finance VAT	Internal Audit Plan agreed	Internal Auditor
13.	26/02/15 article 9	Finance Council Tax	Internal Audit Plan agreed. (moved from Nov)	Internal Auditor
14.	26/02/15 article 9	Education & Children's Services Academy Visits	Internal Audit Plan agreed	Internal Auditor
15.	26/02/15 article 9	Education & Children's Services Family and Community Support	Internal Audit Plan agreed	Internal Auditor

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
16.	26/02/15 article 9	Transportation Vehicles	Internal Audit Plan agreed	Internal Auditor
17.	26/02/15 article 9	Transportation Crematorium	Internal Audit Plan agreed	Internal Auditor
18.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Self Directed Support	Internal Audit Plan agreed	Internal Auditor
19.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Integration of Health and Social Care	Internal Audit Plan agreed (when required)	Internal Auditor
Control Environment and Assurance – Audit Follow Up				
20.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
21.		Annual Accounts 2015/16 – Action Plan and Key Dates		Head of Finance
Value for Money				
22.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
23.		Matters Under Investigation	Standing Item	
28 APRIL 2016				
Performance and Improvement				
1.	26/02/15	Internal Audit Progress and Performance		Internal Auditor
2.	26/02/15	External Audit Progress and Performance		External Audit
3.		Data Protection Reporting January to March 2016		Governance Support Officer
Risk Management System				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
4.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal				
5.	26/02/15 article 9	Cross Service Compliance with Procurement related Legislation & Financial Regulations	Internal Audit Plan agreed	Internal Auditor
6.	26/02/15 article 9	Finance Budget Monitoring	Internal Audit Plan agreed	Internal Auditor
7.	26/02/15 article 9	Finance Benefits	Internal Audit Plan agreed	Internal Auditor
8.	26/02/15 article 9	Education & Children's Services Teachers Payroll including Supply Teachers	Internal Audit Plan agreed	Internal Auditor
9.	26/02/15 article 9	Education & Children's Services Out of Authority Placements	Internal Audit Plan agreed	Internal Auditor
10.	26/02/15 article 9	Transportation Tendering Procedures	Internal Audit Plan agreed	Internal Auditor
11.	26/02/15 article 9	Adult Social Work/Integrated Joint Board Integration of Health and Social Care	Internal Audit Plan agreed (when required)	Internal Auditor
Control Environment and Assurance – External				
12.				
Control Environment and Assurance – Audit Follow Up				
13.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
14.		Unaudited Annual Accounts 2015/16		

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Exempt Report				
15.		Matters Under Investigation	Standing Item	
27 JUNE 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
3.	26/06/15 article 11	Data Protection Annual Report		Governance Support Officer
4.		Annual Audit, Risk and Scrutiny Committee Report		Corporate Performance & Transformation Manager
Risk Management System				
5.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal – TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
6.				
Control Environment and Assurance – External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
9.		Unaudited Annual Accounts 2015/16	To present the unaudited accounts.	Head of Finance
10.		External Audit Interim Report on 2015/16 Audit		External Audit
Value for Money				
11.		Audit Scotland Value for Money	Standing Item	Corporate Performance &

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
		National Reviews		Transformation Manager
Exempt Report				
12.		Matters Under Investigation	Standing Item	
27 SEPTEMBER 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
3.		Data Protection Monitoring – April to June 201616		
Risk Management System				
4.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal - TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
5.				
Control Environment and Assurance – External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
9.		Annual Audited Accounts 2015/16		Head of Finance
10.		Annual Report to Members and the Controller of Audit on the 2016/16 Audit - September committee		External Audit
Value for Money				
11.				

No.	Minute Reference	Item	Committee decision/ Update	Lead Officer(s)
Exempt Report				
12.		Matters Under Investigation	Standing Item	
24 NOVEMBER 2016				
Performance and Improvement				
1.		Internal Audit Progress and Performance		Internal Auditor
2.		External Audit Progress and Performance		External Audit
3.		Data Protection Monitoring – July to September 2016		
Risk Management System				
4.	26/02/15 article 14	System of Risk Management	To report elements of the system of risk to each Committee Meeting	Performance and Risk Manager
Control Environment and Assurance – Internal - TO BE COMPLETED ONCE INTERNAL AUDIT PLAN 2016/17 AGREED				
5.				
Control Environment and Assurance – External				
7.				
Control Environment and Assurance – Audit Follow Up				
8.	26/02/15 article 9	Audit Recommendations Outstanding	Standing Item	Internal Auditor
Financial Reporting				
9.				
Value for Money				
10.		Audit Scotland Value for Money National Reviews	Standing Item	Corporate Performance & Transformation Manager
Exempt Report				
11.		Matters Under Investigation	Standing Item	

AUDIT, RISK and SCRUTINY

DECISION TRACKING SHEET

29 September 2015

Please note that this statement contains a note of the decisions allocated to other Committees or to Officers to enable this Committee to track that audit recommendations and recommendations from the Committee are being actioned.

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
1.	Audit, Risk and Scrutiny 26 Feb 15 article 18	**Care First Budgetary Control and Forecasting** (i) in relation to concerns with the system, to request that a report be provided in the first instance to this Committee following the completion of the work by the Short Term Working Group.	T Cowan	Health and Social Care Partnership	A short term working group concluded that in order to reduce the risk of incorrect financial forecasting in relation to care episodes,that the two processes of care management and financial package input had to be separated out. This would allow care managers to concentrate on care planning, and for the financial projections not to be dependent upon their system recordings. A new process, and dedicated staff, has been established which tracks the contemporaneous care management decisions and ensures the financial projections keep apace of these. This will ensure more accurate financial projections. A separate but connected process will be closely monitoring the quality of the care management data, to ensure that the reliability and

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
					integrity of the care management data is optimised.
2.	Audit, Risk and Scrutiny 26 Feb 15 article 22	**Aberdeen International Youth Festival – Following the Public Pound** (ii) to request officers to submit a report on the governance and financial arrangements between the Council and the Aberdeen International Youth Festival at the earliest opportunity	S Whyte	Finance	**Report is on the agenda.**
3.	Audit, Risk and Scrutiny 11 May 15 article 20	**Audit Scotland Value for Money National Reviews** (i) in relation to the report on Borrowing and Treasury Management, to note that following consideration by officers, a report would be submitted to this Committee then Finance, Policy and Resources Committee.	S Whyte	Finance	Report will be submitted to Committee in November.
4.	Audit, Risk and Scrutiny 25 June 15 article 2	**Transfer of Site, Langdykes Road** to request the Chief Internal Auditor to meet with the appropriate Directors to agree the scope for the review and report back to the Committee.	D Hughes P Leonard	Internal Audit Communities, Housing and Infrastructure	Report will be submitted to Committee in November
5.	Audit, Risk and Scrutiny 25 June 15 article 11	**Data Protection Reporting** (ii) in response to a comment from Councillor Graham, to note that an annual report providing an overview throughout the year would be presented to this Committee at the meeting where no quarterly report was presented	F Smith	Legal Services	Report will be submitted to Committee in June 2016
6.	Audit, Risk and Scrutiny 25 June 15 article 12	**Corporate Governance Risk Register** (i) in response to a question from Councillor Cameron relating to	E Sutherland	Human Resources and Customer Service	Verbal Update will be provided to Committee in September

No.	Minute Reference	A,R&S Committee Decision	Lead Officer(s)	Responsible Service	Decision or Update
		the risk of Council losing representation within National Collective Bargaining arrangements through the Scottish Local Government Partnership not being able to secure an agreement with COSLA, to note the verbal update provided by the Head of Human Resources and Customer Service and that a further update would be provided to the Committee in due course.			
7.	Audit, Risk and Scrutiny 25 June 15 article 20	**Outstanding Audit Recommendations** (i) in relation to Community Centres Protecting Vulnerable Groups (PVG) Checks, to request that a checklist be designed and issued to all Community Centres which allows them to check off the list of items that they are to implement and that this and a report be submitted to the next meeting to provide further information on the PVG checks for volunteers of the community centres.	G Woodcock F Bell	Communities and Housing Legal and Democratic	Work has been delayed on this and will now be presented to Committee in November.
8.	Audit, Risk and Scrutiny 25 June article 20	**Outstanding Audit Recommendations** (iv) in relation to Compliance with Laws and Regulations, Training for staff, Control Design Deficiency, to note that a report would be submitted to this Committee in September 2015 providing details of the risk assessment and a list of priorities	F Bell	Legal and Democratic	With the Head of Service being recently appointed, work on this item has been delayed. Report will be submitted to Committee in November.
9.	Audit, Risk and Scrutiny 25 June	**Arms' Length External Organisations** (ii) to note the ongoing work in	F Bell	Legal and Democratic Services	With the Head of Service being recently appointed, work on this item has been

No.	**Minute Reference**	**A,R&S Committee Decision**	**Lead Officer(s)**	**Responsible Service**	**Decision or Update**
	article 21	relation to the review of Service Level Agreements (SLAs) with tier 2 ALEOs and that a further report would be submitted to the next meeting of the Committee; and (iii) to note that the timetable for reviewing the Service Level Agreements for each ALEO would be included in the report to be submitted to the next meeting.			delayed. Report will be submitted to Committee in November.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	29 September 2015
DIRECTOR	Angela Scott (Interim)
TITLE OF REPORT	Development of Elected Members – Update
REPORT NUMBER:	CG/14/095

1. PURPOSE OF REPORT

The purpose of this report is to provide an update on the development of members of this committee, since the last meeting of 11 May 2015.

2. RECOMMENDATION(S)

that the Committee note the content of the report.

3. FINANCIAL IMPLICATIONS

There are no financial implications – all training is being provided in house.

4. OTHER IMPLICATIONS

Staff in democratic services, finance, customer service and performance, human resources, internal audit are contributing to, and delivering training.

5. BACKGROUND/MAIN ISSUES

5.1 On 8 September 2015, two new members of the Committee attended a session providing an overview on Risk Management, Internal and External Audit and the Annual Accounts. Attendance at the detailed session on each topic has still to be arranged.

5.2 At its meeting of 26 February 2015, members were advised that a programme would be organised for those elected members who were not members of the Committee. A session has been scheduled for 2 November to cover Scrutiny of Shared Services and Risk Management.

6. IMPACT

Developing members in the area of the governance and scrutiny of arms length external organisations (ALEOs) should lead to an improvement in the governance and decision making in this area. Developing members' roles in the Audit and Risk Committee will strengthen the scrutiny and risk management arrangements of Council.

7. MANAGEMENT OF RISK

The recommendations address the risks identified in the report "Roles and Responsibilities – Is Aberdeen City Council Getting It Right?" and aim to reduce risk relating to ALEOs.

It is important that members are in a position to properly scrutinise committee papers and have a clear understanding of their responsibilities around risk management. This report seeks to address this and improve members' confidence and competency in these areas.

8. BACKGROUND PAPERS

Designing a Positive Framework Governance with Arms Length External Organisations – Audit and Risk Committee 27 February 2014

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	29 September 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Progress
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 This report advises the Committee of Internal Audit's progress against the approved 2015/16 Internal Audit plan.

2. RECOMMENDATION

2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising as a result of this report.

4. INTERNAL AUDIT PROGRESS

4.1 The Internal Audit plan for 2015/16 was approved by this Committee on 26 February 2015. The plan included an indicative quarter in which it was planned to undertake each audit. The appendix to this report shows the plan along with progress achieved as at the date of this report and a summary is shown in the following table:

Planned Audit Status	As at 15 September 2015 by Original Target Committee Date					%age
	29.09.15	26.11.15	25.02.16	28.04.16	Total	
Complete	1	0	0	0	1	2.9
Draft Report Issued	3	1	0	0	4	11.8
Work in Progress	3	4	1	0	8	23.5
To be Commenced	1	4	9	7	21	61.8
Total	8	9	10	7	34	100.0

4.2 Progress with planned work has been slower than anticipated when developing the plan. This has been caused by:

- The Team focusing on completing Aberdeenshire work from 2014/15 in quarter one;
- Time taken to gain access to Aberdeen City systems and familiarisation with those different systems and personnel;
- Additional work undertaken which has delayed progress with some planned works.

However, progress is improving.

4.3 As mentioned above, in addition to planned audits, the Internal Audit plan has a contingency for additional works and investigations. The following table provides a summary of these to date whilst more details are shown in the attached appendix:

Additional Work Status	As at 15 September 2015
Complete	2
Draft Report Issued	1
Work in Progress	2
Total	5

5. REPORT AUTHOR DETAILS

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APPENDIX A

PROGRESS WITH INTERNAL AUDIT PLAN 2015/16

CROSS SERVICE AUDITS

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
Corporate Policies and Procedures in Aberdeen City and Aberdeenshire Councils (joint audit)	To undertake a "stock take" of the policies and procedures in existence within Aberdeen City and Aberdeenshire Councils with a view to ascertaining the scope for standardisation and rationalisation.	Draft report due to be issued Draft report issued	17.08.15 13.08.15	Green	
		Management response due Management response received	14.09.15 N/A	Amber	
		Final report issued	N/A	Green	
		Original target Committee date Anticipated submission to Committee	29.09.15 26.11.15	Amber	
Risk Registers	Council-wide review of procedures in place to consider whether risks are identified and adequately managed.	Original target Committee date Anticipated submission to Committee	29.09.15 26.11.15	Amber	Work commenced but delayed due to Auditor undertaking additional works (see General section below)
Recruitment Procedures across all Services (excluding Teaching staff) NOTE: Work conjoined with Teachers Recruitment Audit	Consider whether all Services are complying with Policy relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.	Draft report due to be issued Draft report issued	22.08.15 21.08.15	Green	
		Management response due Management response received	21.09.15 N/A	Green	
		Final report issued	N/A	Green	
		Original target Committee date Anticipated submission to Committee	29.09.15 26.11.15	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

CROSS SERVICE AUDITS (continued)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
ALEOs	To review the governance arrangements in place between Aberdeen City Council and its ALEOs, including determination of sources of assurance regarding risk management, internal controls, and staff and information governance.	Original target Committee date Anticipated submission to Committee	26.11.15 26.02.16	Amber	
Compliance with Procurement related Legislation and Financial Regulations.	To review payments made via the Creditors System on a six-monthly basis to ensure that a sample of payments in excess of £5,000 (incl VAT) have been made in full compliance with Legislation and Financial Regulations and that, where appropriate, Value for Money has been achieved by challenging management regarding the purchase. This review will also include a review of files of paid invoices to ensure compliance in relation to lower valued payments.	Audit 1 Original target Committee date Anticipated submission to Committee	26.11.15 25.02.16	Amber	Preliminary work undertaken with Finance to obtain and format required data
		Audit 2 Original target Committee date	28.04.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

CROSS SERVICE AUDITS (continued)

Timesheets / Allowances	Consider whether terms and conditions are being complied with and that timesheets submitted for payment are accurate. Where appropriate, confirm claims to Service documentation and challenge management regarding overtime / additional hours worked.	Original target Committee date	25.02.16	Green	
Following the Public Pound	Review arrangements in place to ensure that public funds are awarded against set criteria which complies with the principles of following the public pound requirements.	Original target Committee date	25.02.16	Green	
Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	Original target Committee date	25.02.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE

Commercial and Procurement Services

Creditors System	Consider whether appropriate control is being exercised over the Creditors System, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	Draft report due to be issued Anticipated Issue	09.09.15 25.09.15	Amber	Partly delayed due to Internal Audit undertaking additional works and some issues need to be discussed with Service
		Original target Committee date Anticipated submission to Committee	29.09.15 26.11.15	Amber	

Finance

Budget Setting Process	Review procedures used in setting the Council's budget.	Original target Committee date Anticipated submission to Committee	29.09.15 26.11.15	Amber	
Council Tax	Consider whether billing and collection arrangements are robust and adequately applied.	Original target Committee date Anticipated submission to Committee	26.11.15 25.02.15	Amber	
Bank Reconciliations	Review procedures to ensure that accurate, timely reconciliations are produced using a robust methodology.	Original target Committee date	25.02.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE (continued)

Finance (continued)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
VAT	Consider whether VAT returns are accurately and timeously prepared and that appropriate reconciliations are completed to ensure accuracy.	Original target Committee date	25.02.16	Green	
Budget Monitoring	Review procedures used for monitoring the Council's revenue budget.	Original target Committee date	28.04.16	Green	
Benefits	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	Original target Committee date	28.04.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

CORPORATE GOVERNANCE (continued)

Human Resources and Organisational Development

Payroll System	Consider whether appropriate control is being exercised over the payroll system, including contingency planning, disaster recovery and interfaces, and that payments made by the system are accurate. To include system data reconciliations	Draft report due to be issued Draft report issued	09.07.15 14.09.15	Red	Delayed due to Auditors undertaking additional work
		Management response due Management response received	13.10.15 N/A	Green	
		Original target Committee date Anticipated submission to Committee	29.09.15 26.11.15	Amber	

EDUCATION AND CHILDREN'S SERVICES

Recruitment Procedures NOTE: Work conjoined with Council-wide review	Consider whether Service is complying with Policy relating to recruitment of teaching staff, and that recruitment is being undertaken in the most efficient manner.	Draft report due to be issued Draft report issued	22.08.15 21.08.15	Green	
		Management response due Management response received	21.09.15 N/A	Green	
		Original target Committee date	26.11.15	Green	

Academy Visits	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Draft report due to be issued	30.10.15	Green	
		Original target Committee date	25.02.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

EDUCATION AND CHILDREN'S SERVICES (continued)

Family and Community Support – Family Centres	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Original target Committee date	25.02.16	Green	
Teachers Payroll including Supply Teaches	Consider whether all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona-fide employees.	Original target Committee date	28.04.16	Green	
Out of Authority Placements	Consider whether system used to make placements is robust and that alternatives are considered before decisions are made which commit expenditure.	Original target Committee date	28.04.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

Housing

Rent Assessment	Consider whether the scheme is robust and is operating satisfactorily in relation to rent setting.	Draft report due to be issued Draft report issued	26.06.15 26.06.15	Green	
		Management response due Management response received	24.07.15 06.07.15	Green	
		Final report issued	17.07.15	Green	
		Original target Committee date Actual submission to Committee	29.09.15 29.09.15	Green	

Rent Collection	Consider whether rent collection and arrears processes are robust and are being complied with.	Draft report due to be issued Draft report issued	25.09.15 N/A	Green	
		Original target Committee date Anticipated submission to Committee Actual submission to Committee	29.09.15 26.11.15	Amber	

Building Maintenance Procurement	Consider whether adequate control is in place regarding procurement of materials.	Original target Committee date Anticipated submission to Committee	26.11.15 TBC	Amber	Delayed due to volume of additional works being undertaken by Internal Audit in the Service (see General Section below)

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SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES (continued)

Housing

Sheltered Housing	To review the implementation of revised arrangements following the January 2013 report on Housing for Varying Needs Review.	Draft report due to be issued	09.10.15	Green	
		Original target Committee date	26.11.15	Green	

Transportation

Vehicles	Ensure that the procedures put in place to address concerns raised by the Traffic Commissioner have been implemented and are operating in a satisfactory manner. To include random, unannounced visits to check vehicles.	Original target Committee date	25.02.16	Green	
Crematorium	Ensure that procedures put in place to address concerns raised in 2014/15 have been embedded in the Crematorium and ascertain where assurance over operation will be obtained from in future.	Original target Committee date	25.02.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES (continued)

Transportation (continued)

Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee date	28.04.16	Green	

Public Infrastructure and Environment

Trade Waste	Consider whether adequate control is in place covering income and expenditure, that appropriate agreements and other paperwork is in place, and that accounting arrangements are robust.	Draft report due to be issued	13.10.15	Green	
		Original target Committee date	26.11.15	Green	

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

Social Work Tendering	Consider whether robust, documented procedures are in place to adequately control tendering and selection processes.	Draft report due to be issued	02.10.15	Green	
		Original target Committee date	26.11.15	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD (continued)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
Self Directed Support	Consider whether adequate control is exercised over direct payments made in advance to clients.	Original target Committee date	25.02.16	Green	
Integration of Health and Social Care	Internal Audit provision for Health and Social Care Partnership to include consultancy on arrangements being introduced covering risk management, staff and information governance, and provision of assurance to stakeholders.		As Required	N/A	Proposed audit work detailed in separate report to Audit, Risk and Scrutiny Committee on 29 September 2015

PENSION FUND

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
Investment Strategy	Review of compliance with pension fund investment strategy.	Original target Committee date Anticipated submission to Committee	26.11.15 25.02.16	Amber	
Investment Management	Review of arrangements in place to monitor the performance of investment managers.	Original target Committee date	28.04.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

GENERAL

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
Follow up of recommendations agreed in previously issued Internal Audit reports.	To provide assurance that agreed actions have been implemented. Reporting will be by way of regular updates to Audit, Risk and Scrutiny Committee. To include reporting of agreed PWC recommendations.	Target Committee Date Actual Committee Date	29.09.15 29.09.15	Green	
		Target Committee Date Actual Committee Date	26.11.15	Green	
		Target Committee Date Actual Committee Date	25.02.15	Green	
Reporting Internal Audit outputs to Audit, Risk and Scrutiny Committee.	To provide Audit, Risk and Scrutiny Committee with assurance regarding the areas examined by Internal Audit.	Target Committee Date Actual Committee Date	29.09.15 29.09.15	Green	
		Target Committee Date Actual Committee Date	26.11.15	Green	
		Target Committee Date Actual Committee Date	25.02.15	Green	
Commercial and Procurement Services - PACE Projects.	To provide consultancy regarding issues arising from proposed projects.	N/A		N/A	
Shared Services as they arise.	To provide consultancy regarding issues arising from shared service proposals.	N/A		N/A	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

GENERAL (continued)

Contingency - Investigations and additional works.	To undertake investigations and additional works as they arise during the year and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	Additional works undertaken / being undertaken are detailed in the following tables.			
Council Tax Billing 2014/15	Establish reasons why incorrect bar codes had been recorded on Council Tax Bills and the controls in place to prevent duplicate bills being issued.	Draft report issued	02.06.15	Green	
		Management response due Management response received	30.06.15 03.07.15	Amber	
		Final report issued	07.07.15	Green	
		Actual submission to Committee	29.09.15	Green	
Craft Workers Terms and Conditions	To review the completion of timesheets and compliance with agreed terms and conditions.	Draft report issued	12.08.15	Green	Management response being discussed.
		Management response due Management response received	08.09.15 11.09.15	Amber	
		Final report issued	N/A	Green	
		Anticipated submission to Committee	26.11.15	Green	
Window Replacements	To review the circumstances regarding window replacements.	Final report issued	21.08.15	Green	
		Anticipated submission to Committee with management response	26.11.15	Green	
Building Services Recharges	To evaluate controls in place to ensure costs (materials and labour) charged to jobs are accurate.	Anticipated draft report issue	16.10.15		
		Anticipated submission to Committee	25.02.16	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable

GENERAL (continued)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 15 September 2015		Red Amber Green	Comment where applicable
Langdykes Road	To review whether officers have complied with Council policy / procedure in respect of granting of planning permission for the development of a Hydrogen Power Station.	Anticipated submission to Committee	26.11.15	Green	

AUDIT SCOTLAND

External Audit Progress Update – 2014/15 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee
September 2015

Purpose of this report

1. This report aims to provide an update of progress with the external audit of the 2014/15 financial year. The intention is to provide the Audit, Risk and Scrutiny Committee (ARSC) with an update at each meeting. Our roles and responsibilities were set out in our 2014/15 annual audit plan which was considered by the Committee in February 2015. A significant element of our work relates to gathering the assurances required to support our opinion on the council's financial statements.

Summary of planned audit work for 2014/15

2. . For 2014/15, our planned work includes:

- an audit of the financial statements and provision of an opinion on whether:
  - they give a true and fair view of the financial position of Aberdeen City Council as at 31 March 2015 and its income and expenditure for the year then ended
  - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
- an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee
- reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This was developed following the Local Area Network's (LAN) consideration of new evidence in terms of its impact on existing risk assessments and identifying scrutiny activity for the council during 2015/16

- a review and assessment of Aberdeen City Council's governance and performance arrangements in a number of key areas including a review of: internal controls; the adequacy of internal audit; arrangements for Statutory Performance Indicators; national study follow-up work; and a review of the ICT environment
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- review of National Fraud Initiative arrangements

Matters for Members' attention

3. We would highlight the following points for members' attention in considering the progress report:

- **Financial Statements**: The Local Authority Accounts (Scotland) Regulations 2014 requires local authority audit committees to meet by 30 September to consider whether to approve the audited annual accounts for signature. This is a change from previous requirements. Also, in the past, we reported issues arising from the audit of the financial statements within an ISA260 Report – Communication to those charged with governance - by 30 September and concluded the audit with the publication of our Annual Report to Members and the Controller of Audit a month later. From 2014/15 onwards, we have changed our reporting framework such that our annual report is combined with the ISA260 and the resultant document is included on the agenda for the September meeting of the ARSC alongside the audited accounts. The earlier completion of the audit work on the financial statements and conclusion of our annual audit report were achieved through early planning with the Head of Finance and his team and the flexibility of both the finance and audit teams during the process. We are grateful for the co-operation received from officers.
- **Local Scrutiny Plan**: Included in the 2015/16 Local Scrutiny Plan for the council is the Care Inspectorate's planned inspection of older people's service. This activity is planned for December 2015/January 2016. Recognising that the council's inspection report on children's services was published in March 2015 and that Audit Scotland published the findings from a Best Value audit in July 2015, we wrote to the chief executive of the Care Inspectorate with a view to delaying the inspection of older people's services. However, it is the Care Inspectorate's intention to proceed with the inspection in line with the existing timetable as it forms part of a programme of inspection activity approved by Scottish Ministers. Inspection colleagues have however intimated that the format of the inspection will be less labour intensive for both inspectors and officers and they have expressed a willingness to discuss the approach to their work in more detail with officers.
- **Health and social care integration:** Linked with the above matter, we are aware that officers are focused on health and social care integration in the run up the Integrated Joint Board's (IJB's) implementation date in April 2016. Where an IJB is established during 2015/16, it does not assume responsibilities until 1 April 2016 but it will be expected to prepare annual accounts for 2015/16 and be subject to

external audit. The external audit arrangements will fall within the remit of Audit Scotland and consequently, we will keep the committee informed of emerging issues and audit expectations.

4. In agreeing our fee for the audit with the Head of Finance, we agreed to deliver the following outputs in relation to the 2014/15 audit. A summary of progress against our plans is set out below.

Progress of 2014/15 audit work – planned audit outputs

Planned outputs /Related activity	Target date for ARSC	Actual date	Complete	Comments
Governance				
Annual Audit Plan including agreement of our fee for the audit	26 February 2015	26 February 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 26 February 2015
Local Scrutiny Plan	30 April 2015 (Delayed due to re-scheduled committee date)	25 June 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 25 June 2015.
Interim report on 2014/15 audit – covers internal controls and a follow up of 2013/14 Interim Action Plan	25 June 2015	25 June 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 25 June 2015.
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	29 September 2015	29 September 2015	Yes	On agenda for 29 September 2015
Independent auditor's report on the financial statements	29 September 2015	29 September 2015	Yes	On agenda for 29 September 2015.

Planned outputs /Related activity	Target date for ARSC	Actual date	Complete	Comments
Audit opinion on charitable trusts	29 September 2015	29 September 2015	Yes	On agenda for 29 September 2015

Progress of 2014/15 audit work – returns

4. We are required to certify/submit the following returns but we do not routinely bring these matters to the committee:

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Financial Statements				
Audit opinion on Whole of Government Accounts (WGA) The audited WGA pack is submitted to the Scottish Government who transfers it to HM Treasury for upload to the system which brings together the consolidation of all UK local government accounts. The WGA pack is a series of spreadsheets completed by Finance using the council's group accounts and requires a detailed list of inter-public sector transactions and debtor and creditor balances to be identified which is used later in the consolidation process to eliminate corresponding balances.	30 September 2015			Having concluded our audit on the 2014/15 financial statements, we are working on the WGA return and anticipate being able to conclude the audit by the due date.

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Grants				
Education Maintenance Allowances	31 July 2015	31 July 2015	Yes	
Criminal Justice Services Returns	30 September 2015			Field work on the claim is complete and we anticipate being able to certify the claim by the due date.
Housing Benefit and Council Tax Benefit Subsidy	30 November 2015		Ongoing	The first stage of testing 2014/15 benefit cases based on our HBCount methodology was concluded in June. Findings were evaluated and any follow up work was agreed with the Revenues team for action over the summer. During November, we will conduct the final tranche of benefit testing and pull together the results of all cases examined as part of our audit in order that the opinion can be given by 30 November 2015.
Non Domestic Rates Income return	January 2016			

Anne MacDonald, Senior Audit Manager

September 2015

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ABERDEEN CITY COUNCIL

COMMITTEE	AUDIT & RISK COMMITTEE
DATE	29TH SEPTEMBER 2015
INTERIM DIRECTOR	ANGELA SCOTT
TITLE OF REPORT	DATA PROTECTION REPORTING – APRIL – JUNE 2014
REPORT NUMBER:	CG/15/106
CHECKLIST RECEIVED	YES

1. PURPOSE OF REPORT

The purpose of this report is to provide an overview for quarter 1 (April-June 2015) to Committee of the following areas:

a) Aberdeen City Council Subject Access Request statistics
b) Data Breaches and Near Misses
c) Data Protection training
d) General Update

2. RECOMMENDATION(S)

It is recommended that the Committee note the report.

3. FINANCIAL IMPLICATIONS

There are no financial implications at this time.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

a) Aberdeen City Council Subject Access Request Statistics

A recommendation of the Information Commissioners Office (ICO) inspection of the Council's compliance with Data Protection legislation was that the number of Subject Access Requests (SARs) and Third

Party Requests received by the Council be recorded and reported to the appropriate Committee. As previously advised, these figures will be reported to the Audit & Risk Committee on a quarterly basis. The figures for the latest complete quarter, April to June 2015, are detailed below.

In the reporting quarter Aberdeen City Council received **20** Subject Access Requests and **47** requests from 3rd parties for personal data held by it.

By Service:

Service	Subject Access Requests	3rd Party Requests
Aberdeen City Health and Social Care Partnership	**17**	**42**
Communities Housing & Infrastructure	**2**	**5**
Corporate Governance	**1**	**0**
Education & Children's Services	**0**	**4**
Office of Chief Executive	**0**	**0**
TOTAL	**20**	**51**

In the quarter, **71** requests have been responded to. The requirement of the Data Protection Act is that requests are responded to within 40 days. **65** requests were responded to within 40 days in the reporting quarter, some **91 %** of requests responded to.

The Council can charge a fee, maximum of £10, prior to responding to a Subject Access Request. In the reporting period fees were charged in respect of **2** request.

b) <u>Data Breaches and Near Misses</u>

In addition to the above, the Council has an established procedure for the recording and reporting of data protection breaches. This information is reported to Members in order to provide an overview of the Council's performance in relation to keeping personal data secure.

In the reporting quarter the following breaches occurred:

<u>By Service:</u>

Service	Number of Breaches
Aberdeen City Health and Social Care Partnership	5
Communities Housing & Infrastructure	1
Corporate Governance	1
Education & Children’s Services	1
Office of Chief Executive	0
TOTAL	**8**

By Breach Type:

Type of Breach	Number of Breaches
Human Error	6
Unauthorised Disclosure	2
Unauthorised Access	0
Loss	0
Theft	0
Other	0
TOTAL	**8**

Data Protection breaches are dealt with in a way which is dependent on the nature and potential severity of the breach. Where a breach involves or potentially involves a large volume of personal data or sensitive personal data which is likely to have an adverse impact of the data subject, then more often than not, the Council as Data Controller will ‘self-report’ the breach to the ICO.

During the reporting period none of the breaches were such that a self-report to the ICO was required.

The regular reports to this Committee will also provide an opportunity to update Members in relation to any significant breaches, including those where the Council has ‘self-reported’. It will also allow for an update in respect of previous significant breaches, particularly where there may have been media coverage.

There have been no determinations by the ICO of outstanding breach investigations during the reporting period.

A full review of the Aberdeen City Council Corporate Data Protection policy and associated suite of procedures has been completed. Revised Policy and Procedures have been submitted to the Finance, Policy & Resources Committee for consideration. Subject to that Committees approval, the recording and reporting of Data Protection near misses will commence in October 2015.

c) Data Protection Training

As previously reported to Committee, a review of induction Data Protection has been undertaken. Information on overarching Data Protection responsibilities has been included in the content of an e-Induction module which is to be undertaken by all staff. Further, all staff who have responsibility for the processing of personal information will be required to complete the Data Protection essentials training which has been redesigned to provide an overview of the law and a focus on the responsibilities and expectations for individual staff members.

The launching of these revised training packages is being co-ordinated by the HR Service and further consideration of how completion rates for this training will be monitored are to be considered.

d) Complaints about Data Handling

A further aspect of the Data Protection responsibilities of Aberdeen City Council is responding to any complaints received from data subjects relating to the manner in which the Council processes their personal data.

The process for handling complaints is two-fold. At the first stage, when the complaint is raised with the Council, the organisation will seek to respond to the complainant and resolve the concern. This may be by providing information relating to the manner in which personal data has been processed or by identifying and rectifying any weakness.

The second stage, if a complainant remains dissatisfied is where a data subject can make a complaint to the ICO. The ICO will invite the Council to detail its handling of the issue under consideration and thereafter investigate such complaints and determine whether or not it is likely that the Council has fulfilled its obligations and duties under the Data Protection Act.

If the Council has failed in its obligations and duties, the ICO can require the organisation to take action to mitigate any risk.

In the reporting period, 1 complaint was received by the Data Controller from a data subject.

Further, in the reporting period, there have been no notifications from the ICO that any complaints about Aberdeen City Council had been received in its office.

6. IMPACT

None

7. MANAGEMENT OF RISK

Adherence to the Council's policies and procedures for the handling of personal data is essential to the management of the risk associated with the management of information. Strong monitoring of the effectiveness of these arrangements is necessary in order to identify any areas of concern and implement appropriate arrangements to mitigate this.

8. BACKGROUND PAPERS

None

9. REPORT AUTHORS DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	29 September 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit – Health and Social Care Integration
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 In May 2015 the Scottish Government issued final guidance for Integration Financial Assurance. This report advises the Committee of proposed arrangements regarding the provision of assurance in relation to Health and Social Care Integration.

2. RECOMMENDATIONS

2.1 The Committee is requested to:-

2.1.1 Note the Scottish Government's guidance for integration financial assurance and the requirement this places on Audit Committees within each of the partner bodies, and subsequently on Integration Joint Boards (IJBs) when established;

2.1.2 Note the ongoing work between NHS Grampian, Aberdeen City, Aberdeenshire and Moray Councils and the Shadow IJBs to develop working arrangements, consistency of approach through each organisation's 2015/16 Internal Audit Plan, and the establishment of a local audit network;

2.1.3 Approve the adjustment to the 2015/16 Internal Audit Plan to include the review of Health and Social Care integration, as outlined in Appendix 2, in the third quarter of 2015/16;

2.1.4 Approve the sharing of future internal audit reports related to Health and Social Care Integration with NHS Grampian and local authority partners and the IJBs, on a reciprocal basis.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising as a result of this report.

4. Discussion

4.1 In May 2015 the Scottish Government issued final guidance for Integration Financial Assurance. This has been included as Appendix 1 to this report.

4.2 The guidance places specific requirements on the Audit Committees of partner organisations as follows:

4.3 Pre Integration – shadow period

4.3.1 Audit Committees are required to obtain assurance on the following:

- The finance provisions to be included in the integration scheme;
- The plans for financial governance and financial assurance and risk;
- That lessons have been learned from other integration projects; and
- That the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.

4.3.2 The guidance recommends that Audit Committees are provided with a report on the assurance work carried out by the Health Board and Local Authority. This report is to be produced jointly by the Health Board and Local Authority Chief Internal Auditors and should be available sufficiently in advance of delegation of functions and resources to allow consideration by the Audit Committees. This assurance report is also to be shared with the Audit Committees of the IJBs, when established.

4.4 Post Integration

4.4.1 The Audit Committee of each IJB, when established, is required to:

- Review the finance provisions included in the integration scheme to ensure that they enable the IJB to carry out its functions;
- Formally assess whether the resources to be made available to the IJB are adequate for it to deliver its objectives and that the associated risks and assumptions are reasonable and clearly understood;
- Ensure that the respective risk management arrangements have been updated to incorporate the risks introduced by integration.
- The guidance also recommends that the Audit Committees of each partner organisation and the IJBs are provided with a post integration report within the first year of establishment of the IJBs. This report should include the following:
- An evaluation of the actual risk and financial performance against the pre-integration assumptions;
- An assessment of performance against relevant integration milestones;
- Lessons learned; and
- An assessment of whether the IJB is on course to deliver the long term benefits.

4.5 Proposed approach

4.5.1 The requirements of the Scottish Government guidance were considered at a recent meeting attended by representatives of the Internal Audit functions of all three Councils and NHS Grampian.

4.5.2 The need for joint reporting, and coordinated action to ensure consistency of approach and avoid duplication of effort was discussed. Although there is generally no issue with sharing audit reports for information, there can be issues where an organisation other than the body for which the audit was performed seeks to draw assurance from those reports, as they will not have been prepared with a wider audience in mind. In agreeing to share the audit reports, and developing a shared approach, in advance, it is intended to avoid this issue as far as possible.

4.5.3 The guidance requires 'due diligence' to be exercised. This is a widely used phrase with a particular application in the world of finance and commerce and implies a level of in depth legal scrutiny on the history and standing of a company carried out prior to entering a contractual relationship. It is instead considered by the group that the proposed audit activity should seek to provide 'reasonable assurance' over the integration process, as is provided over other audited areas within each organisation.

4.5.4 There is a requirement for the IJB Audit Committees to formally consider whether the resources are adequate for it to deliver its objectives. The audit process focuses on the effectiveness of the internal control processes. Whilst audit assurance can be provided in terms of process and accuracy of information available to support decision making it would be outwith the professional scope of audit opinion to comment on the adequacy of available resources. In this context therefore the requirement is subjective and dependant on the individual skills of audit committee members to interpret the available management information.

4.5.5 The group have recommended the following approach is adopted:

Short term - 2015/16

- Each individual organisation will build sufficient capacity in to their internal audit plan for a review of integration arrangements from their own organisation's perspective. Time has already been built into the Council's Internal Audit Plan for 2015/16, as agreed by the Committee on 26 February 2015;
- Each organisation will carry out the audit in line with a scope jointly agreed by the Audit Committee's of the four partner organisations (NHS Grampian, Aberdeenshire Council, Aberdeen City Council and Moray Council) (See Appendix 2);
- The shadow IJB Chief Officers will also be asked to inform development of the scope;
- Each partner organisation will make arrangements and ensure that the appropriate approvals are in place to share the results of their review with each of the other organisations and that each organisation can use the report as a source of assurance;
- Each audit will be complete by November 2015 with all four reports to be available for consideration at the December, or nearest, Audit Committee of each partner organisation;
- Following consideration by each of the partner Audit Committees the four reports will then be shared with the Audit Committees of the IJBs;

Longer term

- Establishment of a local audit and assurance network to include representation from internal and external auditors and from officers involved in the management of audit and financial governance arrangements for each partner organisation and the three IJBs;
- The function of the audit network should be to act as a source of advice and guidance supporting the development of audit and assurance arrangements for the IJB's and to ensure efficient co-ordination of audit and counter fraud activity on an ongoing basis between the partner organisations and the IJBs;
- The exact role and remit of the audit network is to be agreed by the Audit

Committees of each organisation and the IJBs, when established;

- The audit network should be tasked with the development of a local framework to guide audit and assurance, including counter fraud, activity relating to integration within Grampian and to develop an action plan to meet the specific requirements of the guidance on integration financial assurance published by the Scottish Government.

4.6 Risk Mitigation

4.6.1 The suggested approach is intended to meet the initial pre-integration requirements of the Scottish Government guidance on integration financial assurance through effective co-ordination of internal audit activity in line with a jointly agreed scope for 2015/16. Longer term, without collaboration, there is a risk of audit and assurance arrangements becoming inefficient and costly to implement. The establishment of a Grampian audit network will ensure that there is common agreement on key principles and effective co-ordination of audit and assurance activity across organisations, delivering best value in line with Scottish Government policy and guidance.

5. REPORT AUTHOR DETAILS

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Appendix 1

Appendix 2

Draft Scope

Health and Social Care Integration

Internal Audit will carry out work to provide assurance over:

Governance

- Clear, strong and effective governance controls exist for the establishment of the Integrated Joint Board's (IJBs) ensuring that lessons learned from other projects have been considered and there is appropriate representation from each of the Councils and NHS Grampian.
- IJBs will be established to a pre-agreed programme plan and in line with Scottish Government guidance and legislative requirements.
- A risk management strategy has been agreed with all risks assigned owners.

Financial Provisions

- A clear, agreed framework exists detailing the budgets to be devolved for each area of service that the IJB will take responsibility for including detailed assumptions, savings (recurring and non-recurring), efficiencies and scenario planning.
- Baseline budget information agrees to underlying records (where possible) and is calculated in line with Scottish Government guidance.
- Confirm that all parties have had sight of relevant budget information from the other party and the underlying process for deciding them.
- Confirm that all budgets to be devolved have been appropriately approved.

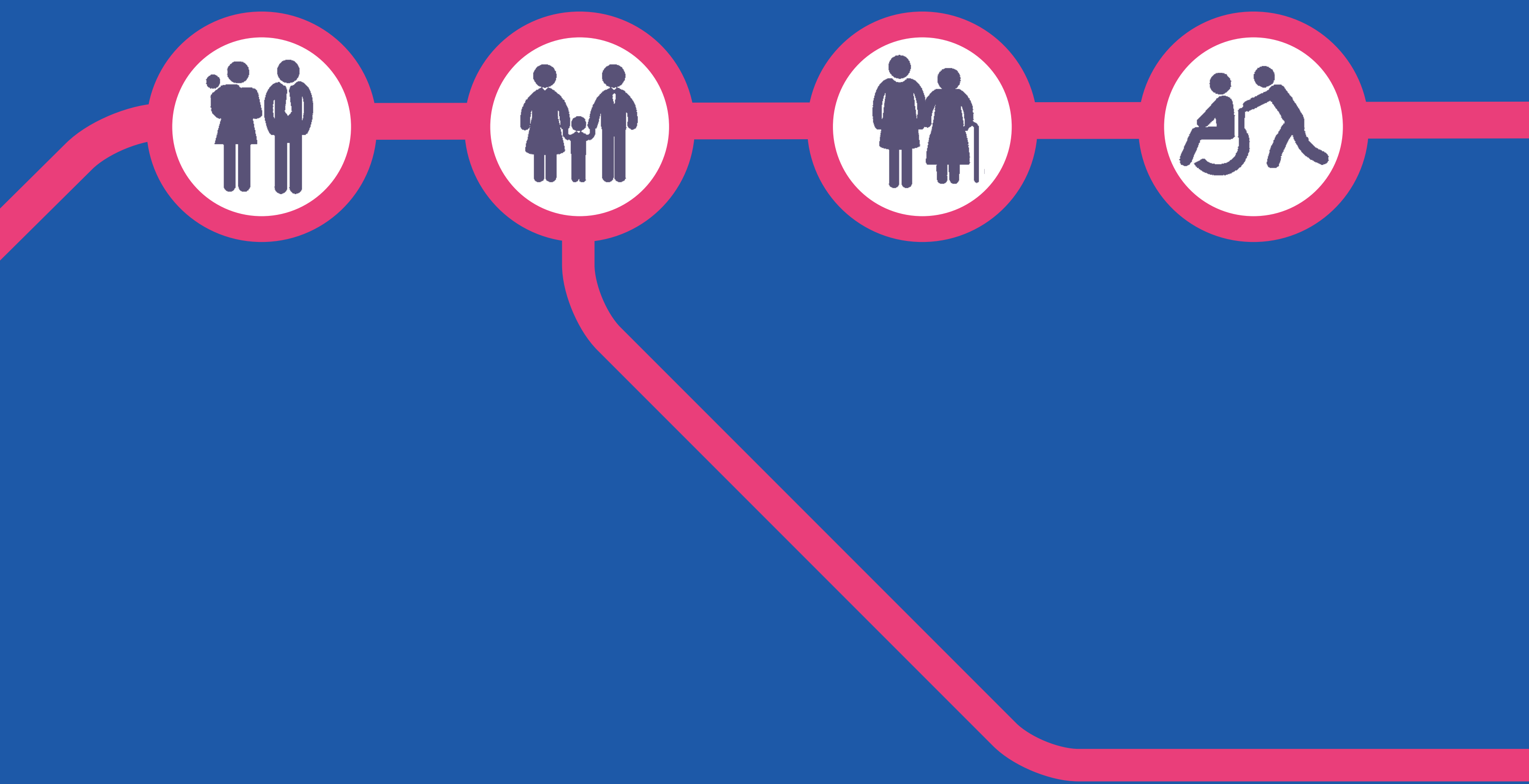
Monitoring Arrangements

- Robust financial performance monitoring arrangements are in place including a prescribed process for identifying and analysing variances and deciding the correct course of action
- Appropriate financial metrics have been identified to assess whether integration has met its objectives

The Scottish Government
Riaghaltas na h-Alba

Integration
Financial Assurance

Advice to Health Boards, Local Authorities and Integration Joint Boards on a process of assurance



Public Bodies (Joint Working) (Scotland) Act 2014

Health and Social Care Integration

Contents

1. Introduction and Purpose

The purpose of this note is to provide advice to Health Boards, Local Authorities and Integration Joint Boards on a process of assurance to help make Integration a success.

The advice is based on a number of publications and on lessons learnt from the Highland partnership, which partners may find a useful resource [1,2,3,4,5].

2. Assurance and Integration

It has been noted[1] that many of the challenges of public sector mergers stem from the fact that they tend to be externally imposed on the bodies and that Health Boards, Local Authorities and senior management teams often feel that they are being thrown into a process over which they have little control. This introduces additional risks to the success of the new arrangements and to existing operations during the transition period.

Audit Scotland's June 2012[2] report emphasised a number of lessons that public sector bodies can learn from to minimise these risks, including the importance of strong leadership, effective planning for transition and implementation and assessing performance.

An effective assurance process should enable the host body (whether an Integration Joint Board (IJB) in a corporate body arrangement; or a Health Board or Local Authority in a lead agency arrangement) to identify the resources delegated to it and the financial, legal or organisational risks involved; it should also help the delegating partners to quantify the risks to their respective operations. If planned and implemented in a logical sequence, it should allow the Health Board and Local Authority to maximise the benefits and minimise the risks from integration.

Typically, an assurance process covers three main areas:

- Legal
- Financial
- Operational

The focus of this guidance is on financial assurance, but it is recommended that partners coordinate their activities across the three domains as work in one area can often inform work in another.

A formal process of financial assurance will typically involve an exhaustive review of all relevant documents and records in an effort to assess the resources and risks associated with them. A similar process will be required for integration but it should be possible for partners to avoid some of the work by placing reliance on assurances from each other for their respective delegated resources and on the existing operational and financial knowledge of the shadow Chief Officer. This will clearly require a high degree of trust between the key officers.

[1] Audit Scotland: Learning the lessons of public body mergers. Good practice guide
[2] Scott-Moncrieff Briefing: Mix with Care- Mergers in the Public sector
[3] Deloitte: The Role of the Audit Committee in the merger & Acquisition cycle
[4] Charities Commission: Checklist for due diligence
[5] HFMA. Combining NHS bodies. A practical checklist for mergers and acquisitions synopsis

It is recommended that Health Boards and Local Authority Directors of Finance and the shadow Chief Officer and shadow Chief Financial Officer of the IJB foster an assurance process based on mutual trust and confidence involving an open-book approach and an honest sharing and discussion of the assumptions and risks associated with the delegated services.

The assurance process should be proportionate to the potential risks and should cover the whole transition period from pre-integration, implementation and post integration.

3. Financial Assurance

Integration Joint Boards will be established during 2015/16 and so will not be able to formally participate in the financial assurance process until that point. One of most important items of business for a newly established Integration Joint Board will be to obtain assurance that its resources are adequate to allow it to carry out its functions and to assess the risks associated with this. In order to facilitate this, it is recommended that:

- The shadow Chief Officer and the shadow Chief Finance Officer work with the Health Board and Local Authority Directors of Finance in carrying out the assurance work up to establishment of the Integration Joint Board. Where the shadow Chief Finance Officer has not been identified, the Health Board and Local Authority Directors of Finance should provide advice to the shadow Chief Officer.

- The shadow Integration Joint Board should receive regular reports on the assurance work until the IJB is established and the IJB audit committee (or committee(s) carrying out equivalent function) should receive them thereafter; and

- The Health Board and Local Authority internal auditors provide a report to the Health Board and Local Authority audit committees (copied to the shadow Integration Joint Board) on the assurance process that has been carried out by the Health Board and Local Authority.

The financial assurance process should focus on two main areas: financial governance; and financial assurance and risk assessment for the delegated resources.

3.1 Financial Governance

The legislation sets out the finance provisions that must be included in the Integration Scheme and the Integrated Resource Advisory Group guidance (IRAG) and the model integration scheme provide further information on these.

The Health Board accountable officer and the Local Authority section 95 officer must ensure that these provisions enable them to discharge their responsibilities in respect of the resources that will be delegated to the Integration Joint Board; similarly, the shadow Chief Finance Officer must ensure that the provisions provide the IJB with the financial information and support systems to enable it to carry out its functions.

3.2 Financial Assurance and Risk Assessment

In order to assess whether the resources delegated to the Integration Joint Board are adequate for it to carry out its functions, the shadow Chief Officer and shadow Chief Finance Officer must review the provisions in the Integration Scheme that set out the method of determining the payments and amounts to be made available to the IJB; this should include both the method for setting the initial sums and that to be followed in subsequent years.

3.2.1 Assurance for the Initial Sums

It is recommended that the initial sums should be determined on the basis of existing Health Board and Local Authority budgets, actual spend and financial plans for the delegated services. It is important that the plans are tested against recent actual expenditure and that the assumptions used in developing the plans and the associated risks are fully transparent.

To assist in this it is recommended that:

- The budget in the financial plan is assessed against actual expenditure reported in the management accounts for the most recent two/three years. Ideally, the roll forward of the budget for the delegated services and the actual expenditure over this period should be understood;

- Material non-recurrent funding and expenditure budgets for the delegated services and the associated risks are identified and assessed;

- The medium term financial forecast for the delegated services and associated assumptions and risks is reviewed;

- Savings and efficiency targets and any schemes identified are clearly identified and the assumptions and risks are understood by all partners. This is a key part of the assurance process and the experience from Highland partners is that it is a potential source of future disagreement (see annex A); it is advised that partners devote sufficient time to understand the targets, efficiency schemes and associated assumptions and risks;

- All risks should be quantified where possible and measures to mitigate risk identified. Risks could be classified as delivery of efficiency savings; on-going risks; emerging risks;

- The amount set aside for the IJB consumption of large hospital services is consistent with the methods recommended in the IRAG guidance on the set aside resource and that the assumptions and risks are assessed.

Partners should be aware that the financial regimes, cultures and terminology differ between Health Boards and Local Authorities with the potential for confusion when reviewing the budget-particularly in the definition of what represents a recurrently balanced budget. It is recommended that partners are clear about the definitions of the terms used in their assurance work.

In line with normal budget monitoring practice, it is advised that a review be carried out during the post integration period to compare actual performance against the assumptions in the plan.

A key lesson from the experience of Highland partnership is that partners may find it useful to consider treating the first year as a transitional year and agree to a risk sharing arrangement with adjustments being made through subsequent year's allocations; if partners adopt this approach, it is recommended that it is incorporated in the Integration Scheme.

3.2.2 Assurance for Subsequent Years

It is recommended that the method included in the Integration Scheme for determining the payments to the IJB in subsequent years is consistent with the approach set out in section 4.2 of the IRAG guidance. Similarly, it is recommended that the method included in the Integration Scheme for determining the amount to be set aside in subsequent years for consumption of large hospital services should be assessed against the methods recommended in the separate IRAG guidance on the set aside resource.

4. Role of the Audit Committees (or committee(s) carrying out equivalent function)

The introduction of integration arrangements and the establishment of the IJB Audit Committee (or committee(s) carrying out equivalent function) will have implications for the ongoing work of the Health Board and Local Authority audit committees. Advice on this is provided at section B2.6 of the IRAG guidance.

In addition, the Audit Committees will have an important role to play in the assurance process through assessment of the objectives, risks, and post integration performance results of the IJB.

4.1 Pre Integration-shadow Period

The Health Board and Local Authority Audit Committees can help increase the likelihood for success of the new arrangements by verifying that officers have effective assurance processes in place. Preparations for integration may be too far advanced for full involvement of the audit committees in the preparatory stage, but where this is practical, it is recommended that they obtain assurance:

- On the finance provisions to be included in the Integration Scheme;
- On the plans for financial governance and financial assurance and risk;
- That lessons have been learnt from other integration projects (e.g. Highland partnership); and

- That the predetermined financial metrics that officers will use in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.

It is recommended that the Audit Committees are provided with a report, produced jointly by the Health Board and Local Authority Chief Internal Auditors (and copied to the shadow IJB), on the assurance work that has been carried out by the Health Board and Local Authority. This report should be produced sufficiently in advance of the date of delegation of functions and resources (published in the Strategic Plan) to allow for consideration by the Audit Committees.

The arrangements for obtaining financial assurance should be set out in the Annual Governance Statements of the Health Board, Local Authority and Integration Joint Board for both the year prior to and the year of, delegation of functions and resources.

4.2 Implementation

The Audit Committee of the Integration Joint Board once established (or the committee(s) carrying out an equivalent function) should be provided with the assurance report and should:

- Review the finance provisions to be included in the Integration Scheme to ensure that they enable the IJB to carry out its functions;

- Formally assess whether the resources to be made available to the IJB are adequate for it to deliver its objectives and that the associated risks and assumptions are reasonable and clearly understood;

- That the respective risk management arrangements have been updated to incorporate the risks introduced by integration. See IRAG guidance section B2.2.

Advice for cases where the IJB cannot obtain assurance that its level of resources are adequate will be provided by the policy team in due course.

4.3 Post Integration

The post-integration period is a critical stage of the change process and the audit committees (or the committee(s) carrying out an equivalent function) have a key role in assessing whether the objectives of integration are on line to be achieved. It is recommended that the three audit committees (or the committee carrying out equivalent function in the IJB) are provided with a post integration report within the first year of the establishment of the IJB to evaluate the actual risk and financial performance against the pre-integration assumptions, performance on relevant integration milestones, identify lessons learned and assess whether the IJB is on course to deliver the long-term benefits.

The results of the review should be shared with the Scottish Government to enable wider learning.

5. Role for Internal Audit

It is recommended that the report (on the assurance process carried out by the Health Board and Local Authority) is a joint report by the Chief internal Auditors of the Health Board and Local Authority.

Further Resources

1. Audit Scotland: Learning the lessons of public body mergers. Good practice guide
2. Scott-Moncrieff Briefing: Mix with Care- Mergers in the Public sector
3. Deloiite: The Role of the Audit Committee in the merger & Acquisition cycle
4. Charities Commission: Checklist for due diligence
5. HFMA. Combining NHS bodies. A practical checklist for mergers and acquisitions synopsis

Annex A

Lessons from Highland Partnership

NHS Highland and Highland Council established a lead agency arrangement in April 2012, in which adult social care services and resources were delegated to the health board; and children's community health services and resources were delegated to the local authority. The following note summarises the experience of the partners and the main lessons learnt in the first years of the partnership.

General

NHS Highland and Highland Council did not undertake 'due diligence' in the legal sense. It is important to recognise the fact that the two partners entered into a Partnership Agreement on a high-trust basis with buy-in from all key senior players. The general view expressed was that it would be impossible to remove all the risk from the process of entering into a Lead Agency arrangement and there had to be a balance between understanding the risks and 'just doing it'.

There was exchange of budgetary information in advance of the transfer and meetings with counterparts to understand the composition of the budgets. Clearly, it will always be the case that the 'transferring' organisation will inevitably have a much more detailed understanding of the budgets, pressures, risks etc than the 'receiving' organisation and in our view it is impossible for a transfer to take place without some degree of trust. Probably the key lessons learnt were:

Budgets

- There needs to be a mutual acceptance that the first year must be a transitional year. This allows the 'receiving' organisation to begin to get to grips with the budgets, service pressures etc.
- There needs to be clarity around risk sharing/risk transfer. Whilst this will never cover every scenario it is clear we did not set this out in sufficient detail in Highland. This caused some significant difficulties towards the end of the first year and towards the end of the second year.
- There needs to be clarity about the reporting arrangements and the responsibilities. For example – do we report every month? Every quarter? Do we just report variances or do we present action plans to address these. If so, which organisation takes the decisions around any actions that might be challenging? If there is a significant adverse variance does the 'host' reduce services unless the 'commissioner' provides more funding? Or does the host need to look for savings elsewhere in its portfolio. These scenarios were briefly addressed in the Partnership Agreement but in a fairly simplistic way (with the default being that the two Directors of Finance...and then the two Chief Executives...should resolve any differences). In effect this is what happened (although it required senior political and senior non-executive input, plus senior operational input as well as the Directors of Finance/Chief Executives).

- The cultures and terminology differ between the two organisations. In the context of budget setting perhaps the most significant difference is the definition of what represents a recurrently balanced budget.

- The financial regimes differ – most notably the ability of councils to carry reserves/have year-end variances versus the requirement on Health Boards to break-even each and every year. Although this was a known issue right from the start it still led to some misunderstandings during the first year and perhaps a mutual briefing on respective financial regimes might have been useful.

Efficiency Savings

Very similar issues to the budget issues above. Probably the only additional issue is the degree to which existing efficiency savings programmes already in train are explained/and 'owned' by the organisation delegating the functions. This issue probably gave rise to the most significant disagreement between the two organisations (i.e. the degree to which the savings programme 'inherited' by the other party was understood/owned and deliverable).

Financial Planning

Again – similar issues but in particular there needs to be clarity around the timescales and 'ground rules' for budget setting – particularly in relation to cost pressures and efficiency savings. We found that timelines differed. We also had to take a view as to whether NHS Highland ought to play into the Highland Council budget setting process in a traditional way (i.e. of submitting pressures and savings plans for agreement or otherwise) or whether we employed more of a 'commissioning' approach where the Highland Council agreed a quantum of funding and NHS Highland took the decisions as to what savings to make, pressures to fund etc. In practice we began with a model towards the 'commissioning' end of the spectrum but have moved back towards a more traditional approach, with NHS Highland being represented on the Highland Council senior management team as part of the budget setting process.

Service Planning

In theory this takes place in the Adult Strategic Commissioning Group. However – by definition – this is a high level Group setting high level principles. Therefore, the strategic approach to commissioning is therefore reasonably well defined. Less well defined is operational service planning – for example the extent to which the Council should be involved in redesigns. This brings into play the different governance regimes and in particular the role of local councillors.

Local councillors have a keen interest in Adult Social Care services provided in their locality and will often take up issues with NHS Highland as the provider. In theory they should take their issues to Highland Council officials (as 'commissioners') in order for them to take up issues with NHS Highland as provider, but in reality councillors will want a direct line of sight. They will also take a keen interest in any efficiency plans that may affect services in their area. Another difference in governance is the fact that NHS executive directors are full Board members with 'voting rights' whereas council officials can only make recommendations to Council. This is not an issue for the vast majority of business but potentially might be an issue for very significant matters.

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Aberdeen City Health & Social Care Partnership Risk Register

	Risk Type	Description of Risk	Impact on Project	Date Last Assessed	Assessment of Probability	Assessment of Impact	Initial Assessment (Refer to Risk Rating Matrix)	Mitigation Actions (Preventative or Contingency)	Current Mitigated Status (RAG)	Responsibility for mitigation action(s)	Timeline for mitigation action(s)	Comments
1	**Governance, Management and Strategy**	Legislative requirements not adequately met	SG unable to agree Integration Scheme which places legitimacy of IJB at risk	12/08/15	1	4	4	• Legal resource (GF) used to develop IS. • Draft IS in line with legislation, regulations and guidance. • SLWG template used. • Feedback sought from SG before submission	Amber	Chief Officer	Summer 2015	Positive Feedback received from SG. Staff changes caused slight delay in revising IS. Anticipate bringing revised IS to sIJB in September.
			Incomplete membership of sIJB causes legitimacy and transparency of discussions and decisions to be queried.	12/08/15	1	4	4	• sIJB workshop and paper identified preferred model of user & carer involvement. • Lead officer identified to fulfil this requirement. • NHS Grampian still to identify who (non GP) clinical lead is.	Amber	Chief Officer	December 2015	
		Performance, governance arrangements, risk management and internal control systems not established during integration process and beyond	Project lacks the necessary oversight and risks failing to deliver on vision, philosophy & principles. In addition, will not meet 9 national outcomes.	12/08/15	2	3	6	• Chief Officer commenced in post 01/10/14 • TLG became sIJB 27/01/15 • Executive Team established January 2015 • Good Governance Institute commenced working with sIJB 08/15.	Amber	Chief Officer	01/04/16	Integration risk register presented to sIJB on quarterly basis.
		Absence of clear roles, responsibilities and accountability for decision-making within the partnership.	Partnership lacks the necessary oversight and risks failing to deliver on vision, priorities and outcomes.	12/08/15	1	3	3	• Chief Officer in post. • SIJB established. • Executive Team established. • Head of Joint Operations in post • Senior integrated Management team established. • Workstreams identified & in process of being established	Amber	Chief Officer	01/04/16	
2	**Financial & Resource Management**	Failure to define arrangements for controlling and monitoring finances including operation of budgets, financial reporting and VAT implications.	Future budget monitoring & management is not robust and undermines the success of the overall project	12/08/15	1	3	3	• Finance section of IS reflects SG guidance. • Finance workstream established 02/15. • Additional Finance guidance being prepared 06/15.	Green	Chief Officer	01/04/16	
		Inadequate internal control processes to protect partnership from financial irregularities	Parent organisations & SG are not adequately reassured in the Partnership's authority Reliance placed on internal control processes within partner organisations	12/08/15	1	3	3	• Finance section of IS developed following joint workshop. • Key individuals from ACC & NHSG lead workstream	Amber	Chief Officer	01/04/16	
		Lack of robust arrangements for monitoring compliance with external funding requirements	Parent organisations & SG are not adequately reassured in the Partnership's authority	12/08/15	1	3	3	• Initially addressed in joint finance workshop and IS finance section.	Amber	Chief Officer	01/04/16	• Finance workstream to address this. • sIJB to decide re Chief Finance Officer

Aberdeen City Health & Social Care Partnership Risk Register

		Asset Management; No arrangements for sharing buildings and associated assets	Unable to progress co-location opportunities	12/08/15	3	2	6	• IS reflects initial discussions.	Amber	Chief Officer	01/04/16	Current dialogue regarding Senior integrated management team co-locating to Community Health & Care Village
		Absence of clear responsibilities for maintenance, insurance, replacement or reinstatement of assets	Unable to progress co-location opportunities	12/08/15	3	2	6	• Relevant sections of IS drawn up in accordance with legislation, regulations and guidance.	Amber	Chief Officer	01/04/16	
3	**Workforce**	Service sustainability compromised due to ineffective workforce planning,	The Partnership is undermined by historical arrangements which affect morale and detract from delivering the vision	12/08/15	3	3	9	• HR/OD workstream to develop joint workforce plan 'to cover strategic organisational Development outcomes, workforce planning and development'	Amber	Chief Officer	01/04/16	Joint Grampian HR resource recruited to support three Partnerships with their integration activities.
		Support functions (e.g. administrative) become fragmented due to reconfiguration	Potential for front-line delivery to be compromised	12/08/15	2	2	4	• Integrated Management to be developed. • Business support practices to be examined in Integrated Systems workstreams.	Amber	Chief Officer	01/04/16	
		Failure to establish appropriate professional guidance/supervision/standards for all health and social care staff.	An opportunity to positively influence practice, behaviour & culture will be missed undermining the vision of the partnership	12/08/15	1	4	4	• Governance workshop to be facilitated to enable Integration Authority to become high performing organisation. • Governance workstream to be set up to ensure professional standards are met.	Amber	Chief Officer	01/04/16	Clinical & Care governance workshop held 23 July.
		Failure to develop appropriate joint training & development programmes.	An opportunity to positively influence practice, behaviour & culture will be missed undermining the vision of the partnership	12/08/15	1	4	4	• HR/OD workstream to be established in March. • Development Facilitators to be aligned under KT as of 1st March. • OD plan to be developed to address softer cultural issues that impact on professional role.	Amber	Chief Officer	01/04/16	
		Cultural & organisational differences leads to lack of clarity for both staff & individuals	The Partnership is undermined by historical behavioural patterns which affect morale and detract from delivering the vision	12/08/15	2	3	6	• Development of workstreams to ensure success of integration. • Frequent and transparent communication regarding ambitions, activities and outcomes.	Amber	Chief Officer	01/04/16	
3	**Information Management**	Non-compliance with Data Protection Act	Parent organisations & SG are not adequately reassured in the Partnership's authority	12/08/15	1	4	4	• Existing systems for complying with Data Protection Act to continue. • Integrated systems workstreams to progress additional work on information sharing and confidentiality.	Amber	Chief Officer	01/04/16	
		Information sharing protocols not in place to support integrated teams	Without clear protocols & procedures integrated teams will be unable to function effectively	12/08/15	3	2	6	• IS contains appropriate data and information management section. • Integrated Systems workstream to be established .	Amber	Chief Officer	01/04/16	Legal colleagues leading on development of appropriate ISPs
		Ineffective support systems to sustain adequate information sharing	Without adequate support integrated teams will be unable effectively share information	12/08/15	2	3	6	• IS contains data and information management sections • Integrated systems workstream to be established in March	Amber	Chief Officer	01/04/06	

Aberdeen City Health & Social Care Partnership Risk Register

4	**Risk Management & Liabilities**	Absence of arrangements for reporting risk management information	- Projects reputation is undermined - Parent organisations & SG are not adequately reassured in the Partnership's authority	12/08/15	1	4	4	• Risk Register presented to sIJB 24/02 with discussion re its frequency as a standing item. • Risk Register to be presented to executive Team on monthly basis. •	Amber	Chief Officer	01./04/16	Risk Management colleagues from 3 Grampian local authorities and NHS Grampian developing pan Grampian policy and reporting arrangements.
		Inadequate methods for consistently identifying, analysing and evaluating risk	Potential for front-line delivery to be compromised resulting in risk to patients/service users & staff	12/08/15	2	4	8	• sIJB risk register to be supplemented in first instance by risk registers from SC&WB and CHP.	Amber	Chief Officer	01/04/16	
		Failure to ensure robust business continuity plans	Potential for front-line delivery to be compromised resulting in risk to patients/service users & staff	12/08/15	1	4	4	• Risk Management approach set out in IS. • Risk Register presented to sIJB 24/02/. • Existing risk registers from SC&WB and CHP to supplement this.	Amber	Chief Officer	01/04/16	sIJB to decide when it wishes Integration Risk Register to align with operational health and care registers.
5	**Performance Management**	Inadequate lines of accountability for monitoring **progress** towards implementation	Project falls behind & does meet legislative timescales leading to reputational damage	12/08/15	1	4	4	• Integration Lead accountable to Chief Officer • sIJB established Jan 2015. • Executive Team established Jan 2015. • Strategic Planning Group established February 2015.	Amber	Chief Officer	01/04/16	
		No recording & reporting arrangements for monitoring performance	- Project lacks the necessary oversight and risks failing to deliver on vision, philosophy & principles. In addition, will not meet 9 national outcomes.	12/08/15	3	3	9	• Robust agenda setting meetings in place. • Minutes & Business statement produced from each sIJB meeting. • Standing Items at sIJB include Chief Officer Report, Integrated Work Plan & Comm and Engagement plan.	Amber	Chief Officer	01/04/16	Membership pf Executive Group expanded to give fuller multi sectoral representation. Initial discussions with colleagues about adopting Programme Management Office approach to all our transitional activities.
6	**Stakeholder Focus**	Lack of communication across stakeholder groups leads to disengagement	Project risks failing to deliver on vision, philosophy & principles. In addition, will not meet 9 national outcomes. Deterioration in staff morale affecting from-line delivery	12/08/15	2	3	6	• Communication & Engagement plan presented to sIJB on monthly basis. • Comms & Engagement group established Jan 2015 to oversee activities. • DF posts aligned with Integration Team • 70 integration conversations • 24 Workshops • Bimonthly newsletter sent to 500 email addresses	Amber	Chief Officer	01/04/16	Strong recognition that communication and engagement will be an ongoing activity but that our key messages will change at appropriate times ie strategic plan consultation, 'go live' etc.

Aberdeen City Health & Social Care Partnership Risk Register

		Current service delivery compromised by the integration process	Potential for front-line delivery to be compromised	12/08/15	1	3	3	• Developmental Facilitators aligned under KT as of 01/03/15. • Additional posts to be recruited using Transitional Fund. • Communication & Engagement Plan shows desired and actual reach. • Inclusive approach to SPG and other workstreams.	Amber	Chief Officer	01/04/16	Chief Officer meets with staff representatives regularly. Chief Officer chairs exec group, Head of Operations chairs siMT; no feedback from any quarter that the integration process is compromising current service delivery.
		Gaps created between integrated functions and non-integrated functions	Potential for front-line delivery to be compromised resulting in risk to patients/service users & staff System becomes increasingly difficult for some stakeholders to navigate Outcomes are inadvertently affected	12/08/15	2	3	6	• CO member of ACC CMT and NHSG Executive Team. • Operational Management Board consisting of 3 Grampian Chief Officers and acute services General Manager established. • Strategic Planning Group has participation from housing sector (ACC & RSLs). • AC (Aberdeenshire) has been identified as strategic lead for planning of acute services.	Amber	Chief Officer	01/04/16	

Probability					
	High – Score 4 75-100% chance of occurring within 1 year.	4	8	12	16
	Medium – Score 3 50-75% chance of occurring within 1 year.	3	6	9	12
	Low – Score 2 25- 50% chance of occurring within 1 year.	2	4	6	8
	NEGLIGIBLE – Score 1 0 – 25% chance of occurring within 1 year.	1	2	3	4
Impact		Minor Score 1	Important Score 2	Significant Score 3	Major Score 4

Aberdeen City Health & Social Care Partnership Risk Register

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Internal Audit Report

2015/16 Council Tax Billing

Issued to:
Angela Scott, Chief Executive
Steven Whyte, Head of Finance
Simon Haston, Head of IT and Transformation
Craig Innes, Head of Commercial and Procurement Services
Wayne Connell, Revenues and Benefits Manager
Anne MacDonald, Audit Scotland

Date of Issue: July 2015 **Report No. AC1601AW**

EXECUTIVE SUMMARY

In March 2015, Aberdeen City Council's Council Tax Bills for 2015/16 were produced. Some contained an incorrect bar code which meant that customers were unable to pay at self service kiosks at Marischal College. A second incident resulted in duplicate Bills being issued. The objective of this audit was to establish the reasons why incorrect bar codes had been recorded on Council Tax Bills and the controls in place to prevent duplicate Bills being issued.

In September 2014, the Council recognised that there was a need to replace its bulk printing software system as the current system would soon be operating in an unsupported environment. This presented a vulnerability to the computer networks of both Aberdeen City and Aberdeenshire Council, where bulk printing is undertaken, along with the potential to be disconnected from the Public Services Network which would hinder the Council's business operations.

A replacement system was authorised through delegated powers although the required reporting of this to the Finance, Policy and Resources Committee was not undertaken. This will now be done in September 2015. It has also been agreed that Commercial and Procurement Services will put a mechanism in place by September 2015 to monitor reporting of the use of delegated powers to Committee following a proposed change to Standing Orders.

A lot of testing was undertaken to ensure that the new system correctly printed over 120 different types of document used by various Services of the Council. Part of the Council Tax Bill production is generation and inclusion of a barcode so that payment can be made by customers who continue to pay by cash / cheque at a PayPoint or Post Office via Allpay. The barcode should identify the organisation for whom payment is being made and the customer who is making payment so that the amount paid can be credited to that payees account.

During testing, the barcodes generated by the software supplier were checked using a barcode scanner and these returned the same number as recorded on the Bill. However, they were not tested through Allpay or the Council's own self service kiosks. Had this been done, it would have been identified that an error had been made in transferring the correct barcode format from previous Bills to the new template and this could have been resolved prior to the main print run for Council Tax Bills. Subsequent changes to bills have been approved by Allpay and Revenues and Benefits management.

At the point that the error was identified, all 61,000 direct debit bills had been issued along with 20,000 cash bills. Once the barcodes had been rectified, it was decided to reprint all the cash and standing order bills (45,000) and reissue with a covering letter.

When the replacement Council Tax bills for cash payers were produced, a batch of 15,000 was submitted for printing twice. Although there was a reconciliation process in place, this was retrospective and only identified the issue after the bills had been issued. Since this occurrence, the Service has confirmed that a new process, enabled through use of the new print system, has been implemented. This ensures that there is a four-way reconciliation between the Council Tax System, the printing system, the printing team, and prior to issue. This level of reconciliation was not achievable when using old bulk print system and, had the new system been implemented sooner, the reconciliation would have been in place for the annual Council Tax billing.

1. INTRODUCTION

1.1 In March 2015, Aberdeen City Council's Council Tax Bills for 2015/16 were produced. Some contained an incorrect bar code which meant that customers were unable to pay at self service kiosks at Marischal College. A second incident resulted in duplicate Bills being issued.

1.2 In view of the implications of such an occurrence, the Chief Executive requested that a review be undertaken. The objective of this audit was to establish the reasons why incorrect bar codes had been recorded on Council Tax Bills and the controls in place to prevent duplicate Bills being issued. In doing so, an additional examination of the process involved in changing the systems used to produce the Council Tax Bills was undertaken.

1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Steven Whyte, Head of Finance, Simon Haston, Head of IT and Transformation, Craig Innes, Head of Commercial and Procurement Services, and Wayne Connell, Revenues and Benefits Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Systems

2.1.1 Prior to the production of the 2015/16 Council Tax Bills, the Council Tax system, Academy, produced the necessary document data (name, address, liability, etc) which was passed to the Solimar system. This added the “overlay” information and formated the data from Academy into a Bill. The Solimar system passed the data to the printing function where the documents were printed, enveloped and posted.

2.1.2 The Public Services Network (PSN) is the government’s high-performance network, which helps public sector organisations work together, reduce duplication and share resources. In order to consume services over PSN or provide services to customers connected to PSN, Councils have to have a valid PSN compliance certificate. To obtain a certificate, users have to comply with PSN requirements which differ depending on how the Network is to be used. Failure to be PSN compliant would result in Councils being unable to, for example, register births, deaths and marriages, or exchange data electronically with the DWP.

2.1.3 There was a requirement to replace Solimar as it was running in an unsupported environment, which resulted in a vulnerability to both Aberdeen City and Aberdeenshire Council’s computer networks. The Solimar licence was due to expire on 14 December 2014. In view of this, in September 2014 ICT submitted a request, under Standing Order 1(6)(b), for an exemption from the Council’s Contracts and Procurement Standing Orders in relation to the purchase of a bulk printing solution.

2.1.4 The chosen solution was XLPrint’s PARIS ProPrint system offered in partnership with Capita Software Systems. Approval was given by the required officers of the Council on 5 September 2014 and a purchase order was placed on 9 September 2014. The exemption form stated that the exemption would be reported to the Finance, Policy and Resources Committee on 4 December 2014 as required by Standing Order 1(6)(b). This was not done and it is understood that this will now be reported to the Finance, Policy and Resources Committee in September 2015.

Recommendation
Commercial and Procurement Services should put a mechanism in place to ensure that all exemptions granted by Officers in relation to Contracts and Procurement Standing Order 1(6)(b) are reported to Committee timeously.

Service Response / Action
Agreed. This will require a change to Standing Orders.

Implementation Date	Responsible Officer	Grading
September 2015.	Head of Commercial and Procurement Services.	Significant within audited area.

2.1.5 It had been intended to have the new system fully tested and operational by the end of January 2015. This would have allowed smaller daily production runs of Council Tax Bills, relating to changes of circumstances, to be produced before the major annual billing exercise. However, in a meeting with Aberdeenshire Council’s Print Team it was initially agreed that, as progress with implementation had not progressed sufficiently, the risk of going live for the 2015/16 Council Tax Bills was too great and that Solimar would be used. This decision changed in early February 2015 as the maintenance contract for Solimar on the Aberdeenshire network was due to end on 14 March 2015 meaning that it would be unsupported in the event of failure.

2.1.6 There were delays in implementing Paris Pro Print. According to Finance, this was primarily due to the time and resources required to convert documents. This involved making amendments to the templates relating to 123 documents used in relation to Council Tax, Benefits, and Business Rates. Each of these had to be fully tested including being printed.

2.2 2015/16 Council Tax Bill Production

2.2.1 The first time that the new Paris Pro Print system was used in a live environment was to commence production of the 113,500 annual Council Tax Bills.

2.2.2 Part of the Council Tax Bill production is generation and inclusion of a barcode so that payment can be made by customers who continue to pay by cash / cheque at a PayPoint or Post Office via Allpay. The barcode should identify the organisation for whom payment is being made and the customer who is making payment so that the amount paid can be credited to that payees account. Barcodes were being added to the Council Tax Bill template by XLPrint, a company commissioned by Capita Software Services to work on the various templates.

2.2.3 When the Solimar system was being used, an in-house developed script was used in the generation of the barcodes. Whilst the point of contact with XLPrint was aware of the script, it was considered to over complicate the issue and all that was needed was an understanding of the rules used in generating the barcode.

2.2.4 The format of the barcode is such that there should be 19 digits. There should 11 digits preceding the customer reference number with digits 9-11 being those that identify the Council to Allpay. The test Bills that were produced included a barcode.

2.2.5 An error was made when transferring the data from an existing sample Bill containing the correct numbering to the new template in that 98261608**0**8 (10 digits) was used when it should have been 98261608182. As a result the first digit of the customer reference became digit 11 resulting in the barcode using either 081 or 082 to identify the Council rather than 182.

2.2.6 Finance has confirmed that test documents produced had been tested using a barcode scanner and that this had accurately read the barcode, returning the same number as printed on the bill. However, this only confirmed that the number and barcode matched, not that the barcode was meaningful to either the Council's or Allpay's systems.

2.2.7 The new methodology was due to be used for the first time in a live environment on 9 March 2015, to print the first batch of Council Tax bills. The first files arrived in the Print Room overnight on 9 / 10 March 2015 but were found to be incomplete when the Print Room staff checked them on 10 March 2015. This was corrected and files were re-transmitted and printing commenced on 11 March 2015.

2.2.8 Further issues were identified by the Print Rom with subsequent files resulting in a delay in printing further Bills. This was resolved and the files were re-transmitted with printing recommencing on 12 March 2015, continuing on 13 and 16 March 2015.

2.2.9 On 16 March 2015, customers trying to use their bills to pay through the self service kiosks at Marischal College notified the Customer Services team that the machines were not accepting them. Finance tested this using a member of staff's Council Tax bill and it was also rejected. This bill was then used at a local shop and payment was accepted. Allpay was contacted and confirmed that the payment had been sent to a suspense account for another Council, the details contained within the barcode being incorrect.

2.2.10 Ongoing production of Council Tax bills was suspended and it was confirmed that the part of the barcode that identifies the client to whom payment is being made was incorrect. At this point, all 61,000 direct debit bills had been issued along with approximately 20,000 cash bills. Once the barcodes had been rectified, it was decided to reprint all the cash and standing order bills (45,000) between 24 and 26 March 2015 and reissue with a covering letter.

2.2.11 A stated above, the Council generates its own barcodes. Allpay documentation relating to barcodes on documents used to make payment through their systems, has a section on testing. This states that sample barcodes will be required by Allpay for testing where:

- the client generates and prints barcodes themselves;
- the client has used a third party to generate and print barcodes;
- there are any changes to a barcode layout.

2.2.12 In view of the fact that there was a change in the methodology for producing the Council tax bills and related barcodes, it would have been prudent to fully test the barcodes produced through Allpay. Had this been done, the error in production would have been identified. The Service has stated that, had they had time to do so, this test would have been undertaken. In view of the time limitations, it should have been possible to test the bar codes produced on test documentation through the Council's self service kiosks.

Recommendation
Where changes are made to documents, these should be as fully tested as is practically possible to mitigate against the risk of any element being incorrect.

Service Response / Action
Agreed. Further changes have been made to bills and these have been approved by Allpay and Revenues and Benefits management.

Implementation Date	**Responsible Officer**	**Grading**
Implemented.	Revenues and Benefits Manager.	Significant within audited area.

2.3 Duplicate Council Tax Bills

2.3.1 When the replacement Council Tax bills for cash payers referred to above were produced, a batch of 15,000 was submitted for printing twice. Although there was a reconciliation process in place, this was retrospective and only identified the issue after the bills had been issued. Since this occurrence, the Service has confirmed that a new process, enabled through use of the new Paris Pro Print system, has been implemented. This ensures that there is a four-way reconciliation between the Council Tax System, Paris Pro Print, the Design and Print Team, and prior to issue. This level of reconciliation was not achievable when using Solimar and, had the implementation of Paris Pro Print gone to schedule, the reconciliation would have been in place for the annual billing.

2.4 Costs

2.4.1 The printing and issuing of replacement and duplicate Bills has, according to the Aberdeenshire Council Print Room, cost Aberdeen City Council around £22,000.

AUDITOR: D Hughes

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited. Financial Regulations have been consistently breached.
Significant within audited area	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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ABERDEEN
CITY COUNCIL

Internal Audit Report

Communities, Housing and Infrastructure

Council House Rent Setting

Issued to:
Pete Leonard, Director of Communities, Housing and Infrastructure
Angela Scott, Acting Director of Corporate Governance
Donald Urquhart, Head of Communities and Housing
Graeme Stuart, Housing Strategy & Performance Manager
Steven Whyte, Head of Finance
Anne MacDonald, Audit Scotland

Date of Issue: July 2015 **Report No. AC1603**

EXECUTIVE SUMMARY

As at 31 March 2015, the Council managed 22,328 properties in the Housing Revenue Account which are required to generate around £81 million per annum in rental charges.

In order to ensure that the Council's approach to setting its Council House Rents was consistent, fair, efficient and transparent, whilst ensuring sufficient income to manage the Service, the Council undertook a rent restructuring process in the period 2011 to 2012. This resulted in a new Rent Setting Policy being implemented on 1 April 2013.

The new rents were to be phased in over a five year period at which point all houses would be fully converged on the new rent system. Rent increases and decreases in that period would also be capped at £3, before the application of an annual inflationary increase.

The objective of this audit was to consider whether the approved Rent Setting Policy is operating satisfactorily. This was found to be the case with the various rent accounts tested having been accurately calculated in accordance with the approved policy.

To ensure that the rent system has been accurately updated for the new financial year, the Service reviews one in every two hundred accounts manually. This check is done on screen and is not evidenced. In order to improve efficiency and assurance the Service has agreed to explore the possibility of obtaining an extract from the system for comparison to the Service's own calculations which are used to uprate certain elements in the rent charge. This would allow for the identification of any exceptions for investigation and is due to be complete by March 2016.

Additional charges for heating provision or stand-alone garages, as approved by Committee, will be applied to rent accounts where appropriate. The charge values are input to the rent system manually and are not dependent on any other field for calculation. Whilst there was no uprating for the heating charge in 2015/16, this is a labour intensive process which the Service is looking to automate for any future increases. The heating charge for three of the sampled properties did not match the heating type field. Whilst the 'Heating Type' field does not drive the 'Heating Element' charge, and therefore doesn't impact on the rent charged, which was correct, the Service acknowledges the importance of maintaining accurate information, and is considering how this information can be corrected. This issue will be complete by December 2015.

A further recommendation relating to bringing procedural documentation up-to-date will be completed by December 2015 whilst one relating to confirming the accuracy of rents in the Haudagain Roundabout area where the property is effectively rented to the Housing Revenue Account has been completed.

1. INTRODUCTION

1.1 The Council manages 22,328 (at 31 March 2015) properties in the Housing Revenue Account which are required to generate around £81 million per annum in rental charges.

1.2 In order to ensure that the Council's approach to setting its Council House Rents was consistent, fair, efficient and transparent, whilst ensuring sufficient income to manage the Service, the Council undertook a rent restructuring process in the period 2011 to 2012. This resulted in a new Rent Setting Policy being implemented on 1 April 2013.

1.3 The new Rent Setting Policy determines rent values by having a base rent for all properties with additions based on:

- property groups – house, four in a block, and flats
- number of bedrooms
- garages that are within the curtilage of the property.

The resultant rent would be the "model" rent.

1.4 The new rents were to be phased in over a five year period at which point all houses would be fully converged on the new rent system. Rent increases and decreases in that period would also be capped at £3, before the application of an annual inflationary increase.

1.5 The objective of the audit was to consider whether the approved Rent Setting Policy is operating satisfactorily.

1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Donald Urquhart, Head of Communities and Housing, and Graeme Stuart, Housing Strategy & Performance Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Legislation

2.1.1 The provision of rented accommodation is guided by the Housing (Scotland) Act 2001. It is for a landlord to determine the methodology for setting rents. However, where changes affecting all tenants are proposed, a landlord must consult with those tenants that would be affected. Tenants must be notified of any change to their rent 28 days in advance of the change taking effect.

2.1.2 Prior to 1 April 2013, when a new Rent Setting Policy was implemented, the Council had set rent using the Gross Annual Value of its properties, which is set by the Regional Assessor using a number of factors. This resulted in 820 different rent levels being set ranging from £18 per week to £234 per week. This was considered overly complex and unfair and, as a result, the Council undertook a review of the Rent Setting Policy.

2.1.3 The new Rent Setting Policy was implemented following a consultation process in which questionnaires were issued to all tenants in November 2011 followed by focus groups being held with a number of tenants in February 2012. The results of this were reported to the Housing and Environment Committee in May 2012, which approved further formal consultation, the outcome of which was reported to the Committee in August 2012. The Council, therefore, complied with the requirement to consult with its tenants in changing the methodology for setting rents.

2.1.4 A sample of 30 tenancies was reviewed and it was confirmed that letters to tenants had been created and issued at least 28 days prior to the change in rent becoming effective.

2.1.5 To ensure letters are sent to all tenants regarding the annual rent increase, the Systems Team reconciles the number of letters created to the number of properties for each letting zone. Evidence of successful upload to the printing software is also retained.

2.2 Rent Element Uprating

2.2.1 It is Council policy to increase annual rent by inflation plus 1%. The inflation rate to be applied to is the RPIX (Retail Price Index (RPI) excluding mortgage interest payments) in the preceding September. The rate applied for 2015/16 was the September 2014 rate of 2.3% plus 1%, giving an annual inflationary increase of 3.3%. This was approved by Council on 17 December 2014.

2.2.2 The rent element calculation is undertaken by the Housing Strategy & Performance Manager, and is provided to the System Team within Housing. The revised elements are input to the test environment to ensure the system calculates gross rents correctly before being input to the live system. Internal Audit testing confirmed that inflationary increases had been applied accurately

2.2.3 The Systems Team have a procedural document for the rent uprating process. While the processes and system screens used have not changed, the document refers to the previous rent setting policy. Where procedural documents are not kept up-to-date, there is a risk that incorrect procedures may be applied.

Recommendation The Service should bring the rent uprating procedural document up-to-date. **Service Response / Action** Agreed. The procedures will be updated in advance of the 2016 rent uprating.		
Implementation Date	**Responsible Officer**	**Grading**
December 2015	Systems Manager	Important within audited area.

2.2.4 Access to amend the rent setting elements are restricted to four members of staff within the Housing Systems Team, and to two members of staff within ICT. None of the staff involved in uprating the charges on the system have direct involvement in rent collection, therefore it is considered that segregation of duties in place between rent setting and rent collection are adequate. The Northgate System has an audit trail of user activity, and any changes to rent elements will have the date, time and user identification recorded on the system.

2.2.5 Currently there are no controls in place to identify any conflicts of interest for staff involved in the setting of rent but the Council is in the process of procuring a Northgate System module that will provide conflict of interest identification functionality.

2.3 Rent Charges

2.3.1 Following confirmation of the rent element uprating, the necessary adjustments resulting from capped increases / decreases are independently calculated by three members of staff, with the results being compared for accuracy. A file is then submitted to the Systems Team for uploading to Northgate by ICT. Evidence of checking and upload was confirmed.

2.3.2 A sample of thirty tenancies that commenced prior to 1 April 2013 were reviewed and it was confirmed that the correct rent had been applied in the period 2013/14 to 2015/16, after taking account of capped increases and decreases and application of the approved inflationary increase.

2.3.3 The Policy requires that any tenancies commencing after its implementation have the model rent applied. A sample of twenty tenancies starting in 2014/15 were reviewed and it was confirmed that the 2014/15 and 2015/16 rent charges had been correctly calculated and applied.

2.3.4 An additional five properties let to external agencies were reviewed to ensure that the model rent was charged in accordance with Policy. All five were charged at model rent levels.

2.4 New Build Charge

2.4.1 New build properties had a premium of 25% added to their rent under the GAV rent setting process to help service the additional borrowing costs incurred. It was agreed by Committee that, when the new Rent Setting Policy was introduced, the rents for these properties would be frozen and only when the model rent for the property plus 25% converged with the frozen rent would the rent be increased. The 25% premium will be applied for a period of 15 years from the date the property was first let, at which point the rent will revert to the model rent.

2.4.2 The Northgate system holds the model rent charge and the additional new build element has to be added annually. This is independently calculated and confirmed by two members of staff. All elements are passed to the Systems Team for manual input to Northgate.

2.4.3 A sample of twenty new build properties was selected, and it was confirmed that the rent charges for 2013/14 to 2015/16 have been accurately calculated and applied to the correct account.

2.4.4 The Service has advised that changes to the grant funding of new properties by the Scottish Government may necessitate a review of the charge and associated premium for new build properties. It is anticipated that this will be undertaken before the allocation of the planned new builds in early 2017.

2.5 Quality Assurance

2.5.1 To ensure the rent system has been accurately updated with the uprated rent elements, rent restriction elements and new build charges, the Service review one in every two hundred accounts. The checking is done on screen and is not evidenced. The Service advised that to evidence this check would create additional work for staff, and have agreed to explore the possibility of obtaining an extract from the system for comparison to the Service calculation, this will allow for the identification of exceptions for investigation. Following the review an email confirming no errors is sent to the system's team allowing for the upload to the live Northgate System to proceed. Evidence of this was confirmed.

Recommendation
The Service should explore the possibility of validating the information uploaded to the rent system, and investigating any variances or exceptions identified.

Service Response / Action
Agreed

Implementation Date	Responsible Officer	Grading
March 2016	Housing Strategy & Performance Manager	Important within audited area.

2.6 Haudagain Roundabout

2.6.1 The Council has 323 HRA properties which are affected by the Haudagain Roundabout development, which will result in them being subject to compulsory purchase order and subsequent demolition. The Housing and Environment Committee in May 2013 decided that rents relating to these properties would not be subject to the policy previously approved. Rents that were subject to capped decreases would have the model rent applied, and those that were being phased up to the model rent would have rent fixed at the current level, with no future rent increases being applied to those properties.

2.6.2 Five properties affected by the Haudagain Roundabout development were selected, and rent records were reviewed for 2013/14 to 2015/16 to ensure that the rent had been set in accordance with the Committee decision. Rents for all five properties had the model rent applied in 2013/14, which was frozen at that level and applied in 2014/15.

2.6.3 However, two of the properties in the sample had the rent increased to the 2015/16 model rent. As a result of these errors, a further five affected properties were reviewed and these were found to have had their rent set appropriately. The matter has been raised with the Service, who have advised they are unsure why the rent had not been restricted for the properties. However, the two properties are not let to external tenants, therefore tenants are not being overcharged.

Recommendation
The Service should investigate the matter, and ensure all properties affected by the Haudagain development are set in accordance with Committee decisions.

Service Response / Action
Review completed. There are currently seven properties let for office/community use with the rental paid by HRA to the HRA. As they are not tenanted by a household there is no need to restrict their rental. Application of the model rent is appropriate and has no financial implication.

Implementation Date	Responsible Officer	Grading
Implemented.	Housing Strategy & Performance Manager	Significant within audited area.

2.7 Miscellaneous Charges

2.7.1 Additional charges for heating provision or stand-alone garages, as approved by Committee, will be applied to rent accounts where appropriate. The charge values are input to Northgate manually and are not dependent on any other field for calculation. Whilst there was no uprating for the heating charge in 2015/16, this is a labour intensive process which the Service is looking to automate for any future increases. Three properties were noted where the heating charge did not match the heating type field. Whilst the 'Heating Type' field does not drive the 'Heating Element' charge, and therefore doesn't impact on the rent charged, the Service acknowledges the importance of maintaining accurate information, and are considering how this information can be corrected.

Recommendation
The Service should consider reviewing the heating type fields to ensure that they match the heating charge being levied.

Service Response / Action
Agreed

Implementation Date	Responsible Officer	Grading
December 2015	Housing Strategy & Performance Manager	Important within audited area.

AUDITOR: D Hughes
M Beattie
N Ritchie

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited. Financial Regulations have been consistently breached.
Significant within audited area	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	29 September 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Public Performance Reporting Assessment 2013/14
REPORT NUMBER:	CG/15/111
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

To present the Committee with details of Audit Scotland's assessment of the Council's Public Performance Reporting (PPR) requirement for the 2013/14 reporting year.

2. RECOMMENDATION(S)

That the Committee:

(a) note that the Head of Communications and Promotion would prepare an action plan and report back to committee within six months; and

(b) note the content of the report.

3. FINANCIAL IMPLICATIONS

There are no specific financial implications arising from the report however the council may wish to review its use of the council website and other information delivery vehicles. This may result in the need to develop a business case to address issues outlined in the report.

4. OTHER IMPLICATIONS

There are no other implications specifically arising from this report.

5. BACKGROUND/MAIN ISSUES

5.1 The report provides the Committee with Audit Scotland's assessment of the Council's public performance arrangements for the 2013/14 reporting year.

5.2 The report indicates that the council needs to improve the quality of the information provided to the public including via the corporate website and social media. The current website has been in use since 2006 and is in need of review to consider the latest developments in best practice. This review will form part of the work programme for the new Communications and Promotion service and will include a review of content management systems and best practice utilised by other organisations. The review will also examine synergies with the Information Management work stream and with FOISA requests. FOISA requests are sometimes submitted when requestors cannot locate often basic information about services and service performance.

5.3 Appendix 1 details the assessment of our Public Performance Reporting for the 2013/14 reporting year. Audit Scotland developed new methodology for this assessment which differs from that used in the 2012/13 assessment. The assessment details performance against:

SPI 1 a range of information “sufficient to demonstrate that the council is securing Best Value in relation to:-

- Responsiveness to communities
- Revenues and service costs
- Employees
- Assets
- Procurement
- Sustainable development
- Equalities and diversity

SPI 2 a range of information sufficient to demonstrate that the Council is securing Best Value in providing the following services:-

- Benefits administration
- Community care
- Criminal justice social work
- Cultural & community services covering at least sport & leisure, museums, the arts and libraries
- Planning (both environmental and development management)
- The education of children
- Child protection and children’s social work
- Housing & homelessness
- Protective services including environmental health and trading standards
- Roads and lighting
- Waste management services

SPI 3 a fixed suite of indicators to support benchmarking through the Local Government Benchmarking Framework (LGBF) covering:-

- Children’s Services
- Corporate Services
- Social Work Services
- Culture and Leisure Services
- Environmental Services
- Housing Services
- Corporate Asset Management
- Economic Development

6. IMPACT

Corporate – Public Performance Reporting is a statutory requirement for local authorities in Scotland. PPR focuses on, but not exclusively, the Statutory Performance Indicators which are required for publication each financial year and which serve to demonstrate each council's approach to Best Value. Analysis of performance supports service improvement decision-making. SPIs are reported through the Corporate Performance Dashboard to the Corporate Management Team. Services will also report SPIs to committees as part of regular performance reporting regimes and the suite of SPIs are reported to Council each year along with an analysis of overall performance.

Public – Members of the public have a right to receive information on the performance of the Council's services and core functions. Whilst SPIs provide some of this information, of equal if not greater importance, are the case studies or stories about the Council's activities during the year which provide context to the headline data. We should also strive to provide this information in a variety of formats including hard copy and online formats as well as using all available communication channels in order to meet the needs of our diverse communities.

PPR also serves to support the Council's commitment to the delivery of improved outcomes for our communities through the Single Outcome Agreement.

7. MANAGEMENT OF RISK

The Council is at risk of failing to meet Audit Scotland requirements in our Public Performance arrangements, which may lead to poor public perceptions of our activities and unfavourable assessment when compared with our peer authorities. To mitigate this risk, we are developing additional performance indicators and encouraging services to continue to develop methods of reporting meaningful information into the public domain, including case studies on areas of particular interest such as public projects, new initiatives and the output of our engagement activity with customers and citizens. We are also canvassing opinion through the 'Aberdeen City Voice' on the nature of our performance reporting and communication.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

ASSESSMENT OF THE COUNCIL'S PUBLIC PERFORMANCE REPORTING FOR 2013/14

Organisation	Roles	Name, title	Email	Telephone
PABV Group	Audit Scotland	Douglas Black, Audit Manager	SPIquery@audit-scotland.gov.uk	0131 625 1856
Audit Scotland	Auditor	Stephen Boyle, Assistant Director	sboyle@audit-scotland.gov.uk	0131 625 1616
Audit Scotland	Auditor	Anne MacDonald, Senior Auditor	amacdonald@audit-scotland.gov.uk	0131 625 1903
Council	Council	Takki Sulaiman, Communications Manager	tsulaiman@aberdeencity.gov.uk	01224 522 615
Council	Council	Neil Buck Performance and Risk Manager	nebuck@aberdeencity.gov.uk	01224 522 408

Key links – if a link does not open the web page/document you seek, please copy and paste the link into your web browser. Links valid as at April 2015.

SPI 1.

- Aberdeen City Council's performance page : **Home** > **Council and Government** > **Council Performance** leads to **Aberdeen Performs**, **Council Annual Performance Reports**, **Service Performance** and **Statutory Performance Indicators**
- **Our Priorities**
- **Aberdeen Performs** leads to **SPIs 2013/14** and **Comparison of Performance Indicators against comparator authorities**, but for 2012/13, not 2013/14

SPI 2.

- **Our Priorities:** outlines SPI 2/ Service performance.

SPI 3 – This is covered by link on Aberdeen Performs regarding the LGBF

Links to SPIs / summary of ratings

SPI1. Corporate	Rating	SPI2. Service	Rating	SPI3. LGBF	Rating	4. Overall aspects	Rating
1.1 Responsiveness to communities	AFI	2.1 Benefits administration	AFI	3.1 LGBF	Yes	4.1 Structured approach	AFI
1.2 Revenues & service costs	AFI	2.2 Community care	AFI			4.2 Customer satisfaction	AFI
1.3 Employees	AFI	2.3 Criminal justice social work	AFI			4.3 Balanced picture	AFI
1.4 Assets	AFI	2.4 Cultural & community	Yes			4.4 Comparators	Yes
1.5 Procurement	AFI	2.5 Planning	AFI			4.5 Financial & cost information	AFI
1.6 Sustainable development	AFI	2.6 Education of children	Yes			4.6 Dialogue with public	Yes
1.7 Equalities & diversity	AFI	2.7 Child protection social work	AFI			4.7 Accessibility	Yes
		2.8 Housing & homelessness	Yes				
		2.9 Protective services	AFI				
		2.10 Roads & lighting	AFI				
		2.11 Waste management	Yes				
Number of Yes	**-**		**4**		**1**		**3**
Number of AFI	**7**		**7**		**-**		**4**

Assessment detail

The summary **Rating** should be noted as **Yes** (fully meets requirements) or **AFI** (area for improvement). **Key to other terms**: **CPO** = Community Payback Order. **CPP** = Community Planning Partnership. **FOI** = Freedom of Information. **PI** = Performance indicator. **LGBF** = Local Government Benchmarking Framework. **PPR** = Public Performance reporting. **RAG** = Red, Amber, Green. **SOA** = Single Outcome Agreement. **SPI** = Statutory Performance Indicator.

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
SPI1. CORPORATE MANAGEMENT – Each council should report a range of information sufficient to demonstrate that it is securing Best Value in relation to:				
1.1 Responsiveness to communities • Engagement • Customer feedback • Satisfaction survey • Consultation • Citizen panel • Customer care • Complaints • FOI requests • Contact centre	1.1.a. A range of PPR information gives a broad overview of performance.	The council reports a range of indicators in the document **SPI 2013/14.** Under 'Section 1. Corporate Governance - 06. Community Engagement', the council describes its work in the community.	The council provides narrative on how it wishes to engage with the public, but there is no evidence of performance indicators that would provide for measuring and reporting the council's responsiveness to the communities it serves.	AFI
	1.1.b. PPR includes local indicators that give a full picture, eg on: • how well the council meets the needs of specific communities • data from its surveys and consultations • how it has reacted to feedback • how it has improved services.	The council offers a narrative about its community engagement that explains how it utilises its citizen panel – described by the council as the **Aberdeen City Voice**. Only one indicator covers responsiveness to communities. It does not offer any trend data or any infographics to describe the theme. Under the council's priority 'Smarter Living', it mentions its work to make Aberdeen a fair and equal city. There is mention of the council's use of the 'Aberdeen City Voice' to assess the community's feelings on council work. There is a narrative on 'what we are doing' that includes information gathered from Aberdeen City Voice.		
	1.1.c. The council actively seeks feedback on corporate and service issues.	The council provides an email address for the public's use, **aberdeenperforms@aberdeencity.gov.uk**, at the bottom of the lead performance page. This allows the public to email in any comments they may have about the information they have read. The council also has a **Tell us what you think** page, located on the right hand side of the performance page. It offers the public the opportunity to leave comments about how useful they found the information displayed in the performance section.		
	1.1.d. Complaints data are reported for all services.	There was no evidence of complaints data on the performance pages but data were observed through the complaints page (Home > Council and Government > **Corporate Complaints Procedure**). Statistics found [**here**] explained the breakdown per service:		
	1.1.e. It is easy to make a complaint or a FOI request.	Yes, from the complaints page via Home > Council and Government > **Corporate Complaints Procedure**, which outlines the process and what the public can and cannot complain about. FOI information is also found here, and outlines the procedure and contact details.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
1.2 Revenues and service costs • Budget • Revenue • Expenditure • Income • Service cost • Council tax	1.2.a. A range of PPR information gives a broad overview of performance.	The council provides indicators in the document **SPI 2013/14.** Under 'Section 1. Corporate Governance - 01. Human Resources Costs, 03. Efficiencies Achieved and 04. Accountancy Costs', the council represents its revenues and service costs' performance.	There is evidence that the council utilises performance indicators for revenues and service costs. However, a wider range of indicators would be useful and some additional explanatory narrative and infographics would enhance the description of performance.	AFI
	1.2.b. PPR includes local indicators giving a full picture, eg on: • unit costs/service expenditure • efficiency targets.	The council provides three indicators that have trend information and describe: • The overall cost of the human resources function. • Council-wide efficiencies as a percentage of the revenue budget. • The overall cost of the accountancy function. However, there is no narrative on the impact of the performance data covered by these indicators.		
1.3 Employees • Sickness absence • Staff survey • Staff engagement • Staff feedback • Staff turnover • Staff satisfaction • Staff training	1.3.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council provides a range of indicators. However, there is little evidence that the council produces any performance indicators about its employees – apart from sickness-absence being reported through the LGBF.	There is little evidence of performance information about the council's employees.	AFI
	1.3.b. PPR includes local indicators that give a full picture, eg on: • wider performance measures such as job satisfaction • the cost of the HR function • staff engagement • workforce changes, eg staffing reductions through voluntary severance or redundancy • senior management restructuring.	As per 1.3.a.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
1.4 Assets • Asset management • Property maintenance • Property repairs • Buildings • Vehicles • Equipment	1.4.a. PPR includes local indicators that give a full picture, eg on: • corporate asset management plan • key projects (eg new HQ) • property repairs • property maintenance spend • work with partners to best use joint assets.	In the document **SPI 2013/14**, one indicator describes the council's assets: • 'Enterprise, Planning and Infrastructure – 02. Operational assets: required maintenance costs'. This indicator reports the maintenance cost of operational assets per square metre. There is trend information but there is no narrative to describe the impact of performance.	The council could use a wider rage of indicators, additional narrative, and supporting infographics to help the public understand the council's management of its assets.	AFI
1.5 Procurement • Procurement • **Procurement Capability Assessment** (PCA)	1.5.a. PPR includes local indicators that give a full picture, eg on: • e-procurement. • PCA score • Improvements from joint spend with partner bodies	There is no evidence of performance about procurement.	There is no evidence that the council issues performance information about its procurement activity.	AFI
1.6 Sustainable development (Focusing on environmental aspects) • Sustainability • Environmental • Green, Ecology • Street cleaning • Carbon emissions • Energy efficiency • Biodiversity	1.6.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council provides a range of indicators. Under 'Section 3. Enterprise, Planning and Infrastructure'… • Carbon emissions: council-owned & managed assets. • Sustainable development. … the council provides information on sustainable development performance.	The council provides some performance information, but it is spread across several locations, making it awkward to locate. The nature of the information provided for the indicators is inconsistent.	AFI
	1.6.b. PPR includes local indicators that give a full picture, eg on: • biodiversity actions and targets • energy consumption • vehicle fleet CO_2 emissions • derelict land • parks and outdoor spaces.	The council provides two indicators that have trend data and describe sustainable development at the council. These are: • Carbon emissions: council assets and operations • Work done to encourage and support sustainable development. The former has no narrative while the latter is in narrative form and has no numerical data. Additionally, this aspect is picked up in the council's 'Smarter Environment' priority. A wide range of extra performance information is available along with explanatory narrative that explains 'why this is important' and 'what is happening'.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
1.7 Equalities and diversity • Equality • Diversity • Female employees • Disability • Ethnic minority	1.7.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council provides a range of indicators. Under 'Section 1. Corporate Governance - 05. Diversity', the council provides information on the council's equalities and diversity work.	The council does offer contextual narrative about the council's work to meet its statutory duties and improve its performance. However, there is a lack of indicators and infographics to help enrich the information provided to the public.	AFI
	1.7.b. PPR recognises equalities & diversity in its broader sense, and covers how well the council is tackling inequality.	Under 'Smarter Living – Aberdeen is a fair and equal city', the council provides indicators that show performance, using trend data for: • Percentage of prejudice incidents recorded. • Proportion of the council's workforce from protected characteristics groups (age) compared to the working age population of Aberdeen. • People living in the 0-15 percent most deprived domain data zones in Scotland, for income.		
	1.7.c. PPR includes commentary on the council's response to its statutory duties on diversity and equality.	'Section 05. Diversity' in **SPI 2013/14** outlines the council's work to fulfil its statutory duties for equalities and diversity.		
	1.7.d. PPR includes local indicators that give a full picture, eg on: • complaints by ethnic minorities • user satisfaction with services.	One indicator outlines work to encourage and support equalities and diversity within the city. This provides information on specific pieces of engagement that the council has been involved in during 2013/14.		
SPI2. SERVICE PERFORMANCE – Each council will report a range of information sufficient to demonstrate that it is securing Best Value in providing the following services (in partnership with others where appropriate)				
2.1 Benefits administration • Benefit • Benefit fraud • Welfare reform	2.1.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council provides a range of indicators. In 'Section 1.corporate governance - 02. Benefits Claims and Changes', it provides information on benefits administration.	Performance information uses a few indicators; they lack narrative explanation and do not link to strategic priorities.	AFI
	2.1.b. PPR includes local indicators that give a full picture, eg on: • how well the council has responded to welfare reforms • service impacts as a result.	The council uses three indicators, with trend data, describing: • Average number of days to process benefits claims. • Housing benefit claims. • 'Change of circumstance' applications. There is no narrative for these indicators.		
	2.1.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy.	The council uses 'Our priorities' on the **Aberdeen Performs** page to outline its strategic objectives. However, there is no mention of benefits administration under any of the priorities noted.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.2 Community care • Community care • Delayed discharge • Respite care • Care satisfaction • Waiting times • Service user survey • Telecare • Care staff training • Personal care	2.2.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council uses a range of indicators. Under 'Section 5. Social care and wellbeing'… • Delayed discharge. • Home care / home helps. …provide information on the council's work on community care.	The council provides indicators about delayed discharge and homecare issues. However, there is little information about the many other aspects of community care. Some, performance information lacks supporting narrative and information for this SPI 2 theme does not link clearly to the council's strategic priorities.	AFI
	2.2.b. PPR includes local indicators that give a full picture, eg on: • service user satisfaction • no. of people waiting longer than target time for service • percentage of personal carers qualified to Scottish Social Services Council standard. • the integration of adult health and social care and other relevant policy developments, eg Self-Directed Support.	The council provides six indicators that give some insight into the performance of community care. These cover: • Number of delayed discharges. • Total number of homecare hours for people aged 65+. • Number of homecare statistics for those 65+. There is no narrative with the indicators.		
	2.2.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses 'Our priorities' on the **Aberdeen Performs** page to outline its strategic objectives. However, there is no mention of community care under any of the priorities noted.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.3 Criminal justice social work • Criminal justice • Community payback orders • Reconviction rates • Child reporting • Young offenders • Probation orders • Payback orders	2.3.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council uses a range of indicators. Under 'Section 5. Social care and wellbeing'… • Criminal justice social work reports. • Court orders with supervision. • Court orders with unpaid work. …the council provides information on criminal justice social work.	The council does reflect criminal justice social work in its indicators but there is a limited range of indicators on offer, and they lack a clear link to the council's strategic priorities.	AFI
	2.3.b. PPR includes local indicators that give a full picture, eg on: • no. of community payback orders started <7 working days • percentage of community payback orders successfully completed • reconviction rates.	The council uses three indicators that give performance information on criminal justice social care: • Percentage of reports submitted by the due day. • Proportion of offenders with supervision seen with 5 working days. • Percentage of offenders with unpaid work who attended their first work placement within seven working days of the date of the order. The Chief Social Work Officer's Annual provides narrative on the range of social care indicators.		
	2.3.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses 'Our priorities' on the **Aberdeen Performs** page to outline the council's strategic objectives. However, there is no mention of criminal justice social work under any of the priorities noted.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.4 Cultural & community services • Community access • Satisfaction survey • Cultural heritage • Learning centres	2.4.a. A range of PPR information gives a broad overview of performance.	The council provides a range of indicators through the document **SPI 2013/14**. 'Section 2 Education, Culture and Sport' covers: • Use of libraries. • Learning centres / access points… …and provides performance information on cultural and community services for the public.	The council offers the public performance information about cultural and community services through a number of indicators and narrative contained in its strategic priorities. However, more information could be provided on sport and leisure.	Yes
	2.4.b. PPR includes local indicators that give a full picture, eg on: • cost per attendance at a sport/leisure facility • service user satisfaction • specific improvement commitments/ actions.	The council uses four indicators covering cultural and community services, but with no specific narrative: • Annual number of borrowers from libraries as percentage of the resident population. • Number of times that PC terminals in Library Learning Centres and Learning Access Points are used. • Number of users of PC terminals within Library Learning Centres. • Learning Access Points as percentage of the resident population. Six additional indicators are located in two sections of **Our Priorities**: 'Smarter Living' and 'Smarter Mobility'. For example, these cover: • Number of participants in council-funded or part-funded cultural participation/learning programmes. • Number of times that PC terminals in Library Learning Centres and Learning Access Points are used per 1,000 of population. These indicators are also explained further in the narrative below the respective indicator tables.		
	2.4.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy.	The council uses **Our Priorities** on the **Aberdeen Performs** page to outline its strategic objectives. This theme is covered in two of the priorities that the council has outlined.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.5 Planning • Planning applications • Building warrants • Use of land • Building standards	2.5.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council uses a range of indicators. Under 'Section 3. Enterprise, Planning and Infrastructure - 10 Planning Applications Processing Time', indicators cover Planning.	The council provides two indicators that both relate to same aspect of Planning. PPR could be enhanced by a more comprehensive set of indicators, with each indicator supported by relevant data and explanatory narrative.	AFI
	2.5.b. PPR includes local indicators that give a full picture, eg on: • the council's aims • service costs • customer satisfaction.	The council has two relevant in the document **SPI 2013/14,** covering: • Average time (weeks) to deal with planning applications – major Developments. • Average time (weeks) to deal with planning applications – local developments. There is no narrative to directly explain performance.		
2.6 Education of children • Young people • Attainment • School inspections • School leaver • Education cost • School survey • Exclusion • Attendance • +ve destinations • School meals • Eco schools • Special education	2.6.a. A range of PPR information gives a broad overview of performance.	The council uses a range of indicators in the document **SPI 2013/14**. Under 'Section 2 Education, Culture and Sport, in… • Attainment for national qualifications. • School inspections. • Local authority pre-school inspections. • Partner pre-school inspections/allocated part-time nursery provision.	The council provides the public with performance information using a range of indicators and offering narrative on how these indicators have developed over time.	Yes
	2.6.b. PPR includes local indicators that give a full picture, eg on: • Education Scotland inspection results and satisfaction information • SQA/SCQF attainment levels.	The council uses 19 indicators. For example: • Percentage attainment at different qualification levels. • Schools receiving education inspections. • Nursery provision levels. Other indicators are found in **Our Priorities**, in the section on 'Smarter people'. Eg, percentage of pupils gaining 5+ awards at level 6 and the different costs associated with school pupils. These indicators are accompanied by some narrative explaining that 'what is happening'.		
	2.6.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses **Our Priorities** on the **Aberdeen Performs** page to outline the higher level strategic objectives of the council. This theme is covered in one of the priorities that the council has outlined.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.7 Child protection & children's social work • Child protection • Children looked after at home • Child care • Foster care • Supervision order	2.7.a. A range of PPR information gives a broad overview of performance.	In the document **SPI 2013/14**, the council uses a range of indicators. Under 'Section 5. Social care and wellbeing' : • Looked-after accommodated children. • Child protection register numbers. • Protection re-registrations.	Performance information uses few indicators. These lack narrative explanation and do not link clearly to strategic priorities.	AFI
	2.7.b. PPR includes local indicators that give a full picture, eg on: • placement of looked after children • percentage of children seen by a supervisor officer < 15 days • children on the child protection register.	The council uses three indicators, with trend data, that cover child protection: • Percentage of looked-after accommodated children. • Number of children on the child protection register. • Number of children re-registering. There is no narrative with these indicators.		
	2.7.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses 'Our priorities' on the **Aberdeen Performs** page to outline its strategic objectives. There is, however, no mention of child protection and children's social work under any of the priorities noted.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.8 Housing & homelessness • Homeless • House repair • Domestic noise • House building • Affordable homes • Rent arrears • Scottish Housing Quality Survey Building investment • Energy efficiency	2.8.a. A range of PPR information gives a broad overview of performance.	The council uses a range of indicators in the document **SPI 2013/14**. Under 'Section 4. Housing and Environment': • Homelessness. • Affordable Home. • Housing Repairs Expenditure.	The council provides the public with performance information by using by a number of indicators and offering narrative on how these indicators have developed over time. However, there could be a wider range of indicators.	Yes
	2.8.b. PPR includes local indicators that give a full picture, eg on: • rent arrears • energy efficiency • house building rates • affordable homes • homelessness • tenant engagement.	The council uses eight indicators to represent the performance of housing and homelessness. Most indicators (six) are on homelessness and cover the council's duty to provide accommodation for homeless households. The other indicators are on: • Number of affordable houses developed. • Average repairs and the maintenance expenditure/ house/ year. Housing and homelessness is covered under the council's priorities on: • 'Smarter Living' – using some indicators about tenant satisfaction, and households that benefit from fuel poverty alleviation. • 'Smarter Economy' – with an indicator on the number of affordable houses developed. In this case, more narrative provided around this indicator for 'why this important' and 'what is happening'.		
	2.8.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses **Our Priorities** on the **Aberdeen Performs** page to outline the council's strategic objectives. This SPI theme is covered in one of the priorities that the council has outlined.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.9 Protective services • Protective services • Environment • Trading Standards • Food safety • Pest control • Food hygiene • Noise complaints • Flood alleviation	2.9.a. A range of PPR information gives a broad overview of performance.	The council has relevant information in the document **SPI 2013/14**. Under 'Section 4. Housing and Environment': • Trading standards – complaints and advice. • Trading standards – inspections. • Food hygiene. • High-priority pest control. • Low-priority pest control. • Low-priority public health complaints. • High-priority public health complaints.	A good range of indicators is used by the council. However, there is no explanatory narrative to help give insights into the council's performance.	AFI
	2.9.b. PPR includes local indicators that give a full picture, eg on: • food safety • pest control • flood alleviation • customer satisfaction.	The council provides 13 indicators that outline the performance of protective services. For example: • Trading standards – percentage of consumer complaints dealt with in 14 days. • Food safety – percentage premises inspected six- monthly. • Pest control – the response rate to pest control. However, there is no narrative around these indicators.		
	2.9.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses Our priorities on the **Aberdeen Performs** page to outline its strategic objectives. However, there is no mention of criminal justice social work under any of the priorities.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.10 Roads & lighting • Roads • Lighting • Cost of repairs • Road resurfacing • Road satisfaction	2.10.a. A range of PPR information gives a broad overview of performance.	The council has relevant information in the document **SPI 2013/14**. Under 'Section 3. Enterprise, Planning and Infrastructure': • Traffic light repairs. • Street light repairs. • Street light columns. • Road network restrictions. • Pothole repairs.	A moderate range of indicators is used by the council. However, there is no explanatory narrative to help give insights into the council's performance.	AFI
	2.10.b. PPR includes local indicators that give a full picture, eg on: • traffic light failure repairs • winter maintenance works completed in target time period • percentage of road network resurfaced.	The council uses five indicators that outline the performance of roads and lighting. For example: • Percentage of all traffic light repairs completed within 48 hours. • Percentage of pothole repairs carried out within target time. There is no evidence of any narrative for these indicators.		
	2.10.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses **Our Priorities** on the **Aberdeen Performs** page to outline its strategic objectives.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
2.11 Waste management • Waste collection • Waste recycling • Missed collections • Landfill • Satisfaction survey • Complaints	2.11.a. A range of PPR information gives a broad overview of performance.	The council uses a range of indicators in the document **SPI 2013/14**. Under 'Section 4 Housing and Environment': • Refuse complaints – there is an indicator for waste management.	The council provides the public with sound performance information comprising a moderate range of indicators supported by narrative on changes in performance over time.	Yes
	2.11.b. PPR includes local indicators that give a full picture, eg on: • refuse bin collection rates.	One indicator in **SPI 2013/14** outlines the performance of waste management: • The number of refuse complaints received per 1,000 households; with trend data provided. Other indicators are provided in the **Our Priorities** section under 'Smarter Environment.' Several extra parts to this section outline what the council is doing to reduce carbon, maximise recycling, keep the city clean and ensure there are green spaces that can be used by the public. Some of indicators of interest are: • Percentage of household waste recycled/composted. • Net cost of refuse collection per premise. • Net cost of refuse disposal per premise. There is also narrative on 'why this is important' and 'what is happening', giving the public a better idea of the performance of waste management.		
	2.11.c. PPR has clear links to higher-level strategic themes in the SOA and/or CPP plan/strategy	The council uses **Our Priorities** on the **Aberdeen Performs** page to outline its strategic objectives. This theme is covered in one of the priorities that the council has outlined.		
SPI3. Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework (LGBF)				
3.1 LGBF • Framework • Benchmarking • Service • Performance	3.1.a. The council reports its performance against the performance indicators in the LGBF.	The council's website explains what the LGBF is and provides a link to the **mylocalcouncil** benchmarking website.	The council explains the LGBF and provides a link to the LGBF web portal.	Yes
	3.1.b. The council reports its performance at **mylocalcouncil**	The council's website has a link to the mylocalcouncil web portal from its **Aberdeen Performs** pages.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
4. OVERALL				
4.1 Structured approach to PPR, with clear presentation of information	4.1.a. PPR information is linked directly from website's Home page.	Information can be accessed directly from the Home page, via: • Home > **Aberdeen Performs** or • From **Council and government** to **Council performance** pages. To find individual indicators, the reader needs to search further in the 'Our priorities' section.	The council offers easy access to the main performance page but the information from there is not straightforward to navigate and the different sections all have a different look-and-feel.	AFI
	4.1.b. There is a coherent look & feel to how information is presented and structured.	PPR information is presented in inconsistent formats. Some indicators showed data for 2012/13 rather than 2013/14, when this assessment was conducted.		
	4.1.c. There is a high-level summary on the council's overall performance.	There was no evidence of a single annual report for 2013/14 on the **Aberdeen Performs** page. However, under each council priority, some narrative linked to the council's strategic objectives.		
	4.1.d. There is clear layering and signposting of information, which is easy for the reader to navigate.	Navigation to the **Aberdeen Performs** page is straightforward, with the link presented on the Home page. However, accessing further and more detailed information involves navigating two further layers of information.		
	4.1.e. There is relevant explanatory narrative – which is in Plain English	There is little evidence of explanatory narrative around the indicators found from the **Aberdeen Performs**, page but at the bottom of each of corporate priority there is some narrative explanation.		
	4.1.f. There are supporting, informative graphics, eg charts, tables, and diagrams.	There is little evidence of supporting infographics for the indicators under each council priority.		
	4.1.g. Web links to other PPR information work.	The links that are available on the PPR page did nearly all work at the time of this assessment.		
	4.1.h The council reports on additional indicators that contribute to an overall view of their performance.	There are other links on the council's PPR pages but they do not provide the reader with directly-relevant, specific additional content. This requires the reader to more work than s/he initially expects.		
4.2 Effective use of customer satisfaction information	4.2.a. PPR explains consultations and/or satisfaction surveys carried out, and specify the findings.	There is no evidence of feedback findings that the council may have received from the public.	There is no evidence that the council has made effective use of customer satisfaction information in the design of its PPR.	AFI
	4.2.b. PPR explains what the council is doing as a result of feedback.	There is no evidence of the council having used feedback from the public to enhance its approach to PPR.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
4.3 Balanced picture of performance	4.3.a. The council presents a balanced picture of performance.	The council has reported data on its performance, whether good or otherwise. However, many indicators lack supporting narrative that could helpfully explain reasons for the council's performance in 2013/14 and also set out improvement actions that it committed to undertake in 2014/15.	The council does provide indicators but the description and narrative provided to accompany the indicators was not easily accessible.	AFI
	4.3.b. Traffic light-style colours or symbols give a helpful overview.	A key to the symbols used on the **Aberdeen Performs** page describes the monochrome blue/white symbols that the council uses to highlight the performance trend on its various indicators. Symbols to indicate trends mirror the approach followed by Scotland Performs.		
	4.3.c. Priorities for improvement by the council is clear to the reader.	The indicators provided are arranged under the priorities for the council. So it is clear which indicators fall under which priority.		
4.4 Good use of comparators	4.4.a. Performance is set in context using comparators and trends.	A document linked from the **Aberdeen Performs** page compares Aberdeen City and other key councils but it used information dating from before 2013/14.	There is evidence that the council provides the public with comparison information but it is does not explain performance, and some data needs updated for 2013/14.	Yes
	4.4.b. Trends are included for all council indicators, as appropriate.	Trend information is reported in the **Statutory Performance Indicators 2013/14** document, but the information simply comprises tables of numeral values dating back to 2011/12, and there is no explanation of what the trends mean, how/why they arose, or how the council plans to address.		
	4.4.c. There are meaningful comparisons with other councils, eg in family groups, and overall.	There is evidence that the council provides comparisons with other councils through the **Comparison of Performance** document. However, there is no narrative in this document and it has not been updated with 2013/14 data.		
4.5 Good use of financial and cost information	4.5.a. PPR features the costs and other financial aspects of service delivery.	Two examples of corporate indicators that provide financial information are: • Overall cost of the human resources function • Overall cost of the accountancy function. Some cost indicators are reported on for certain services, but the scale of coverage of financial/cost indicators varies widely among services.	The council does not make good use of its indicators to provide the public with financial and cost information.	AFI
	4.5.b. Financial information is well structured and clearly presented.	Few indicators report on finance/cost in the council's own web pages. By contrast, the council reports on of finance/cost indicators as part of reporting on LGBF indicators. However, these are not supported by explanatory narrative.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
	4.5.c. There is information on services' unit costs, eg £ per primary school pupil.	See 4.5.a.		
	4.5.d. PPR includes information on the council's budgets for major services.	No evidence was found.		
	4.5.e. Plain language explains the figures.	There is little explanatory text surrounding the indicators provided for 2013/14		
4.6 Dialogue with the public	4.6.a. The council has consulted the public on what it wants from PPR.	There is evidence that the council does consult the public on what they want. The web page at Council and Government > Performance > Performance Indicators > Performance Report Feedback Form > (**Tell us what you think** carries a questionnaire for the public to complete a questionnaire on the council's PPR, with questions that include: • 'Did you find **Aberdeen Performs** easy to navigate?' • 'Does it feel the site offers the information about our services and functions which you are interested in?' However, the web page does not show a live snapshot summary of the survey's results, and there is no information on whether/how the council has used feedback to improve the design and deliver its PPR. Nonetheless, the use of an online PPR survey is an unusual but good idea.	The council consults with the public about their views of the council's existing PPR and what they want of PPR in future. However, the council could do more to show how it has utilised the *Tell us what you think* survey and social media to engage the public about ways in which it could improve its PPR.	Yes
	4.6.b. The council uses social media to engage the public and have a dialogue on performance.	At the very bottom of each council web page, there are links to the council's various social media pages. However, the links are only a few millimetres across in size and use stylised logos, so they would be elusive for many people to find and use. The *Twitter@aberdeenilv* account is used as a key communication tool in raising awareness and spreading relevant news from the city. The council has created its own **YouTube Channel**, which provides viewers with a wide range of performance and consultation information. However, there is no evidence to show how the council has used social media to improve its PPR.		

Theme	Characteristics include…	Evidence (key facts / links to web pages)	Summary judgement	Rating
4.7 Accessibility	4.7.a. PPR features a range of outputs that target specific audiences.	The header bar on the council's website has an option for 'Accessibility', which leads the reader through how to increase the size of on-screen text. Newsletters and leaflets are distributed in hard copy as well as published on the website. The council has prepared case studies on improvements in access to library services, the collection of Council Tax and the management of council house rent arrears (**publicperformancecasestudies)** on Council Tax, Housing Arrears and Library & Information Services. Each service of the council reports a range of qualitative and cost-based performance information to their appropriate service committee. The Housing Service provides members of the public directly with a range of performance information which is presented using infographics. A Housing Service Performance leaflet is also produced. The annual Council Tax billing process includes a hard copy leaflet for each householder. The leaflet is also available in other formats and on the council's website. The council publishes 'Our Green Times' quarterly in both hard copy format and on the website. It has also published a Climate Change Declaration Report for 2013/14, which includes performance information on the council's approach to climate change adaptation:	The council makes a wide range of information available to the public, and also in a range of media. However, it would be helpful to clarify how the public obtain hard copies of reports and information in other languages.	Yes
	4.7.b. Information is available in different languages, on request.	It is unclear how to apply for information in different languages.		
	4.7c. Printed information is available on request.	No evidence was found on whether information can be sought in printed form, eg in a large font suitable for visually impaired people.		

Good/interesting practice

Which council is this about?	**Aberdeen City Council**
Headline topic	Dialogue with the public.
What is the practice, and what makes it interesting?	The council is using an online questionnaire to ask the public for their views on the council's approach to public performance reporting. What makes it interesting: • This seems to the only Scottish council to do this. • The survey is short and simple, and would probably take no more than five minutes to complete.
What has contributed to its success in this council?	• It is possibly too early to tell, because the council does not appear to have reported the results of the survey, and there is no evidence to show whether or how the council has utilised the survey findings to improve its approach to PPR.
Links to key web pages and/or documents	Council and Government > Performance > Performance Indicators > Performance Report Feedback Form **http://www.aberdeencity.gov.uk/council_government/performance/performance_indicators/prf_feedback_form.asp**
Who to contact in the council for further information (include contact details)	Neil Buck Performance and Risk Manager Customer Service & Performance Corporate Governance **nebuck@aberdeencity.gov.uk** Tel 01224 522 408

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<u>Paragraph for internal consultation</u> (i.e. officers and Elected Members)

"**NOT FOR PUBLICATION**
This report is circulated for consultation purposes only and must not be discussed or the contents released to anyone or any organisation outwith the Council. You should only discuss this with authorised Council employees. If you are in any doubt about who you are able to disclose this information to please contact the report author or your Director or Head of Service. If you are a member of a trade union and you are being consulted on this report as part of the Council's formal consultation procedures please adhere to these arrangements and contact the Head of Human Resources if you require any further advice."

COMMITTEE	Audit, Risk and Scrutiny
DATE	29 September 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Deduction of PAYE from Office Holders
REPORT NUMBER	CG/15/118
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

   To present the Committee with details of a recently identified risk, concerning the deduction of PAYE from those categorised as ‘office holders’.

2. RECOMMENDATION(S)

   The Committee are asked to note the position

3. FINANCIAL IMPLICATIONS

   Back tax of £26,295 was demanded by HMRC, and a Penalty (discounted because of the Council’s cooperation) of £3944.25 was imposed, suspended for a period of one month, on the undertaking of measures seeking to prevent a recurrence. If there is a recurrence, there is a possibility of further penalties being imposed. There are no other financial implications arising from the report.

4. OTHER IMPLICATIONS

   As part of the agreement with HMRC, new templates have been introduced when volunteers are appointed to certain positions, making the tax position clear. Officers involved in such appointments have had

a briefing from Legal Services, and the opportunity to discuss particular cases.
As a result of the changed procedures, there has been some discontent expressed by current volunteers affected, and at least one volunteer has stopped undertaking duties, and one curator says she will no longer accept nomination as part of the Panel provided to the Sheriff Principle.
.
Categories of those who may be regarded as “office holders” include Curators and others who prepare Reports for Court in Family cases or Mental Health Guardianships; members of Adoption and Fostering Panels, and similar panels; members of the Social Work Complaints Review Committee; members of the School Placings and Exclusions Committee; young people who are engaged by Trading Standards for alcohol Test Purchases; members of the Friends of Aberdeen Art Gallery who undertake tours at the Art Gallery; and similar volunteers from a selected pool, who carry out “successive work”, and who get fees or “benefits in kind” for undertaking duties, especially where such duties perform a role required under statute.

5. BACKGROUND/MAIN ISSUES

During a scheduled review by an HMRC Inspector, ACC was advised that we had failed to deduct PAYE and NIC from payments to Adoption & Fostering Panel members. Arrears of unpaid tax for Panel members and others were recently agreed with HMRC, and a new arrangement for payment through the Payroll Service was established and implemented. This issue has not previously been raised by HMRC with any other Scottish Local Authority.

5.1 Some 3 years ago, an HMRC inspector carrying out a routine inspection of council records commented that one group (members of the Adoption and Fostering panel) had been paid inappropriately in having their attendance fees paid gross, without deduction of Pay As You Earn or National Insurance Contributions. Initially, this was contested by the council, since Panel members are not employees, but HMRC then argued that such people were to be regarded as “office holders” and the council was required in terms on the Income Tax (Earning and Pensions) Act 2003 to deduct income tax from payments to office holders.

The council then took an Opinion from Senior Counsel at the tax bar, and he confirmed that HMRC were correct. Further, other examples specified to Counsel were also confirmed to be office holders. This included Curators, appointed by the Courts from a Panel nominated by the Chief Social Work Officer, who write reports on Family Matters (eg relating to proposed Adoptions) or Mental Health issues (Guardianships). It was said that there was a relationship between the Council and such people, they were chosen from a pool of selected individuals, and successive work was being carried out, usually to perform a statutory function of the Council. It did not matter that there was no employment relationship, and no guarantee that work would be provided, or that work would be done.

5.2 Arrangement with HMRC

This point was then conceded to HMRC, and they then asked for information on all such payments made in the past 6 years. That information was collected and given to HMRC, who then calculated the amount of tax unpaid during that 6 year period (£26,295), which has now been paid.

HMRC also calculated the amount of penalty due because of non-compliance with the arrangement to deduct PAYE and NIC from income paid. This penalty was discounted because of the council's cooperation, and amounted to £3,944,25. However, this penalty was then suspended as the council gave certain undertakings as to future arrangements

- The council will meet all its notification and filing obligations
- The Committee Services section of Legal and Democratic Services will liaise with all relevant departments to discuss and implement changes to their procedures when engaging office holders, whilst also making these departments aware of the implications for the council if payments are not treated correctly and keeping records when this has occurred
- Guidance and training has been delivered by Legal Services to all service managers in all the relevant departments within the council and the guidance states that any successors to these positions must be fully versed of *(sic)* the correct procedures
- The Head of Legal Services will ultimately hold the responsibility for considering the position of an office. They will maintain all relevant guidance for distribution to all appropriate departments, allowing them to follow HMRC guidance when engaging individuals and arrange meetings to ensure corporate understanding of the guidance and keep appropriate records of these reviews.
- The council will liaise with the internal audit team and audits on gross payments should be included in the random audit programme already in place. Any such transaction would be identified during the continued testing of other areas.

5.3 Future payments

A Briefing Note on Office holders has been prepared and issued to Services to inform them of the issue, and give some working definitions and examples to assist with identification of office holders. More complex cases can be referred to Legal Services for more detailed support, where required, and there have been discussions between Legal Services and Services about actual examples, to establish those who are to be regarded as Officeholders. The Briefing Note requires Service heads to ensure that any successors in post will receive the same briefing, and be advised of the need to identify office holders.

Once officeholders have been identified, this has been and is to be intimated to payroll Service. They will then arrange payment under deduction of PAYE and NIC. Payroll have established a separate “org”, putting officeholders with office bearers, quite separate from Employees.

Internal Audit have been advised of the position, and will address this in their audit role in a proportionate way, given the sums involved and the frequency of payment.

The duty to deduct PAYE and NIC applies to all income paid, and also to any relevant “benefits in kind”, such as mileage covering journeys to the place where duties are carried out.

5.4 Risks

Once identified and in the system, office holders will be paid under deduction of PAYE and NIC. Existing groups have all been considered and assessed appropriately. The risk is regarding the appointment of lay people to new groupings established by Services, or committees of the council, and ensuring that the question is asked as to whether the work such people are doing, the relationship with the council, and, crucially, whether there is sufficient successive work, would be such as to constitute such people as office holders. If the identification is not properly made, it is possible that payment of attendance fees, or travel expenses, may be made through the Creditors system, on presentation of a claim form or vouched receipts, and without deduction of PAYE and NIC.

This would be in breach of the council’s arrangement to make payments under PAYE, and would also breach the recent undertakings given to HMRC.

5.5 Management of risks

Relevant officers in each Service have been advised of the situation by Committee Services. All have received the Briefing Note, and the opportunity to discuss particular cases with Legal Services officers. Payroll Services have a system set up to ensure payment of notified people is made under the correct deductions.

6. IMPACT

Services must be alert to the appointment of office holders, and ensure they are correctly paid under deduction of PAYE and NIC, through the Payroll Service

7. MANAGEMENT OF RISK

A Briefing Note on Office holders has been prepared and issued to Services to inform them of the issue, and give some working definitions and examples to assist with identification of office holders. More complex cases can be referred to Legal Services for more detailed support, where required. A payment system to ensure that correct deductions are made has been set up by Payroll Services.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	29 September 2015
DIRECTOR	N/A
TITLE OF REPORT	Outstanding Internal Audit Recommendations Pre 2015/16
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 This report advises the Committee of progress Services have made with implementing recommendations agreed in Internal Audit reports issued by PWC, and made by the Surveillance Commissioner following an inspection in April 2014.

2. RECOMMENDATION

2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising as a result of this report.

4. FOLLOW UP OF RECOMMENDATIONS

4.1 The details relating to recommendations made previously by PWC, which were due to be implemented by the end of July 2015, are shown in the attached appendix.

4.2 The Office of the Surveillance Commissioner made the following recommendations in April 2014 following an inspection:

1. That the Council amends its protocol and procedures document to address the issues discussed in the Inspection Report;

2. That there should be an audit of Council Staff to identify those who hold either an investigative or enforcement function and then provide training tailored to the needs of those officers on RIPSA to ensure that they have the knowledge required which is commensurate with their responsibilities; and

3. That authorisations should always address in full the activity authorised, where and how: this should be monitored by the oversight regime which should also be taking steps to ensure that all authorisations are cancelled as soon as they are no longer required.

4.3 Council Officers have confirmed that a report was approved by the Finance, Policy and Resources Committee on 15 September, 2015 which approved a revised Corporate Protocol and Procedures on Covert Surveillance and a RIPSA Training Plan. The implementation of these, together, complete the implementation of the above recommendations.

5. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor
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(01224) 664184

Outstanding Internal Audit Recommendations **Appendix A**

Report Title	Date Issued	Recommendation and Risk Rating	Update	Responsible Officer	Original Due Date	Revised date
Community Centres	Apr-14	Risk Rating - Medium The Council should take action to ensure that all leased community centres sign up to the new lease and management agreement. If necessary, payment of the Development Grant should be withheld until signed lease and management agreements are in place.	A report was taken to Communities, Housing and Infrastructure Committee in February 2015 recommending that the development grant was held for those Centres yet to sign up. The Committee did not accept this recommendation. A further report is expected to go to CHI on this issue in October 2015.	Service Manager, Sport and Communities	31-Dec-14	31-Oct-15
Complaints Handling	Sep-14	Risk Rating - Low A complaints handling training package should be developed and included as mandatory training for any staff members involved in complaints handling. Management could consider utilising SPSO training materials as an alternative to developing a bespoke training package. These training materials should form a part of the induction process for new joiners. Refresher training should be mandatory for all staff members involved in the complaints handling process. This should include a reminder of best practices in complaints handling, and details of	Procedural improvements are being implemented before rolling the training out across the organisation, so that all council employees are being trained using a consistent corporate approach. An online interactive learning (OIL) course has been developed and as recommended, the content is based on the SPSO training material. The OIL course will form part of the corporate training programme which will commence once a complaints web form is launched, providing a corporate method for all council officers to logging Frontline Complaints. Development of the online form is currently ongoing.	Project Executive	31-Dec-14	31-Dec-15

		new or updated procedures.	Face to face training will then also be undertaken with frontline teams to reinforce the procedures and coaching provided to responding officers to improve the quality of responses. These actions are planned to commence before the end of 2015.			
Compliance with Laws and Regulations	Nov-14	Risk Rating - Medium · Legal Services will, in conjunction with Human Resources (HR) and the Services, perform a risk assessment to identify those laws and regulations for which breaches would have a significant impact on the Council. · HR, in conjunction with Legal Services and the Services, will compile a list of all training which addresses the laws and regulations identified in the risk assessment. Where gaps in available training materials exist, additional training will be developed. · HR, in conjunction with Legal Services and the Services, will assess the level of training required for each role. This exercise is already underway by HR but will now include any additional training identified in the risk assessment. · The output of the risk assessment and newly created training material will be used by the Services to	This is a substantial area of work. The task is currently being scoped and consideration of a revised timescale is dependent upon this. A way of progressing this has been agreed between the Service and Internal Audit.	Head of Legal and Democratic Services and HR Manager	31-Mar-15	The Service will report to the Audit, Risk and Scrutiny Committee in November 2015 regarding progress

		update job profiles, ensuring staff have an understanding of the mandatory training required. Completion of mandatory training for staff will be monitored and an appropriate process implemented for escalating issues with non-completion. Consideration should be given to including an annual sign off on the Your HR system which would be approved by line management during the performances management process.				
Carefirst	Feb-15	<u>Risk Rating - Medium</u> 1. Management should assign responsibility for reviewing and actioning the unmatched transactions report. Management may consider creating a dedicated role for this task as it would benefit from a technical understanding of CareFirst, knowledge of the Council's financial arrangements with suppliers and all client groups. 2.· Agreement will be reached on the criteria/ parameters to be used for deciding whether transactions should be investigated or not. The unmatched transaction report will be modified by the CareFirst Team to ensure it only includes the transactions for assessment before it is issued to the individual	1. The identification of a dedicated person with relevant experience remains outstanding, however, some data tidy up work has been undertaken by the CareFirst Team which will result in fewer unmatched transactions being created. Will be picked up as part of the Care Management Transformation Project. 2. As for 1	Head of Joint Operations	30-Jun-15	31-Mar-16 On completion of Care Management Transformation Project

		responsible for reviewing and actioning. 3.· Dummy invoices will be processed in CareFirst to remove illegitimate transactions. This will not impact actuals (which are reported through e-Financials) and will allow for accurate commitment reporting. The individual responsible for the unmatched transaction report should also be responsible for this task. 4.· To ensure temporarily suspended care packages do not accrue costs, the person responsible for reviewing and actioning the unmatched transactions report should enter variances to offset the amount. A list of users who are not closing care packages as per the guidelines should be issued to Service Managers for appropriate action. 5.· The completed unmatched transaction report should be reviewed and signed off by the responsible person’s line manager on a monthly basis. 6.· Consideration will be given to separating the roles of those who assess and manage frontline client needs and	3. As for 1 4. As for 1 5. As for 1 6 This issue is part of the new Planning and Development Manager's workload and discussions are being held across the various sections to ensure that this is actioned.			

Carefirst	Feb-15	Risk Rating - Low The Council should discuss with other Local Authorities the appetite for setting financial authorisation limits within the system. If popular this should be raised at the next OLM Systems meeting.	User Group meeting scheduled for August 2015 has been cancelled - awaiting rescheduled date.	Team Manager, Performance Management	31-Mar-15	30-Nov-15 following next User Group meeting
IT Disaster Recovery	Feb-15	Risk Rating - Low ICT will undertake an annual walkthrough of the plans by those involved in their operation to try and identify any weaknesses and to ensure that key people are aware of their responsibilities and actions in a disaster recovery situation. (a table top review)	A meeting has been held with relevant IT staff to walk through Disaster Recovery and Business Continuity plans. A further table top exercise to test the plan was scheduled for June 2015 but had to be postponed. This has been re-scheduled for September 2015.	IT Manager	30-Jun-15	30-Sep-15
IT Disaster Recovery	Feb-15	Risk Rating - Low Telephony DR processes will be updated and tested, with the support of Getronics, as per their contractual arrangements	Contractual arrangements for DR ended March 2015 and tender for new arrangements is due to end July 2015. This will be done with winning supplier. Update as at 28 August: New contract due to commence on 1 September and action on target for completion within revised due date.	IT Manager	31-May-15	31-Dec-15
Service review	Feb-15	Risk Rating - High The definition, requirements and timeliness of a review under the Care Management Standards should be re-communicated to Care Workers via team meetings.	This issue has been discussed with service managers and team leaders at a service development day on 6 July with instructions to action the advice given by PWC immediately. Reviews form part of the Care management transformation project	Chief Officer, Health and Social Care	28-Feb-15	31-Dec-15

			that is currently being undertaken by the planning and development manager in OP services.			
Services review	Feb-15	Risk Rating - High 1. Management should formally assess the staffing issues within SC&W and consider increasing the resource budget if appropriate. 2. The following reports should be run on a monthly basis and distributed to the relevant teams who will action the closing or reassignment of the activities: a. A report detailing open activities which have no open service agreement. and; b. A report detailing open activities which are not assigned to the care worker who is currently assigned the care package. 3. The ‘request for funding’ activity should be renamed to ‘review of care package’ to ensure clarity on the purpose of the activity. The ‘required date’ field of the ‘request for funding’ activity should be made mandatory to ensure the activity can be used appropriately. Please note, OLM will be required to make these system changes. 4. Guidance on the purpose and operational use of the newly renamed activity should be	1. Management has assessed the staffing issue with service managers and team leaders. Since the audit managers have carried out a recruitment drive and made changes to the scheduling of reviews within work loads. Work is ongoing to define levels of reviews that are appropriate to the activities being carried out. 2. On-going piece of development work. Some data tidy up has already been undertaken and it will be concluded in the processes that form part of the Care Management transformation project. 3. Staff have been instructed to action this recommendation with immediate effect. 4. Draft guidance has been developed and will be issued once the Care Management Transformation project has been concluded.	Team Manager, Performance Management and Systems Development Officer	20-Jun-15	31-Dec-15

		created and distributed.				
ICT Governance	May-15	Risk Rating - Medium The strategy will include the commitment to implementing an Enterprise Architecture governance framework and have the support of the corporate management team. Including this commitment in the ICT strategy would reduce this risk to a low rating.	Following appointment of new Head of Service, IT and Transformation Service in May, a broader review of all relevant strategies has commenced with revision over the next 3-6 months. Revised date of March 2016 to allow time for all relevant stage approvals.	Head of IT and Transformation	31-Mar-15	31-Mar-16
Stakeholder Engagement		Risk Rating - Low ·The importance of documenting analysis should be communicated to all relevant staff, ensuring that they understand the potential future value of work carried out. · Staff should also be made aware of the importance of retaining any analysis, so that it can be used both for future projects, and also to evidence the work having been undertaken.	Regular internal evaluation takes place with regard to the Aberdeen Pupil Voice group to evaluate effectiveness and in preparation for an external audit in February. Pupil Participation co-ordinators will be expected to ensure that appropriate methods of communication are in place to inform all staff/stakeholders and regarding the importance of retaining analysis/evidence. These expectations will be shared with all Head Teachers.	Development Officer, Pupil Voice	30-Jun-15	Meetings scheduled with Head Teachers Primary: 28-Sep-15 Secondary: 05-Oct-15
Section 75 Planning	Apr-15	Risk Rating - Medium It should be established where the risk of non-payment of Section 75 developer contributions sits within the organisation and a risk should be placed in the corresponding risk register. This should then be regularly reviewed to ensure an appropriate level of mitigation is in	It has been agreed that this will be included in the Communities, Housing and Infrastructure risk register. A process for the management and allocation of funding in relation to Section 75 developer contributions has been developed and we continue to work towards the identification of	Head of Finance Director of CH&I	30-Jun-15 --	-- 30-Sep-15

		place.	associated strategic risks.			
Roads Construction Consent	May-15	Risk Rating - Low A checklist will be used formally to evidence that roads construction consent applications are in line with relevant standards and technical requirements. The checklist will also be used to record the review and comments of the relevant team member, and where necessary given the scale and complexity of the application, evidence of checking by a suitable qualified colleague.	An updated checklist has been developed and is being trialled before it is finally rolled out for all Road Construction Consents	Transportation Manager	30-Jun-15	31-Oct-15
Roads Construction Consent	May-15	Risk Rating - Low Management will implement monthly monitoring of KPIs to help identify periods of high demand in roads construction consent applications. Where periods of high demand become apparent, management will ensure that appropriate communication is maintained with external stakeholders as to the impact on timelines, and action will be taken internally to ensure that processes are maintained despite the increase workload.	Officers have made approaches through the Society of Chief Officers of Transportation in Scotland (SCOTS) as to KPIs in use across authorities to establish standardisation of measurement. Feedback is awaited. Officers are therefore adopting their own KPIs in the interim.	Transportation Manager	31-Jul-15	31-Oct-15
Roads Construction Consent	May-15	Risk Rating - Low On initial acknowledgement of the application, if a full and complete roads construction consent submission is received from the	A new system to deal with Planning and Building Standard application is in the process of being purchased and introduced, with a current timescale for going live of end 2015.	Transportation Manager	31-Jul-15	31-Mar-16

		consultant or developer, management have indicated that they will commit to providing a response to the application within four weeks. In delivering action 3.01, management will look to link the system for roads construction consent to the e-planning system currently used for planning applications by the Council.	The incorporation of RCC into that system would follow and would be projected for end of first quarter 2016.			
Roads Construction Consent	May-15	Risk Rating - Advisory We recommend that guidance on submission requirements for both stage 1 and 2 roads construction consent be made available on the Aberdeen City Council website for developers or consultants.	Steps to provide access to currently approved guidance have been taken with a link to the national web based information included. As this requires a link up with another authority its completion has been delayed.	Transportation Manager	30-Jun-15	30-Sep-15

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Agenda Item 7.2

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	29 September 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Recommendations – 2015/16
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 This report advises the Committee of progress with implementing agreed recommendations contained in reports issued in relation to the 2015/16 Internal Audit plan and any additional work undertaken.

2. RECOMMENDATION

2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising as a result of this report.

4. PROGRESS WITH IMPLEMENTING AGREED RECOMMENDATIONS

4.1 Appendices A and B show progress made by Services with completing agreed Internal Audit recommendations, based on assurances received from officers tasked with their implementation and independent checks where appropriate.

4.2 Where these have not been completed by their original due date, reasons are provided along with the grading applied to the recommendation in the original Internal Audit report. An explanation of the gradings used is shown at appendix C.

5. REPORT AUTHOR DETAILS

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(01224) 664184

APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 16 SEPTEMBER 2015

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. The total not fully complete, which had an original due date of before 31 August 2015, is zero. Full details relating to progress, on a report by report basis, are shown in appendix B.

Recommendations							**Grading of Overdue Recommendations**		
SERVICE	Agreed in reports shown in Appendix B	Due for completion by 01.04.15	Confirmed complete by Service	New in July and August 2015	Confirmed complete by Service	**Not fully complete by original due date of 31.08.15**	Major	Significant	Important
Cross Service	0	0	0	0	0	**0**	0	0	0
Communities, Housing and Infrastructure	4	0	0	1	1	**0**	0	0	0
Corporate Governance	2	0	0	1	1	**0**	0	0	0
Education and Children's Services	0	0	0	0	0	**0**	0	0	0
Total	6	0	0	2	2	**0**	0	0	0

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 16 SEPTEMBER 2015

Report Number	Report Title	Date Issued	Number of Recommendations Agreed in Report	Due for implementation by 31.08.15	Confirmed Implemented by Service	**Not implemented by original due date**	Grading of overdue recommendations
COMMUNITIES, HOUSING AND INFRASTRUCTURE							
AC1603	Council House Rent Setting	July 2015	4	1	1	**0**	0
CORPORATE GOVERNANCE							
AC1601 AW	Council Tax Billing 2014/15	July 2015	2	1	1	**0**	0

APPENDIX C

Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level / within audited area	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited. Financial Regulations have been consistently breached.
Significant within audited area	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	29 September 2015
INTERIM DIRECTOR	Angela Scott
TITLE OF REPORT	Aberdeen International Youth Festival
REPORT NUMBER	CG/15/121
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To provide an update on the current position with regard to the governance and financial arrangements between the Council and Aberdeen International Youth Festival (AIYF).

2. RECOMMENDATION(S)

It is recommended that the committee:-

i) note the contents of this report

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

Any changes to the current governance arrangements will require the legal status of the AIYF to be amended.

5. BACKGROUND/MAIN ISSUES

5.1 This committee on 26th February 2015 considered an internal audit report entitled Aberdeen International Youth Festival – Following the Public Pound. The report contained the following recommendation "The Board should be made aware of the challenges with the current governance structure with a recommendation that they agree to change their Articles of Association to enable a more flexible and arm's length relationship to be put in place and that future arrangements between AIYF and the Council will require to be underpinned by a formal agreement e.g. a Service Level Agreement".

5.2 The committee requested officers to submit a report on the governance and financial arrangements between the Council and the Aberdeen International Youth Festival at the earliest opportunity.

5.3 At a meeting on 29th April 2015, the trustees of AIYF reviewed both the internal audit report and a letter from the Head of Finance concerning the main recommendations of the report and noted the contents.

5.4 In March 2015 Castlegate Arts Ltd approached AIYF with a proposal to establish a new Scottish Charitable Incorporated Organisation (SCIO), with the functions of both existing organisations then being transferred to the SCIO prior to both existing organisations being wound-up. Discussions are ongoing between the two organisations and are likely to continue into 2016.

5.5 As these discussions progress and as necessary, reports will be submitted to the appropriate committee(s) for consideration.

5.6 Should the proposed restructuring go ahead it is anticipated that the current arrangements whereby the Council provides financial services to AIYF would no longer be required.

6. IMPACT

The Council has a long standing relationship with AIYF and supports the organisation both with funding and the provision of financial services.

7. MANAGEMENT OF RISK

Not applicable as the report is for update purposes only.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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The Audit, Risk and Scrutiny Committee
Aberdeen City Council

17 September 2015

Aberdeen City Council
Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our annual report on the 2014/15 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified

2. Our work on the financial statements of Aberdeen City Council and Aberdeen City Council Charitable Trusts is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of revised sets of financial statements for final review, we anticipate being able to issue unqualified auditor's reports on 29 September 2015 for both Aberdeen City Council and Aberdeen City Council Charitable Trusts (the proposed reports are attached at Appendices A and B). There are no anticipated modifications to either of the audit reports.

3. In presenting this report to the Audit, Risk and Scrutiny Committee, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected:
   - **Aberdeen City Council:** A number of monetary errors have not been processed through the financial statements by management. If adjusted this would decrease

net council's net cost of services expenditure by £1.527 million and increase net assets in the balance sheet by a similar amount.

- **Aberdeen City Council Charitable Trusts:** There were no misstatements arising from our audit.

5. As part of the completion of our audit we seek written assurances from the Head of Finance on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix C. This should be signed and returned by the Head of Finance with the signed financial statements prior to the independent auditor's opinion being certified.

Outstanding matters

There are some areas where we still require additional information and these are identified below:

6. **Letter of representation**. This letter, otherwise known as the ISA 580 letter, is required before the approval of the financial statements by the Audit, Risk and Scrutiny Committee on 29 September 2015.

7. **Group auditor confirmations**. As part of the audit of the council's group accounts, we seek assurances from the auditors of the group companies. We normally receive these confirmations when the individual entity audits are completed. These audits are largely concluding to a similar deadline as the council and therefore we anticipate having the confirmations before the Audit, Risk and Scrutiny Committee meeting on 29 September 2015.

Appendix A: Proposed Independent Auditor's Report - Council

Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeen City Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Loans Fund, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, National Non-domestic Rates Accounts, Council Tax Income Accounts, Common Good, the Trust Funds and Endowments and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of Aberdeen City Council as at 31 March 2015 and of the income and expenditure of the group and the council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Stephen Boyle
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

29 September 2015

Appendix B: Proposed Independent Auditor's Report – Charitable Trusts

Independent auditor's report to the trustees Aberdeen City Council Charitable Trusts and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeen City Council Charitable Trusts for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of the Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

As explained more fully in the Statement of the Trustees Responsibilities in Respect of the Accounts, the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Stephen Boyle
Assistant Director of Audit
Audit Scotland
The Athenaeum Building
4th Floor, South Suite
8 Nelson Mandela Place
Glasgow G2 1BT

29 September 2015

Stephen Boyle is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix C: ISA 580 - Letter of Representation

Stephen Boyle
Assistant Director
Audit Scotland
The Athenaeum Building
4th floor South Suite
8 Nelson Mandela Place
Glasgow G2 1BT

Date

Dear Stephen

2014/15 Financial Statements

1. This representation letter is provided in connection with your audit of the financial statements of:

- Aberdeen City Council and its group for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the council and its group as at 31 March 2015 and its income and expenditure for the year then ended
- Aberdeen City Council Charitable Trusts for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Trusts as at 31 March 2015 and their income and expenditure for the year then ended

2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Executive, Directors, the Council and trustees the following representations given to you in connection with your audit of Aberdeen City Council and its group, and Aberdeen City Council Charitable Trusts for the year ended 31 March 2015.

General

3. I acknowledge my responsibility and that of Aberdeen City Council and the Charity trustees for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Aberdeen City Council and its group and the charitable trusts have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

4. The information given in the council's financial statements, including the Management Commentary and Remuneration Report, presents a balanced picture of Aberdeen City Council and the charitable trusts and is consistent with the financial statements. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any

uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

5. I confirm Aberdeen City Council Charitable Trusts are the only trusts that require an audit where the sole trustee is Aberdeen City Council. The information given in the financial statements, including the Trustees' Annual Report, presents a balanced picture of the Trusts and is consistent with the financial statements. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The council's financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.

7. The charitable trusts' financial statements have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 (as amended), Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) (the SORP) and the provisions of the charities' constitution.

8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Aberdeen City Council and its group and Aberdeen City Council Charitable Trusts for the year ended 31 March 2015.

Accounting Policies & Estimates

9. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

10. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the

requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Events Subsequent to the Balance Sheet Date

12. Other than the disclosures within Note 23, there have been no material events since the dates of the Balance Sheets which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

13. Since the dates of the Balance Sheets no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

14. I acknowledge as Section 95 Officer and as treasurer to the Trusts my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.

15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2015, which require disclosure.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

16. The assets shown in the council Balance Sheet and the charitable trusts' statement of balances at 31 March 2015 were owned by Aberdeen City Council other than assets which have been purchased under operating leases, and the charitable trusts. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

17. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2015.

Contingent Liabilities

18. There are no significant contingent liabilities, other than those disclosed in Note 38 to the accounts, arising either under formal agreements or through informal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and

properly disclosed, including any outstanding legal claims which have not been provided for under the Code and IAS37.

Carrying Value of Assets and Liabilities

19. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Provisions

20. Provisions have been made in the council's financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2015 and of which Aberdeen City Council could reasonably be expected to be aware. The amounts recognised as provisions are the best estimates of the expenditure likely to be required to settle the present obligations, as at 31 March 2015, and I am not aware of any instances of provisions that do not meet the criteria of IAS37.

Commitments

21. All commitments under capital contracts have been disclosed in Note 30 to the council's accounts. Any other significant commitments or obligations which might adversely affect the council have been disclosed.

Leases

22. All leasing arrangements have been reviewed and correctly classified as operating or finance within the financial statements. Lease arrangements granted by the council have been classified and disclosed within the financial statements.

Loans Fund

23. All borrowings have been confirmed as being compliant with the provisions of the Local Government (Scotland) Act 1975.

Group Accounts

24. In my opinion, the group assets, liabilities and revenue transactions within the financial statements are materially complete. With the exception of Aberdeen Sports Village Limited, they are based on the audited financial statements of the individual bodies for the year ended 31 March 2015. Aberdeen Sports Village Limited’s accounting year end is 31 July. For the purposes of group accounts, however, estimated results for the year ended 31 March 2015 have been prepared using audited results to 31 July 2014 and relevant management accounts. This is considered a reasonable estimate for consolidation purposes.

25. Pension costs in respect of Aberdeen Exhibition and Conference Centre (AECC) and Aberdeen Sports Village Limited (ASV) have been accounted for as defined contribution

scheme. AECC operates a defined contribution pension scheme but for ASV, it is not possible to separately identify pension fund assets and liabilities and therefore it has also been regarded as a defined contribution scheme for accounting purposes.

26. Any significant issues with the financial statements of group entities, including qualifications, have been advised to audit. In making these assertions, I am reliant on the opinions of the external auditors of group entities.

Common Good and Trust Funds

27. In my opinion, the common good assets, liabilities and revenue transactions within the financial statements are materially complete. Similarly, all assets and liabilities and revenue transactions relating to charitable trusts managed by the council have been properly separate from the council's single entity accounts and are reflected within the trust fund accounts.

North East Scotland Pension Funds (NESPF)

29. There are no non-adjusting events which have occurred subsequent to NESPF's period end which have not been notified to audit, which could impact significantly on the council's financial statements.

30. The pension assumptions made by the actuary in the IAS19 report for Aberdeen City Council have been reviewed and I confirm that they are consistent with management's own view.

Other Matters

31. Except as disclosed in the financial statements, the results for the period were not materially affected by:

- transactions of a sort not usually undertaken by the Council or the charitable trusts
- circumstances of an exceptional or non-recurrent nature
- charges or credits relating to prior periods
- any change in the basis of accounting

Yours sincerely

Steven Whyte

Head of Finance

Aberdeen City Council

2014/15 Audit

Annual Audit Report to Members and the Controller of Audit

September 2015

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. (www.audit-scotland.gov.uk/about/ac)

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Accounts Commission has appointed Stephen Boyle as the external auditor of Aberdeen City Council for the period 2012/13 to 2015/16.

This report has been prepared for the use of Aberdeen City Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

Contents

Key messages

Audit of financial statements	• The independent auditor's reports on the 2014/15 financial statements for Aberdeen City Council and its group and the Aberdeen City Council Charitable Trusts are unqualified. • A timetable for the earlier delivery of the audited financial statements was agreed between the respective finance and audit teams. This was successfully delivered enabling us to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014.
Financial management and sustainability	• The council has a record of sound financial management supported by considerable reserves. This provides the council with a secure financial position in the short term but the longer term outlook is less clear. The council needs to reduce its cumulative spending by approximately £50m by 31 March 2020. • In recognition of an uncertain financial climate in the public sector, long term financial planning is being developed. A range of social and economic factors likely to impact on financial plans up to 2050 have been identified for further consideration. • The council has an ambitious programme of capital projects to deliver over the next 15 to 20 years and is currently developing a City Region Deal plan in partnership with Aberdeenshire Council.
Governance and transparency	• Over the last 12 months, implementation of the council's revised management structure was concluded with a number of new head of service appointments including a new monitoring officer. • Significant steps have been taken to strengthen scrutiny undertaken by the Audit, Risk and Scrutiny Committee, including training, self-evaluation and the publication of its first annual report. • Systems of internal control operated well including an effective internal audit function and sound anti-fraud arrangements. Scrutiny arrangements for ALEOs have now been implemented but it will take time before they are operating effectively

Wider scope issues	• Plans are moving apace in respect of health and social care integration, resource plans are taking shape and discussions have commenced on the scrutiny model to be adopted by the integration board alongside Aberdeen City Council. • Relevant transactions associated with capital projects reviewed during the audit have been appropriately included in the 2014/15 financial statements.
Best Value	• A Best Value audit report published in July 2015 welcomed the progress made by the council in a number of areas, but also highlighted that there is a great deal more improvement to be delivered and consolidated. An improvement action plan has been developed by the council which will be monitored as part of the 2015/16 audit. • For 2014/15, the council's statutory performance indicators showed improvement in 42% (2013/14 - 31%) of cases and deterioration in 34% (2013/14 – 40%) of cases. • Work is continuing to improve performance information including public performance reporting.
Outlook	• The council faces rising demands for services and continued funding pressures alongside managing major capital projects and service reforms. • The City Region Deal continues to develop both in terms of the working relationship and respective expectations of Aberdeenshire Council and the Scottish Government but also in terms of setting out governance arrangements which will assist in delivering the deal in the years ahead. • Recent changes in the recognition and funding of non-profit distribution schemes may have implications for the council both in terms of existing and planned capital projects.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Aberdeen City Council. The report is divided into sections which reflect our public sector audit model.

2. The management of Aberdeen City Council is responsible for:
    - preparing financial statements which give a true and fair view
    - implementing appropriate internal control systems
    - putting in place proper arrangements for the conduct of its affairs
    - ensuring that the financial position is soundly based.

3. Our responsibility, as the external auditor of Aberdeen City Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.

4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.

5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II and III**, include recommendations for improvements.

6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Aberdeen City Council understands its risks and has arrangements in place to manage these risks. The council and corporate management team should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

8. We are grateful for the cooperation and assistance we received during the course of the audit.

Audit of the 2014/15 financial statements

Audit opinion	• We have completed our audit and issued an unqualified independent auditor's report.
Going concern	• The financial statements of the council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the council, its group and associated charitable trusts' ability to continue as a going concern.
Other information	• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.
Charitable trusts	• We have completed our audit of the 2014/15 financial statements of the charitable trusts administered by Aberdeen City Council and issued an unqualified independent auditor's report.
Group accounts	• Aberdeen City Council has accounted for the financial results of seven subsidiaries, one associate and one joint venture in its group accounts for 2014/15. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £101.300m.

Submission of financial statements for audit

9. Local Authority Accounts (Scotland) Regulations 2014 introduced a number of key changes to the processes for approval and publication of both the unaudited and audited annual accounts.

10. In order to meet these certification dates for the annual accounts and the planned earlier publication of the Annual Audit Report, we held early discussions with the Head of Finance and his team to review our respective ways of working in order to implement a smarter approach for the preparation and audit of the council's financial statements and the charities' accounts. This required a change in working practices and close cooperation with the finance team but enabled us to collectively deliver the audited accounts to meet the new timescales.

11. We received the unaudited financial statements on 17 June 2015, in accordance with the agreed timetable. The working papers were of a good standard and council staff were effective support to the audit team.

Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 26 February 2015.

13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. As such, the agreed fee for the 2014/15 audit which was set out in the Annual Audit Plan remains unchanged.

14. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

16. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. We summarised our approach to materiality in our 2014/15 Annual Audit Plan. Based on our knowledge and understanding of Aberdeen City Council we set our planning materiality at £7.789m (1% of gross expenditure). We report all misstatements greater than £100,000. Performance materiality was calculated at £3.778m, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

19. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that they remained appropriate and no change was required to our original calculations.

20. In our Annual Audit Plan we set separate materiality in the audit of four charitable trusts' financial statements. During the year, the council progressed with its plans to present one set of financial statements for Aberdeen City Council Charitable Trusts using the connected charities provision of the regulations. The materiality for these financial statements is £2,070 in respect of the Statement of Financial Activities and £75,810 for the Balance Sheet.

Evaluation of misstatements

21. All misstatements identified during the audit, which exceeded our materiality threshold, have been amended in the financial statements. The impact of these is to reduce Total Comprehensive Expenditure by £8.752m, with a corresponding decrease in Net Assets and Total Reserves.

22. In addition we identified a number of presentational adjustments within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements accordingly.

23. A number of monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed not to amend the unaudited financial statements. Had these misstatements be adjusted the net impact would have been to decrease the Net Cost of Services by £1.527m, with a corresponding increase in Net Assets and the General Fund.

Significant findings from the audit

24. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
    - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
    - Significant difficulties encountered during the audit.

- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

25. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

Significant findings from the audit

Issue	Resolution
1. Property, Plant and Equipment - Site of the former Summerhill Centre The property continued to be carried in non-current assets at a value of £18.7m despite the change in expected use of the site from a supermarket development to affordable housing. Plans for a supermarket were proposed and while the interested chain demolished the former building with a view to clearing the site, they subsequently pulled out of the development in July 2014 leaving the council to consider alternative plans. No revaluation of the site had taken place to reflect the fact that the sale had not proceeded.	The site has been revalued as a surplus property with a value of £10m and the annual accounts were adjusted to reduce the valuation by £8.752m.
2. Heritage assets – revaluation of the council's art collection Included in heritage assets is the council's art collection which was valued at £168m at 31 March 2015. During the year the collection increased in value by £20m, an increase of 13% on the previous year. The increase in value is based on the expertise and opinion of the curator at the art gallery having considered sales of pieces of work by the same artists and shared views of notification of valuations to other galleries when pieces of art are on loan. While we have had a discussion with the curator, specific management representations will be required given the material increase in value.	This matter was included in our letter of representation.

Issue	Resolution
3. Provisions – equal pay Provisions include £2.3m in respect of equal pay claims. As there has been limited movement in equal pay claims for some time, consideration should be given to reviewing the level of provision held. In particular, £1.5m of the total relates to potential claims in respect of the 'Abdulla' caselaw which extended the period in which a claim could be made from 6 months to 6 years.	As the amount involved was not material in terms of the accounts, no further action was taken for 2014/15. While provisions are reviewed on an annual basis, we recommended that the 'Abdulla' element of the provision be reassessed in advance of the 2015/16 financial statements to ensure a provision continues to be justified.
4. Accrual - CareFirst Spot Purchase An accrual of £6.272m relating to spot purchase charges for social care clients on the CareFirst system was included as a short term creditor in the unaudited annual accounts. The accrual is estimated from a manual review of transactions processed through the financial ledger during the year. Due to data recording and timing issues, council staff do not regard the CareFirst system to be sufficiently up to date to provide complete information and therefore an alternative approach is adopted to calculate year end accruals. We compared the estimation of the accrual with an analysis of invoices relating to the 2014/15 financial year, which had been processed in 2015/16 and this identified that the accrual was understated by £0.223m.	Management decided not to make an adjustment for this misstatement on the grounds of materiality. We agreed with this approach and included the amount in the total value of unadjusted misstatements.

Issue	Resolution
5. **Reserves - Deferred Capital Receipt** The council is due to receive a £10m capital receipt in respect of the St Nicholas House site, £1.0m was received in 2014/15 and the balance of £9.0m will be received on completion of the building in 2017/18. The deferred receipt has been discounted to reflect its actual cash value at today's prices and included in the Capital Receipts Reserve as a usable reserve. As the cash is not due to be received until 2017, this should be classed as an unusable reserve. In addition, the amount due from the developer was included in the unaudited accounts within short term debtors when it should have been long term debtors.	Amendments were made to the revised financial statements to reflect the agreed changes in disclosures.
6. **Group Accounts** We noted a number of minor misstatements within the consolidation schedule which calculated the Group Accounts. The net impact of these was a reduction in Short Term Debtors and an increase in Short Term Creditors of £4.718m.	Amendments to be made in revised financial statements
7. **Charitable Trusts - Governance documentation** The governance documentation for several trusts could not be located as a consequence of the age of the trust, in some cases dating back over 100 years. The classification of these charities' funds between restricted, unrestricted and endowment funds could therefore not be readily established We were also unable to verify whether spend in these areas was in line with the original stated purpose for these individual trusts.	All funds are treated as endowments, and where there is an absence of governance documentation, the council rely on custom and practice to inform any decisions by the trustees in respect of the trusts expenditure and use of assets. We are not aware of any matters which would materially impact on the financial statements.

Future accounting and auditing developments

Revisions to the Code of Practice

26. The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. The following paragraphs set out the most significant changes to accounting requirements introduced by the 2015/16 Code.

27. **(IFRS) 13 Fair value measurement:** Although the measurement requirements for operational property, plant and equipment will not change, enhanced valuation disclosures will be required. However, the 2015/16 Code requires surplus assets to be measured at fair value in accordance with IFRS 13. The council will need to make the necessary preparations to ensure that the new requirements are addressed for the 2015/16 financial statements.

28. **Transport infrastructure assets:** The council's highway assets are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code will require highways to be measured, for the first time, on a depreciated replacement cost basis. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets.

29. The council has set up an officer working group, comprising staff from both the finance and estates functions, to take forward this revised valuation methodology.

Health and Social Care Integration

30. From 1 April 2016 Integrated Joint Boards (IJBs) will be accountable for the provision of health and social care. IJBs will be required to produce financial statements in compliance with the Code and the Accounts Commission will appoint auditors to audit the financial statements. We comment on the progress of the Aberdeen IJB at paragraphs 125 to 134.

Financial management and sustainability

Net service budget expenditure £429.929m	Net service budget funding £429.929m	Original planned capital expenditure £154.165m	Usable reserves
Service Outturn £426.844m	Actual Funding £434.372m	Outturn Capital spend £97.217m	Outturn usable reserves £128.026m
Service Budget Underspend £3.085m	Funding Surplus £4.443m	Capital Budget Underspend £56.948m	Movement in usable reserves £11.196m

Financial management

31. In this section we comment on the council's financial outcomes and assess the council's financial management arrangements.

32. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The setting of the annual budget impacts directly on residents as it determines council tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

33. The council reported a deficit of £9.240m on the provision of services in 2014/15. Adjusting this balance to remove the accounting entries required by the Code, the council increased its general fund balance by £7.681m.

34. In overall terms, the management of staff vacancies across all services produced savings of £14.6m (£14.6m - 2013/14), representing 6.1% (6.1% - 2013/14) of the general fund staff budget. Higher than anticipated income levels and an increase of 1,200 in the Band D equivalent properties enabled the council to achieve a greater level of funding than was originally budgeted for.

35. Exhibit 1 shows a continuing trend in underspends in recent years. Key variations against budget included:

- Corporate Governance achieved an underspend of £2.831m, 9.6% of budget, due to additional government grants (including Department for Work and Pensions)
- Education, Culture and Sport's unspent balance largely relates to underspends by schools in their delegated budgets which they are permitted to carry forward
- Housing and Environment returned an underspend of £2.367m, 6.5% of budget, which arose from increased rental income from private sector leasing flats and vacant posts.

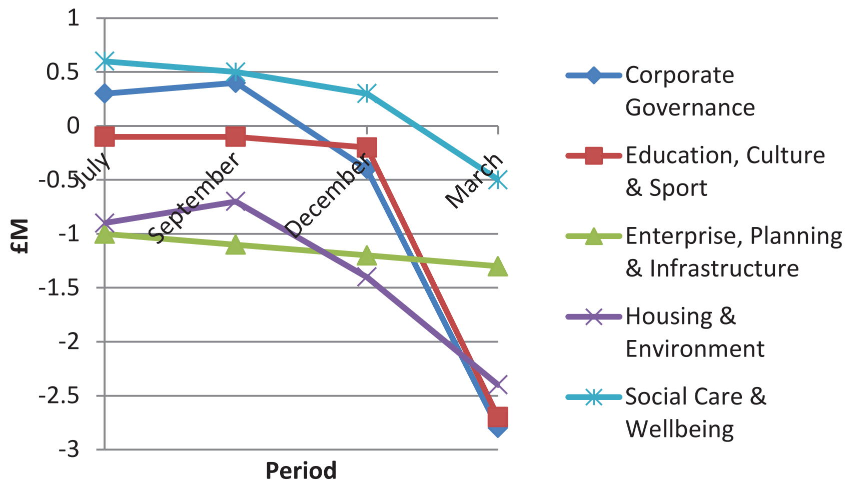
Exhibit 1 - Key Services (underspend)/ overspend

	2014/15 £m	2013/14 £m	2012/13 £m
Corporate Governance	(2.8)	(2.1)	(2.5)
Education, Culture and Sport	(2.7)	(1.0)	(1.0)
Enterprise Planning and Infrastructure	(1.3)	(3.2)	(1.8)
Housing and Environment	(2.4)	(2.9)	(3.9)
Social Care and Wellbeing	(0.5)	(1.5)	(0.2)

Source: Aberdeen City Council Statement of Accounts 2012/13, 2013/14 and Annual Accounts 2014/15

36. Exhibit 2 shows the departmental projected results as reported to members on a regular basis during the year. This shows that there was a significant increase in the level of underspend achieved in the final quarter of the financial year. This fits with the explanations above, for example, unspent balances on delegated budgets are not known until the year end.

Exhibit 2 - 2014/15 Projected Outturn Variance against Budget



Source: Aberdeen City Council Revenue Budget Monitoring Reports

Capital programme 2014/15

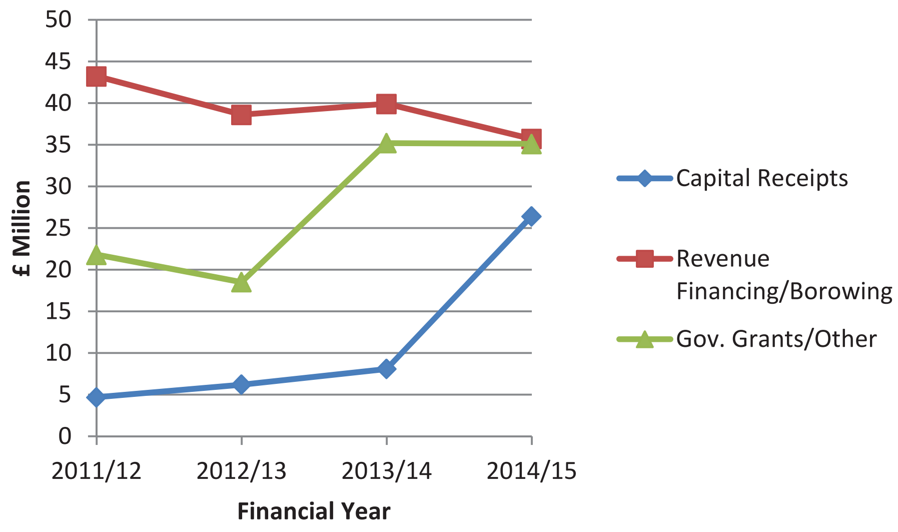
37. The council approved its 2014/15 general services capital programme in February 2014. Actual spend on the programme amounted to £57.923m, which was significantly less than the agreed budget of £112.403m, although closer to the service determined minimum required expenditure of £62.900m.

38. The council approved its housing capital programme for 2014/15 in December 2013. Actual spend of £39.294m was 5.9% less than the agreed budget of £41.7m, the major area of expenditure being ongoing compliance works to meet the Scottish Housing Quality Standard 2015 deadline.

39. The trend in sources of funding for capital expenditure is reflected in Exhibit 3. This shows that sources of funding for 2014/15 were broadly consistent with the previous year with the exception of Capital Receipts. Sales of assets included the St Nicholas House site which is covered in detail at paragraphs 153 to 155.

40. During the year the council revised its arrangements for major projects with the introduction of a Strategic Infrastructure Plan (SIP) and Capital Review Group. The group will approve business cases for inclusion in the capital plan and is responsible for the overall delivery of the SIP and capital plan. Progress with capital projects is monitored by the Programme Management Office who provide regular performance dashboards to the Corporate Management Team and Finance, Policy and Resources Committee. These arrangements have only recently been developed and therefore need time to bed in. We intend to review them in more detail as part of the 2015/16 audit.

Exhibit 3 - Sources of finance for capital expenditure 2011/12 – 2014/15



Source: Aberdeen City Council Annual Accounts

Financial management arrangements

41. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the proper officer has sufficient status within the council to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within the council
- reports monitoring performance against budgets are accurate and provided regularly to budget holders

- monitoring reports do not just contain financial data but are linked to information about performance
- members provide a good level of challenge and question budget holders on significant variances.

42. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.

43. We reviewed the council's standing orders, financial regulations and scheme of delegation and concluded that they were comprehensive, current and reflected the recent changes in committee structures.

44. Council-wide financial monitoring reports are submitted to each meeting of the Finance, Policy and Resources Committee. Detailed financial monitoring reports at a service level are regularly submitted to the relevant committee. The reports provide good information on budgeted spend to date and the year end forecast position. Reports also include a narrative section which provides a commentary on significant issues and any risks arising which might impact on the budgeted position being achieved.

Shared Section 95 Officer Arrangement

45. In December 2014, the Finance, Policy and Resources Committee agreed to enter into a trial shared working arrangement for a section 95 officer with Shetland Islands Council.

46. As set out in the Business Case, the objective of the arrangement is to *'establish how successful a shared s.95 officer arrangement can be; to ensure that each local authority receives a seamless service from the point of view of financial leadership, strategic financial advice, maintaining financial stewardship levels and continued delivery of appropriate professional finance advice, guidance and front line service delivery to the internal and external customers of both local authorities'*.

47. Authority was delegated to officers to negotiate appropriate arrangements with Shetland Islands Council and make any necessary changes to management roles and responsibilities. To support this arrangement, there was a review and restructure of the finance section to ensure there was sufficient capacity to continue to deliver ongoing commitments.

48. The Business Case proceeded on the basis that there would be '*no additional cost to Aberdeen City Council as the cost of creating capacity within the Finance structure, travel and associated costs will be met by Shetland Islands Council'*.

49. The arrangement commenced in December 2014 with the head of finance and corporate finance manager sharing responsibilities. This proved difficult to sustain in practice and consequently, the corporate finance manager had taken on a greater role in Shetland but still under the oversight of the head of finance. An amount of £17,000 has been accrued within the 2014/15 financial statements which represents the additional costs incurred by Aberdeen City Council in developing the shared arrangement.

50. The council regard this initiative as both an opportunity and a challenge. Steps were quickly taken to build capacity and capability within the finance team. In addition, the roles and responsibilities of senior staff within the team were amended to strengthen leadership capacity. This has provided a significant development opportunity for the finance team with increased delegation to staff and exposure to senior management and elected members.

51. The council are committed to concluding a review by December 2015 which will evaluate experiences of the shared arrangement from the pilot 12 month period and recommend the next steps. Whist we recognise the range of benefits to be gained from the arrangement, it is important that a full assessment of the cost implications also form part of the review.

Refer Action Plan, Recommendation 1

Conclusion on financial management

52. We have concluded that the council's financial management arrangements are satisfactory. However, savings against budget have largely been achieved due to staff vacancies. Whilst it is acknowledged that recruitment and retention of staff in some areas has been a challenge for the council and that a vacancy factor is to be expected, a high level may produce a negative impact on service performance. We comment further on performance management in pages 40 to 42.

Financial sustainability

53. The council delivers a broad range of services, both statutory and discretionary, to its communities. Financial sustainability means that the council has the capacity to meet these current and future needs. In assessing financial sustainability we are concerned with whether:

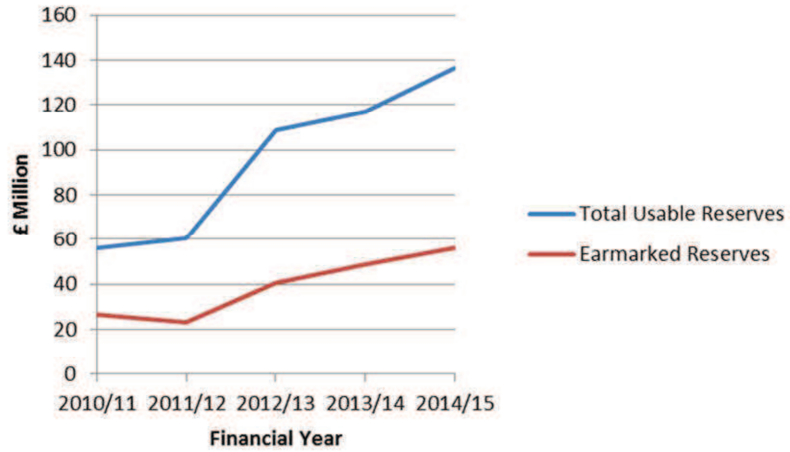
- there is an adequate level of reserves
- spending is being balanced with income in the short term
- long term financial pressures are understood and planned for
- investment in services and assets is effective.

54. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

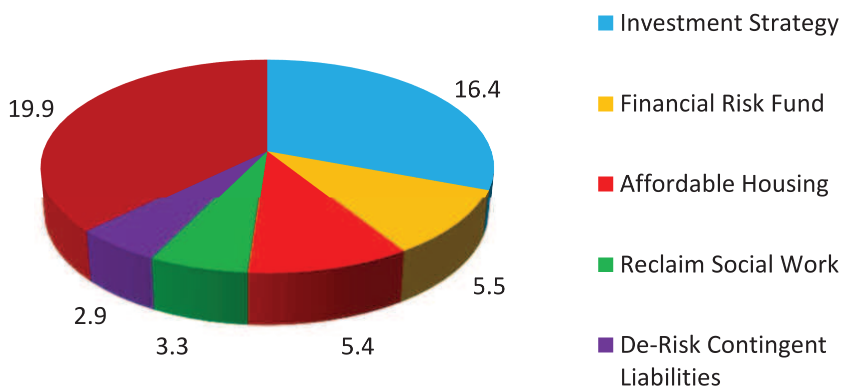
Reserves

55. The overall level of usable reserves held by the council at 31 March 2015 increased by £11.196m compared to the previous year and totalled £128.026m. The General Fund balance includes £11.291m of unallocated general fund reserves, which represents 2.6% of the 2014/15 net revenue budget and is in line with the council's policy. Exhibit 4 shows that the total level of usable reserves has increased significantly over the last 5 years. Earmarked balances are part of those usable reserves and they have also been increasing over the period.

Exhibit 4: Usable reserves and earmarked balances



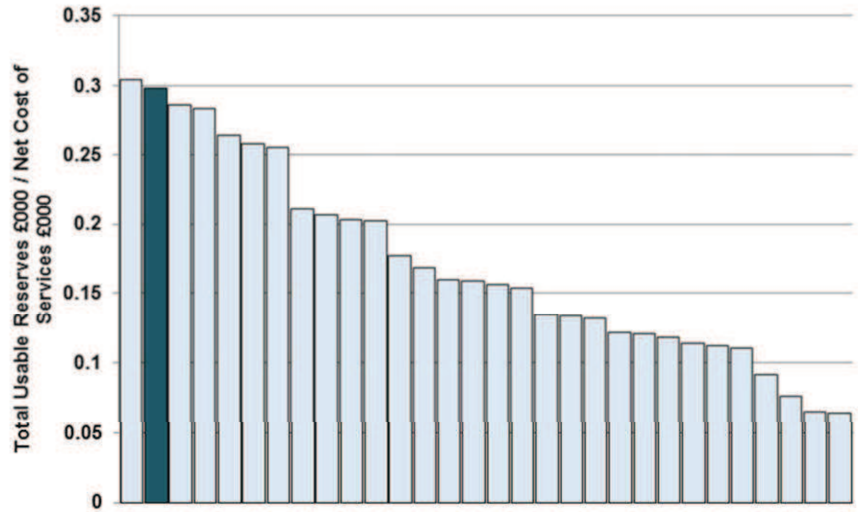
Usable reserves and earmarked balances (£m)



Source: Aberdeen City Council Annual Accounts 2014/15

56. Exhibit 5 presents the council's usable reserves position in relation to net cost of services for the year in comparison to other Scottish councils. Taking the increase in usable reserves and the level of earmarked balances into consideration, the Exhibit confirms that the council's level of usable reserves is amongst the highest in Scotland.

Exhibit 5: Total Usable Reserves as a proportion of net cost of services



Source: Scottish councils' unaudited accounts 2014/15 (excluding Orkney and Shetland Islands councils)

57. Since the council launched its 5 year business planning process, it has aimed to ensure that resources are available to support the capital investment programme and the implementation of a de-risking strategy to minimise the impact of unexpected financial pressures. The use of earmarked reserves is central to the council in meeting these aims. They are used to keep track of resource decisions and in general terms, budget underspends are diverted into earmarked balances for future investment.

Short and medium term financial planning

58. For 2014/15, the council approved a balanced budget, with no savings or use of reserves required to support this position. The longer term position highlighted a cumulative shortfall of £35.1m by 31 March 2019.

59. The council approved its 2015/16 budget in February 2015 and were again able to set a balanced budget. The net service expenditure budget set for 2015/16 is £445.6m. However the 5 year indicative budget highlighted a worsening position with the identified spending gap over the period of the plan increasing to £52.6m by 31 March 2020. (Exhibit 6)

60. The council has yet to identify actual areas where savings can be made, however there are a number of projects which have commenced to meet this funding shortfall. These include Outcome Based Budgeting, transformation projects and PACE (Procurement Achieving Commercial Excellence) which is expected to realise £25m of recurring savings through better procurement practices.

Refer Action Plan, Recommendation 2

Exhibit 6: Movement in Financial Position 2014/15 – 2019/20

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
2014/15 Budget - Agreed 06/02/14						
Funding	(440,368)	(447,438)	(453,112)	(457,495)	(457,408)	
Expenditure	440,368	449,363	467,516	482,598	492,543	
Shortfall	0	1,925	14,404	25,103	35,134	
2015/16 Budget - Agreed 05/02/15						
Funding		(445,565)	(457,759)	(460,535)	(460,468)	(460,401)
Expenditure		445,565	475,111	490,566	501,114	513,014
Shortfall		0	17,352	30,031	40,646	52,613

Source: Aberdeen City Council Revenue Budget 2014/15 and 2015/16

Long term financial planning

61. The council is currently developing a long term financial plan, covering the period up to 2050. The plan aims to provide the council with a clear understanding of its long term financial challenges. It should also help it understand the demand pressures it will face and its need to deliver transformational change including shared services and collaborative working with other public bodies.

62. The current version of the plan encompasses the key elements we would expect to see in such a document. However there is scope for further development of the plan including a more incremental approach with an anticipated position at 2025, 2035 and 2045. The next iteration of the plan will incorporate the council's City Region Deal proposals.

Refer Action Plan, Recommendation 3

Workforce Management

63. Effective workforce management is essential to ensure that the council maximises the effectiveness of its employees. A workforce strategy is key to setting out how the council will ensure it has appropriately skilled people in place to deliver its services. The council approved its Strategic Workforce Plan for the period 2014/15 – 2018/19 in February 2014, as part of the overall agreement of the revenue budget for 2014/15.

64. We reviewed the Strategic Workforce Plan and concluded that it identifies the key issues facing the council refining its strategies in areas such as recruitment and retention of staff and absence management.

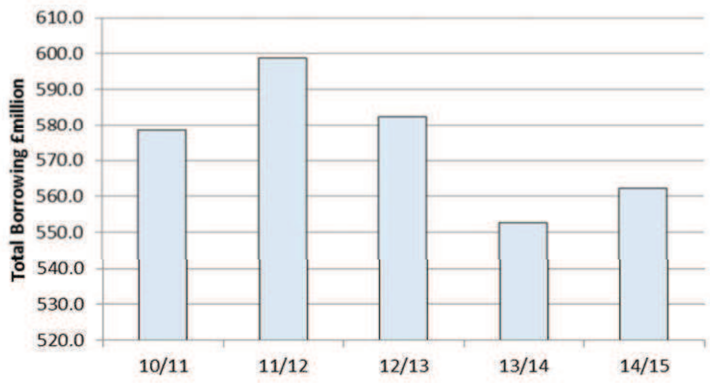
65. It sets out a good corporate framework for directorates to identify workforce demands and the actions needed to bridge any gaps. Individual workforce plans to service committees were expected over summer of 2015. Thereafter, there is scope to build the links between the workforce plan and the long term financial plan.

Refer Action Plan, Recommendation 3

Treasury Management

66. During 2014/15, the council reduced its level of short term borrowing from £117.608m to £92.658m. In the same period, long term borrowing increased from £435.168m at 31 March 2014 to £469.621m at 31 March 2015. This reflects the council's treasury policy to replace more expensive short term loans with longer term.

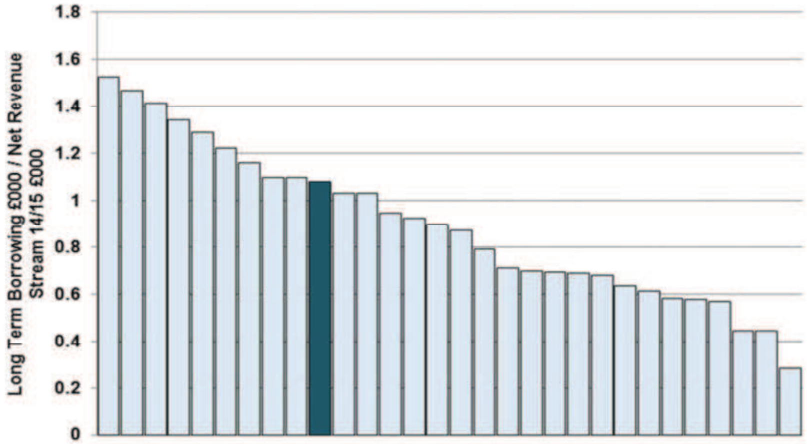
Exhibit 7: Total Borrowing 2010/11 – 2014/15



Source: Aberdeen City Council Statement of Accounts

67. Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the council. The council is committed to reducing its borrowing over time which is largely the trend displayed by Exhibit 7. However, Exhibit 8 shows that Aberdeen continues to be among the councils at the higher end of the scale when borrowing as a percentage of net funding stream is compared.

Exhibit 8: Scottish councils' long term borrowing as a percentage of net revenue stream



Source: Scottish councils' unaudited accounts 2014/15 (excluding Orkney and Shetland Island councils)

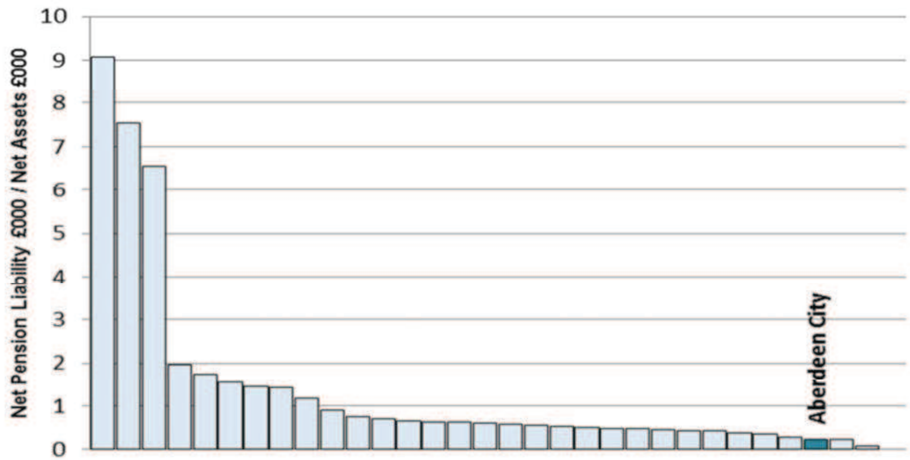
Asset Management

68. A Corporate Asset Management Plan was approved as part of the non-housing capital budget for 2014/15 on 6 February 2014. This overarching asset management plan is supported by a number of more detailed plans covering specific asset categories, such as property, roads and infrastructure and fleet.

Pension liability

69. During the year, the council's pension liability increased by £44.626m to £289.155m. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost. Exhibit 9 below shows that the pension liability is amongst the lowest in Scotland.

Exhibit 9: Scottish councils' pension liability as a percentage of net assets



Source: Scottish councils' unaudited accounts 2014/15 (excluding Falkirk Council)

Conclusion on financial sustainability

70. The council has considerable reserves, is currently containing its expenditure within annual budgets and has credible medium term financial plans in place. Overall, we conclude that the financial position is currently sustainable, although rising demand for and costs of services will continue to place a strain on the council's capacity to deliver services at current levels.

Outlook

71. Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms to £10.3bn. At the same time, demand for council services has increased, largely due to population changes. Increased pension contributions and national insurance changes will create further cost pressures on the council.

72. In common with many other councils, Aberdeen City Council is forecasting a shortfall between income and the cost of providing services over the next few years. With further funding reductions expected, councils face tough decisions to balance their budgets.

Scottish Government's draft 2016/17 budget proposals

73. The Scottish Government would normally publish draft budget proposals in September each year, however it has indicated that 2016/17 proposals will not be produced until after the UK Government's Spending Review in late November 2015. This will have implications for councils' budget setting processes in the run up to February 2016 when councils traditionally set their budget for the coming financial year.

Reclassification of Non-Profit Distributing (NDP) Projects

74. The European System of Accounts 2010 (ESA10) law was introduced on 1 September 2014 in the UK with the publication of the UK National Accounts. These new public accounting law means that all costs associated with existing and future infrastructure projects under the hub scheme and non-profit distributing (NPD) initiative will now be added to the public debt figure, instead of being kept off the government's balance sheet.

75. The Office for National Statistics (ONS) assesses bodies and transactions against international rules to decide how they should be treated in the National Accounts. In the majority of cases classification is relatively straightforward, but detailed investigation may be required to ensure the economic reality is reflected in the statistics. Common decisions include whether a body is in the private or public sector, or in the public sector whether entities are government bodies or public corporations.

76. Private contractors and lenders will be required to pay all the upfront building and project costs which will be added to the long term debt of the public body and paid off over a period of time through the unitary charge. The public sector will not be permitted to make upfront capital contributions to building costs as several NDP schemes had intended to do but instead any payments to the private sector will take the form of unitary charges through revenue funding.

77. The ONS recently classified the Aberdeen Western Peripheral Route (AWPR) as on the Government's balance sheet. The Cabinet Secretary for Finance, Constitution and Economy has indicated that the project will still run on time and on budget but that the government is considering the contractual changes needed to bring the AWPR under private sector classification. Developments on the AWPR during 2014/15 are set out at paragraphs 143 to 145.

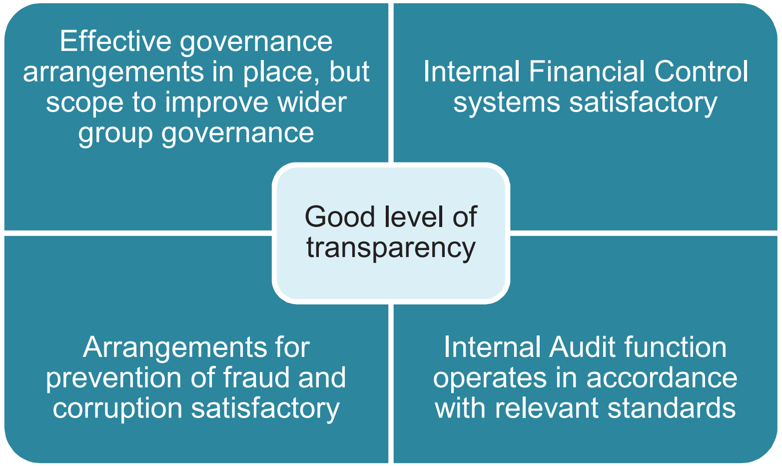
78. Aberdeen's plans for a new South of the City Academy are progressing. An NPD scheme could have applied, but this will now be subject to further review.

City Region Deal

79. In March 2015, Aberdeen City Council and Aberdeenshire Council entered into formal negotiations with the UK Cabinet Office for a City Region Deal. If successful, this could see up to £2.9bn of funding for infrastructure in the area over the next 20 years, supported by an economic strategy focusing on internationalisation, innovation and skills.

80. The Council and other local partners will require to enter into legal agreements with the UK and Scottish Governments and other public bodies as required to implement the City Region Deal and will require a Governance structure to be agreed at a regional City and Shire level

Governance and transparency – overall arrangements



81. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

82. Citizens should be able to hold the council to account about the services it provides. Councils should therefore be transparent by making accessible and understandable information available about how the council is taking decisions and how it is using its resources

83. The council has adopted a local code of corporate governance which reflects the 6 key principals as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government. The council discloses how it demonstrates compliance with these principles and any developments during the year in its Annual Governance Statement. We reviewed the statement and found it to be an accurate reflection of the council's arrangements.

Corporate governance

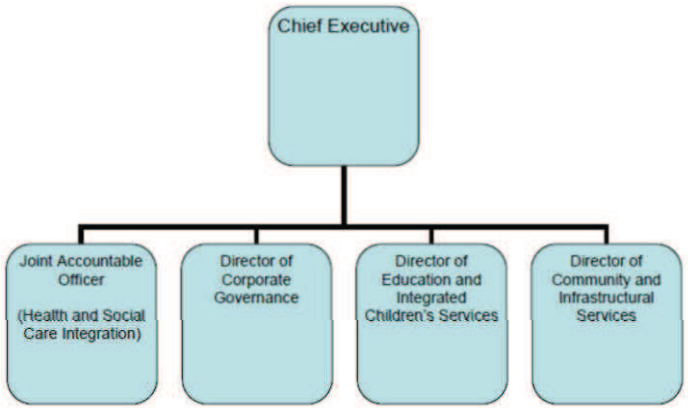
84. In March 2014, the chief executive announced her resignation and left the council in summer 2014. Action was taken to fill the position and the Director of Corporate Governance was announced as the new Chief Executive in early May 2014.

85. Proposals to revise the structure of the corporate management team were approved by the council in May 2014. The number, roles and remits of directors were reviewed resulting in a '3+1' model where the 'plus one' is a joint role with NHS Grampian to take forward the health and social care integration agenda (Exhibit 10).

86. The Director of Corporate Governance role has been unfilled since May 2014. It was initially filled on an acting up basis, however following an unsuccessful recruitment campaign, the Chief Executive took on the role from May 2015. A new recruitment campaign for the post was launched in July 2015.

87. The aim of the new structure is to better enable the council to deliver its priorities in light of the needs of new legislation and national agenda initiatives. Phase 2 of the restructure involving heads of service is now concluded.

Exhibit 10 – Revised senior management structure



Source: Council 14/05/14 – Organisational Review (Phase 1) Report

88. The Head of Legal & Democratic Services, who acts as the council's Monitoring Officer left in April 2015. The new postholder took up the role in July 2015, with the Head of Commercial and Procurement Services acting as the council's Monitoring Officer in the interim.

89. A new Leader of the council was appointed in May 2014. She had previously been the chair of the Education, Culture and Sport Committee. In addition, the committee structure of the council was revised in August 2014 to align committees with the revised organisational structure of the council.

Audit, Risk and Scrutiny Committee

90. Following a self evaluation exercise, a number of changes have been made to the Audit and Risk Committee. The committee has been renamed the Audit, Risk and Scrutiny Committee to more accurately reflect its scrutiny responsibilities. As part of the refresh, two additional members were appointed taking total membership to seventeen. The committee's remit has also been extended to cover the following areas:

- to receive reports on whistleblowing and other investigations
- the approval of an anti-fraud policy and monitoring its implementation
- commissioning investigations to secure value for money in the delivery of services
- to oversee the processes by which services are exposed to competition and contracts are let, where the council itself is a bidder for the work.

91. Following the resignation from the council of the previous convenor in May 2015, a new convenor, the Leader of the Opposition, already a member of the committee, was appointed as the new convenor.

92. The committee has recognised the need for specialist training for members to ensure that they can fully discharge their scrutiny role. A number of training sessions have been held throughout the year covering topics such as the role of an audit committee, risk, internal audit and financial reporting. We noted that all members of the committee had attended these courses.

93. In June 2015 the committee approved its first Annual Report, which was subsequently presented to the full council in August 2015. The report was intended to improve transparency, understanding and challenge the activity and outcomes from the committee. It provided a summary of activity, membership details and attendance, the role of the key officers who support the committee, outcomes from the self evaluation and areas of focus for 2015/16.

94. While it was a helpful first annual report, there are plans in place to build on the success of the first report. We would suggest that the impact of the report could be increased and governance further strengthened if the committee drew conclusions on its work for the year, highlighted areas of concern and endorsed good practice. There is also scope to introduce performance targets.

95. We have reviewed the operation of the committee more generally and found that it meets the CIPFA Audit Committee Principals of good practice.

Internal control

96. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.

97. We reported our findings to the Audit, Risk and Scrutiny Committee in June 2015. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Our findings included a number of recommendations to enhance the control system in operation.

Internal audit

98. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. Generally, we seek to rely on the work of internal audit wherever possible and, as part of our 2014/15 planning process, we concluded that the internal audit service operated in accordance with relevant Public Sector Internal Audit Standards (PSIAS) which enabled us to take assurance from their documentation and reporting procedures.

99. We placed formal reliance on internal audit's Continuous Financial Controls activity to support our audit opinion on the financial statements. This work reviewed key financial control systems, for example, payroll, accounts payable, accounts receivable, treasury management, council tax and non-domestic rates.

ICT audit

100. The council's ICT service is undergoing a period of significant change. The organisation of the service has been restructured, the external contract for hosting servers is due for renewal and options for future delivery of many ICT services, such as a shared service desk and data centre, are currently being developed.

101. Our review provided a high-level risk based assessment of the management of ICT services in five key areas: Strategy, Organisation, Service Delivery, Asset Protection and Business Continuity.

102. Overall, we concluded that the council has sound controls over the delivery of its ICT services. Governance and organisational arrangements underpin a service that is configured to support business needs.

Arrangements for the prevention and detection of fraud

103. The council's arrangements in relation to the prevention and detection of fraud and irregularities was generally satisfactory, and will be strengthened by the recent approval of a revised Fraud, Bribery and Corruption Strategy.

National Fraud Initiative in Scotland

104. The National Fraud Initiative (NFI) in Scotland brings together data from public sector bodies to help identify and prevent a wide range of frauds. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud.

105. We were required to review the council's arrangements for responding to NFI, particularly with regard to the council's approach to dealing with data matches in a timely fashion. In our Interim Report issued in June 2015, we noted that the council changed its key contact for NFI to the Investigations Manager. This officer was however involved in the transfer of benefit fraud cases to the Single Fraud Investigation Service with effect from 1 April 2015 and consequently, limited progress had been made in following up matches, particularly high risk matches.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

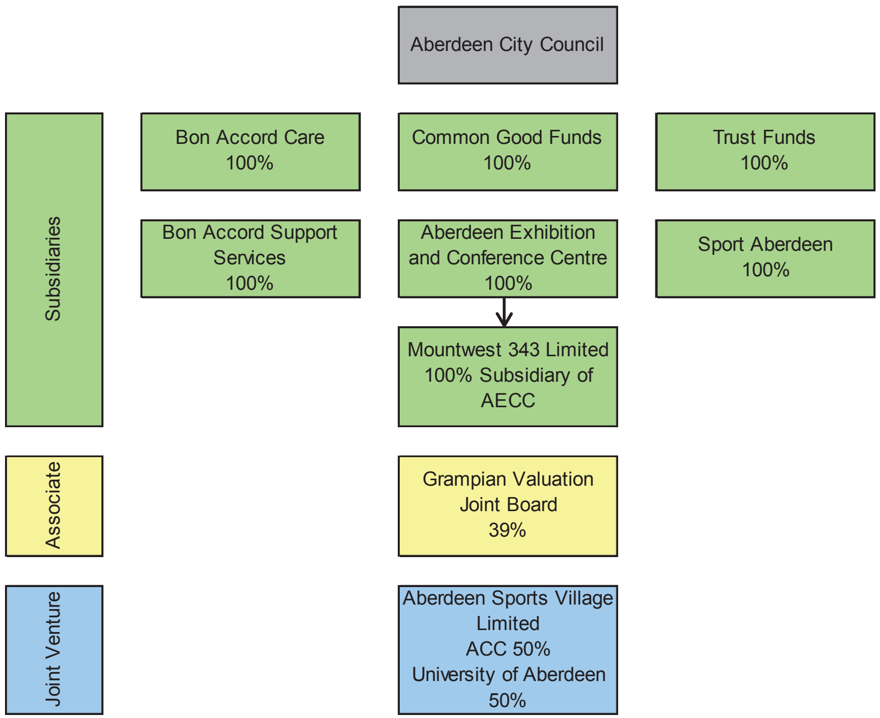
106. The council's arrangements for the prevention and detection of corruption are satisfactory and we are not aware of any specific issues that we need to record in this report.

Governance of ALEOs

107. As of June 2015, the council has put in place a framework of governance hubs for its group entities (Exhibit 11), also referred to as Arm's Length External Organisations (ALEO's), to provide assurance around their governance arrangements. The introduction of governance hubs was in response to recommendations originally made by Internal Audit in April 2013.

108. The remit of the hubs is to receive, through an agreed data set, a high level statement of assurance from ALEOs on the effectiveness of their systems of governance and operational performance, with a view to ensuring that the outcomes of that organisation are being met, and the risks to that organisation and to the Council are mitigated and managed.

Exhibit 11 – Aberdeen City Council Group Structure



Source: Aberdeen City Council Annual Accounts 2014/15

109. The first meetings of the Governance Hubs took place in June 2015, with Bon Accord Care, Aberdeen Sports Village, Sport Aberdeen and AECC being reviewed. Agenda items covered included:

- Risk mitigation and management
- Financial governance
- Decision making
- HR compliance and best practice
- Commercial compliance and best practice
- Operational performance

110. The first meeting of the hub was intended to provide an overview of the key governance processes in place at each ALEO. The hubs received a range of evidence, for example, risk registers, financial regulations and HR policies, to provide reassurance in the areas of risk/governance and operational performance. Council officers involved represented a variety of disciplines, for example finance, risk management and procurement and each had the opportunity to ask questions of ALEO staff on the evidence received.

111. Minutes of the hubs were presented to the Audit, Risk and Scrutiny Committee in June 2015 and further reports will be prepared for relevant service committees in autumn 2015.

112. Future hub meetings will consider two agenda items in more depth on a cyclical basis. As the hubs are due to meet every 6 months, this means it could be over a year before all governance areas are subject to an in depth review.

113. As these arrangements have only just been implemented, it is too early to draw conclusions as to their effectiveness. However after attending all of the initial hub meetings we would make the following observations:

- hubs should meet more frequently than every 6 months until all agenda areas have been subject to an initial in depth review

- although minutes are presented to the Audit, Risk & Scrutiny Committee, the hubs should consider preparing a formal report to the committee stating an opinion on whether or not governance arrangements are satisfactory and any areas for improvement.

114. We intend to monitor the continued development of the Governance Hubs throughout the 2015/16 audit year.

Refer Action Plan, Recommendation 4

Conclusion on Governance

115. We concluded that the council itself has effective governance arrangements which could be further developed within its wider group structure. It will take time to embed new governance hub arrangements in respect of its ALEOs. In addition, more could be done in response to the National Fraud Initiative.

Transparency

116. Agenda items for all council meetings are posted on the council's website a week in advance. However, we noted that additional agenda items are fairly regularly circulated after initial publication dates. The availability of financial monitoring reports has already been covered at paragraph 44.

117. A decision sheet is publicly available after each meeting of the council and committees and minutes are available once they are agreed. Our review of council minutes did not highlight that excessive numbers of items were held in private. Where items were in private, the reasons for doing so were clearly stated.

118. After a trial in October 2014, the council agreed to a web-casting service for one year. To date two council meetings, in June and August 2015, have been web cast and these are available online.

119. The council recently introduced a Petitions Committee to enable individuals, community groups or other organisations to raise issues of concern with members. So far five petitions have been considered by the committee.

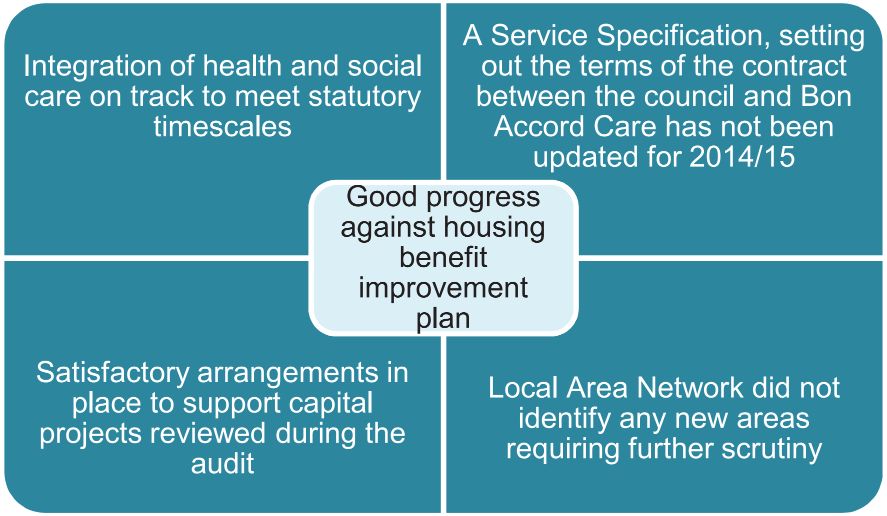
120. Overall, we concluded that the council has a good level of transparency with regards to its decision making and reporting of financial performance.

Outlook

121. From April 2015, the council commenced a shared services agreement with Aberdeenshire Council to deliver Internal Audit services. This is expected to provide annual savings of around £217,000. A plan was put in place to manage the transition from the previous internal auditor who had delivered the service since 2010

122. Partnership, joint working and arm's length organisations have become increasingly popular vehicles for planning and delivering council services and there is a sustained national focus on their use. Where council services are being delivered in this way, it is crucial that robust assurance and governance arrangements are put in place, while at the same time ensuring an appropriate level of accountability for public money.

Governance and transparency – wider scope



123. The Code of Audit Practice recognises the increasingly high expectations the public has about the role of audit in the stewardship of public funds. It defines the wider scope of public audit as going beyond the financial statements to include work that contributes to audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

124. In our Annual Audit Plan, presented to the Audit, Risk & Scrutiny Committee on 26 February 2015, we identified a number of risks which fell under the definition of our wider scope responsibilities. In this section, we conclude on these risks. We also comment on a number of other aspects of the council which we have reviewed during the year.

Integration of health and social care

125. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland.

126. The council and NHS Grampian have agreed an Integrated Joint Board (IJB) model for Aberdeen. The restructure of the council's management team includes a chief officer who is jointly accountable to both the council and NHS Grampian for the health and social care integration agenda. This post was filled in August 2014 and the incumbent took office in October 2014.

127. A shadow IJB is in operation from 1 April 2015 and is working to develop arrangements prior to the 'going live' date of 1 April 2016 for the full IJB. Where an IJB is established during 2015/16, it does not assume responsibilities until 1 April 2016 but it will be expected to prepare annual accounts for 2015/16 and be subject to external audit.

128. Both the council and NHS Grampian approved the Aberdeen City Health and Social Care Integration Scheme at separate meetings on 4 March 2015 and subsequently it was submitted to the Scottish

Government for final approval prior to the 1 April 2015 deadline. Following discussions with the Scottish Government the shadow IJB has until March 2016 to finalise the Integration Scheme.

129. The scheme sets out the legal framework in which both the council and NHS Grampian have agreed to work to deliver on the objectives of the IJB. The voting membership of the IJB will comprise of four members of the council, three from the administration and one from the opposition, and four health board members.

130. An Integration Work Plan has been developed and is updated and discussed at each monthly meeting of the shadow IJB. The work plan sets out the key actions and milestones required to develop the IJB.

131. The shadow IJB have agreed on a number of actions to develop governance arrangements. These include approval of a Strategic Vision, Standing Orders, Risk Register and the management structure. A Governance and Assurance Framework is currently being developed with the Good Governance Institute.

132. A budget monitoring report covering the first 2 months of the 2015/16 financial year were presented to the shadow IJB in July 2015. This was the first such report as budgeting remains within the remit of both the council and NHS Grampian until the IJB comes formally into being. The shadow IJB agreed to receive future budget monitoring reports every 2 months, with any additional updates to be included in the regular Chief Officers reports.

133. In May 2015 the Scottish Government issued final guidance for Integration Financial Assurance at both pre- and post-integration stages. This sets out the assurances required from audit committees within each of the partner bodies, and subsequently from the IJB when established. Prior to the introduction of the IJB the Audit, Risk and Scrutiny Committee will be required to obtain assurance:

- on the finance provisions to be included in the integration scheme
- on the plans for financial governance and financial assurance and risk
- that lessons have been learned from other integration projects
- that the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.

134. The Internal Audit plan has been updated to review integration arrangements and regular reports are expected during 2015/16.

Refer Action Plan, Recommendation 5

Bon Accord Care – Adult social care services

135. On 1 April 2013, the council transferred the operation of its Adult Social Care Services to Bon Accord Care Ltd (BAC) and Bon Accord Support Services Ltd (BASS). BAC and BASS are private companies limited by shares which are 100% held by Aberdeen City Council. BAC is the main employer and provides regulated (by the Care Inspectorate) care services to BASS which in turn delivers both regulated and unregulated adult social care services to the council including support and facilities services to BAC.

136. A Service Specification document for the period from 1 April 2013 to 31 March 2014 was prepared which set out the service outcomes and standards that would apply to all services provided by BAC on behalf of the council. The specification included a contract price and the terms of how this could be reviewed and adjusted. We found that although a new contract price was agreed with BAC, the operational details contained in the service specification had not been updated for 2014/15 financial year.

137. The service specification also stipulated that a contract review meeting should take place quarterly between the Council and the BAC at which matters relating to the Performance Framework and performance monitoring should be discussed. We understand that no contract review meetings have taken place since the establishment of BAC.

138. In terms of scrutiny, a BAC report covering the first 12 months of trading to August 2014 was presented to council in October 2014, and this provided the opportunity for members to ask questions of the Chief Executive of BAC/BASS. In December 2014, members asked further questions on a number of financial aspects of BAC/BASS and the impact on the council. The formal channel for such scrutiny was intended to be through a Shareholder Scrutiny Group (SSG) of elected members who would hold directors to account and consider performance. This met on 2 occasions during the year, in November 2014 and February 2015. A report was prepared outlining the high level governance arrangements in place and members were given the chance to ask questions of directors of BAC/BASS. The SSG has now been disbanded and replaced with the ALEO Governance Hub arrangements. As these arrangements have only just been implemented, there is some way to go before BAC/BASS are routinely and effectively scrutinised.

139. In total, payments of £26.260m were made to BASS in the year. As this is a significant level of expenditure, it is important that the council has systems in place to ensure that there is adequate scrutiny. With the integration of health and social care, it is unclear at this stage where responsibility for monitoring of BAC/BASS will lie given the council and the Integrated Joint Board are both interested parties. More generally, the shadow board is currently giving its future scrutiny arrangements due consideration.

140. The original business plan for BAC envisioned that the company would generate around £3m in additional income over a 5 year period from the sale of various services to the wider community over and above the contract with the council. This would enable the company to achieve a profit each year, which could be returned to the council by way of dividends. BAC recognised income generation from additional sources as the highest risk in its risk register in June 2015, however the associated employer status is considered to limit potential for business development.

141. The annual accounts of both BAC and BASS show that the companies have made a combined loss in 2014/15 of £0.838m (£0.873m in 13/14). BAC and BASS annual accounts have been prepared on a going concern basis only as a result of guarantees from the council confirming ongoing financial support. We would also highlight that while the companies have a licence to occupy

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agreement with the council for the use of office accommodation, the council has not yet raised any invoices in respect of the associated charges. Since Bon Accord commenced trading in August 2013, the total amount due until 31 March 2015 is £1.45m. Steps should be taken to issue the relevant invoices as soon as possible. We will continue to monitor BAC's financial position during 2015/16.

142. We would summarise the position of Bon Accord Care as follows:

- there has been limited scrutiny of the performance of BAC against the service specification
- the companies have made a loss in their first full year of trading and have recognised that the ability to generate additional income is challenging
- the availability and scrutiny of performance information has been limited and needs to be improved.

Refer Action Plan, Recommendation 4

Capital Investment

143. Through its Strategic Infrastructure Plan (SIP), the council is taking forward a number of significant developments. Several projects have complex funding arrangements, involving different models of working with external partners and agencies and consequently, these projects are quite different in nature to traditional projects historically funded by borrowing. We comment on 3 of the most significant projects in 2014/15 below.

Aberdeen Western Peripheral Route (AWPR)

144. Construction of the Western Peripheral Route is the responsibility of Transport Scotland. Governance of the project, such as monitoring expenditure, is undertaken by Transport Scotland. The council's role in the project is to provide a share of the funding and to manage delivery as Managing Agent.

145. Funding for AWPR has been the subject of a tripartite Memorandum of Understanding (MoU) between the Scottish Ministers, Aberdeen City Council and Aberdeenshire Council signed on 30 October 2003 and subsequently varied in April 2007 and April 2013 to reflect changes to the project. The MoU confirmed that the level of funding contributions from the two partner local authorities would be restricted at the lower of either a maximum of £75m or 9.5% each.

146. The approved 2014/15 - 2018/19 non-housing capital plan includes expenditure of £57m over the 5 year period. Total expenditure in 2014/15 amounted to £17.243m.

Hydrogen Buses

147. The council has worked in partnership to secure a range of funding streams at both Scottish and European level to enable a fleet of 10 hydrogen powered buses to be acquired. The fleet is owned by the council, and leased out to two local bus operators for use.

148. The lease out to the bus operators has been classified as an operating lease. We reviewed the terms of the lease agreements and confirmed our agreement with this treatment. The fleet and

associated infrastructure has been included in the 2014/15 annual accounts with a total value of £10.645m.

Marischal Square Development

Introduction

149. As part of our Annual Audit Plan, we identified the Marischal Square development as relevant to our audit of the 2014/15 financial statements. There is some public opposition to the development and we received a number of pieces of correspondence on the matter during the year. We also met with campaigners to hear their concerns. Where appropriate, the matters raised with us informed the scope of our work. Exhibit 12 sets out a timeline of relevant events for the development.

150. In March 2015, the council affirmed its decision to proceed with the Marischal Square development, a public/private sector collaboration, with Muse Developments, which involves a sale and leaseback arrangement covering a 35 year period.

151. Muse was selected following a two-stage competitive public procurement process but the council's decision became the subject of a judicial review. When it became known that Muse had offered a sale and leaseback arrangement, other bidders felt they should have been allowed the opportunity to submit a bid on a similar basis.

Exhibit 12 – Timeline of events between 2005 and 2015

• June 2005	Council office accommodation option appraisal
• December 2006	Marischal College to become new council headquarters
• November 2009	Plans put in place to redevelop St Nicholas House site
• April 2012	Marketing of St Nicholas House site
• May 2013	Appointment of Muse as preferred bidder
• June 2013	Tender process challenged in the Court of Session
• October 2014	Planning application approved
• December 2014	Sale of site to Aviva Investors
• March 2015	Council decision affirmed

Source: Aberdeen City Council agenda papers

152. In July 2013, Lord Brailsford's opinion was that a sale and leaseback arrangement was appropriate and that it would have been inappropriate for the council to seek further bids from other developers on the basis of a sale and lease back arrangement. It is routine practice, in line with International Auditing Standards, for auditors to rely on the expert opinions of a wide range of professionals. In this case, we took assurance from the legal opinion and consequently, we did not carry out any further audit work in relation to the tender process which selected the preferred bidder.

Impact on financial statements

153. In December 2014, the council concluded the sale of the St Nicholas House site to Aviva Investors for £10m. This is reflected in the 2014/15 financial statements as a capital receipt of £1m with a long term debtor of £9m to be received on completion of construction in 2017. At that point, the council will enter into a 35 year lease arrangement with Aviva for £5 million per annum. This will be reflected in future council balance sheets as a finance lease.

154. In addition, the council anticipates a share in the net rental income from the site which will reduce the impact of the cost incurred through the finance lease and if assumed occupancy rates are reached, the council will achieve a surplus over the life of the project. The annual lease payment represents less than 1% of the council's 2014/15 cost of services net expenditure figure of £456m. However, the deal also provides for a period of void rent and includes a profit sharing account and if necessary, these factors should provide the council with a reasonable cushion.

155. In recognition of the fact that regeneration is one of the council's priorities, the capital budget has an allocation of approximately £20 million (5%) in its 5 year programme totalling £394 million which will be used to enable the council to progress regeneration projects and /or enable partnership funding to be secured. We would suggest that the council's strategy for the release of this funding could usefully set out a framework identifying the type and level of city centre investment it wishes to support.

Refer Action Plan, Recommendation 6

Strategic objectives

156. In 2013, the council published its Strategic Infrastructure Plan which identified city centre regeneration and 'a better image for Aberdeen' among its key priorities. In order to support this work, a city centre regeneration board was established along with a capital budget as outlined above. One of the projects included in this programme was the Marischal Square Development.

157. Options for the site first appeared in 2006 as part of the Bon Accord Quarter Masterplan when plans emerged for the redevelopment of Marischal College as the council's headquarters, the transfer of staff from the former St Nicholas House and thereafter, the marketing of the site. From the outset, the site was intended to be a mixed use site involving office accommodation, hotel and retail units. The site was marketed in 2012 bringing to a conclusion a plan which had been put in motion in 2005. The council considered whether or not to clear the site before disposal but finally favoured demolition as a more effective way of enabling regeneration in the city centre.

Decision making

158. In line with good practice, the council secured appropriate expert advice to support the decisions taken. Throughout the process, the council were supported by property advisors. Ryden was appointed initially to market the site and worked with the council in the selection of the preferred bidder. Thereafter, Ryden has continued to support the development through the project delivery group. CBRE Hotels also supported the council in taking forward the hotel aspect of the development.

159. Muse was identified as the preferred bidder in May 2013 with Aviva as its funding partner, conditional missives were signed in December 2013 and after planning permission for the project was granted, formal agreements were signed in December 2014. All shortlisted bidders prepared full market analysis as part of their final bids in spring 2013. We considered Ryden's six monthly property reviews for 2013 and 2014 which continued to report high economic activity in respect of Aberdeen's office accommodation. It was not until October 2014 that results changed and a relatively poor six months of office take up in Aberdeen was reported. At the point the council and Muse committed to the project, the market was confirming a continuing demand for office accommodation.

160. A working group of elected members was set up to consider the bids, hear presentations and undertake the tender scoring exercise. As part of that process, elected members and officers considered a range of information from bidders including their investment strategy and funding arrangements. On conclusion of the working group's discussions, a summary of each of the bidder's proposals together with the outcome of the scoring exercise were summarised in a report to full council. Ryden supported officers and elected members in reaching decisions.

161. We confirmed that key decisions in respect of this project were taken by full council and we understand that progress reports will also come forward to members. The process for progress reporting to elected members could be improved by the identification of clearer triggers for a report.

162. Being part of the strategic infrastructure plan (SIP), the development also features in the SIP dashboard which is regularly monitored by the Finance, Policy and Resources Committee. The dashboard uses traffic lights to demonstrate progress and covers a range of factors including timeline, risk, budget and benefits.

Risk management

163. From the outset of the project, the council was alert to the risks involved. Aware that there was less demand for city centre accommodation at that particular time, the council opted to adopt a two stage marketing approach in 2012. The initial stage aimed to judge the level of interest in developing such a site before proceeding to a full scale tender. At stage 1 there were 12 bids of which 4 were invited to proceed to stage 2.

164. A project delivery group comprising staff from Muse, Aberdeen City Council and Aviva and expert advice as required meet on a regular basis. This forum is the focal point for discussion of emerging issues, ensuring that actions are going to plan and providing the necessary links back to the council at both officer and member level. A monthly cash flow and high level risk register is maintained by the head of finance and updated on a regular basis. This includes scenario planning of best and worst case occupancy rates as a means of stress testing break even requirements. There is scope for operational matters to be recorded within an issues log and to be kept under review by the project delivery group.

Conclusions

165. In respect of the 2014/15 financial statements, relevant transactions have been appropriately included in the accounts. In future years, the council's balance sheet will include the finance lease within its liabilities. As these future commitments become clearer, amounts should be built into medium and long term plans.

166. There is a history behind the development which emerged in 2005 following a detailed options appraisal for a new council headquarters. This began the regeneration of the city centre through development of the site which culminated in the marketing of the site in 2012.

167. Appropriate processes have been followed in reaching key project decisions and where appropriate, the council secured expert advice to support the decision making process. We also concluded that the council has good awareness of the risks associated with the project and it should continue to manage its financial exposure to mitigate these risks accordingly.

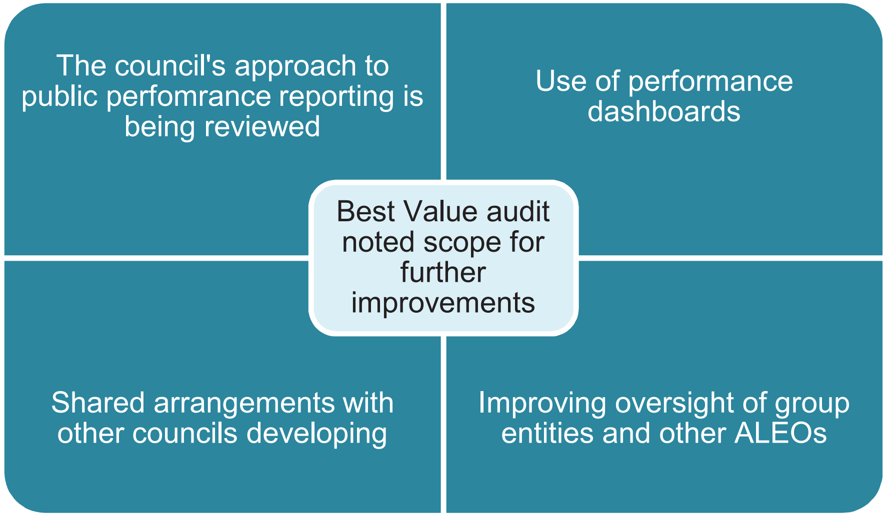
Housing benefits performance audit

168. Separate from the audit of the council's housing benefit subsidy claim, Audit Scotland carries out a programme of Housing Benefit risk assessments. A review was undertaken in June 2015 following completion and submission of a self-assessment in May 2015. This noted that significant progress had been made since the previous risk assessment in November 2012. These included changes to the structure of the service, with the introduction of a Quality Assurance Team and working in partnership with the Department of Work and Pensions (DWP) Performance Development Team to identify further areas for improvements to workflow.

Local scrutiny plan

169. The 2015/16 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the council was submitted to Aberdeen City Council on 25 June 2015. The LAN did not identify any new areas which require scrutiny; however there are areas where ongoing oversight and monitoring is required. For example, a key challenge for the council remains the need to raise the standards of educational attainment and achievement for all. Strategies implemented by the council to improve performance in this area are monitored on a regular basis by Education Scotland's Area Lead Officer who meets regularly with the council.

Best Value



170. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Best Value audit

171. In the 2014 Assurance and Improvement Plan, the Local Area Network concluded that a Best Value follow up would be undertaken in winter 2014/15. The LAN felt it would be appropriate to consider improvement since the 2009 Best Value audit and, in particular, to determine whether performance has been managed and sustained against a backdrop of significant changes in leadership. Audit fieldwork took place in January 2015 and assessed:

- whether the council has set a clear vision for Aberdeen which is shared across all parts of the council and the city of Aberdeen
- whether the council has effective systems in place to implement its vision and deliver Best Value
- whether the council has effective systems of scrutiny, performance management and improvement in place at the council and its arm's-length organisations
- the effectiveness of member/officer working relationships.

172. The findings were presented to the Accounts Commission in June 2015. The Accounts Commission welcomed the progress made by the Council in a number of areas since 2009, including financial planning and management, and openness to alternative service delivery arrangements. However it also noted that there is a great deal more improvement to be delivered and consolidated.

173. The Accounts Commission considered that it was too early to assess the effectiveness of much of the improvements put in place or which have yet to be fully implemented, and therefore required the Controller of Audit to note continuing interest in the council and to monitor and report back if there is evidence that improvements are not being delivered or embedded.

Performance management

174. Performance reports are presented regularly to each service committee and have been revised to reflect the remits for the new committee structure. The format of reports, including the number of indicators provided, continue to vary significantly across services. For example, comparison against target is used but trend information is not consistently used. We have not identified any reporting of performance at a council level during 2014/15.

175. There is a dedicated section on the council's website called 'Aberdeen Performs' which is a repository of all performance information produced by the council ranging from its Corporate Business Plan and Service Plans, its Annual Reports to the public, its Statutory Performance Indicators and a link to the new Local Government Benchmarking Framework among others.

176. Whilst 'Aberdeen Performs' contains performance information relating to each of the councils 'Smarter' priorities, in many cases it is not clear as to which period the information relates to and some reported information is now out of date.

177. In our interim Report of June 2015 we noted that plans should be formalised for the development of a consistent approach for reporting performance information to elected members and arrangements for the refresh of 'Aberdeen Performs'. We understand that work is ongoing to review public performance reporting, and we intend to review this area in 2015/16.

178. Since March 2014, the Corporate Management Team has reviewed the council's performance using a performance dashboard. The dashboard shows indicators against 4 themes – improving customer experience, improving staff experience, improving use of resources and delivering outcomes. The dashboard is available on the council's intranet site which allows for the most up to date information to be viewed at any time by all staff.

179. In our 2013/14 Annual Audit Report we highlighted declining performance regarding Housing, Homelessness and Roads. The performance in these areas in 2014/15 was as follows:

- the percentage of housing applications processed within 28 days of receipt is 76%, increasing from 64.8% in 2013/14 as a result of new monitoring measures to improve case management. This is however still below the target of 84%
- the average length of homeless journey (from presentation to discharge of duty) has been discontinued and replaced with 2 new indicators. The average journey time for statutory homeless cases was 165 days against a target of 150 days and for non-statutory homeless cases it was 171 days against a target of 250 days
- the percentage of Category 1 and 2 pothole repairs completed within target time was 92.5% compared to only 79.2% in 2013/14.

Refer Action Plan, Recommendation 7

Statutory performance indicators (SPIs)

180. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.

181. For 2014/15 three (SPIs) were prescribed:

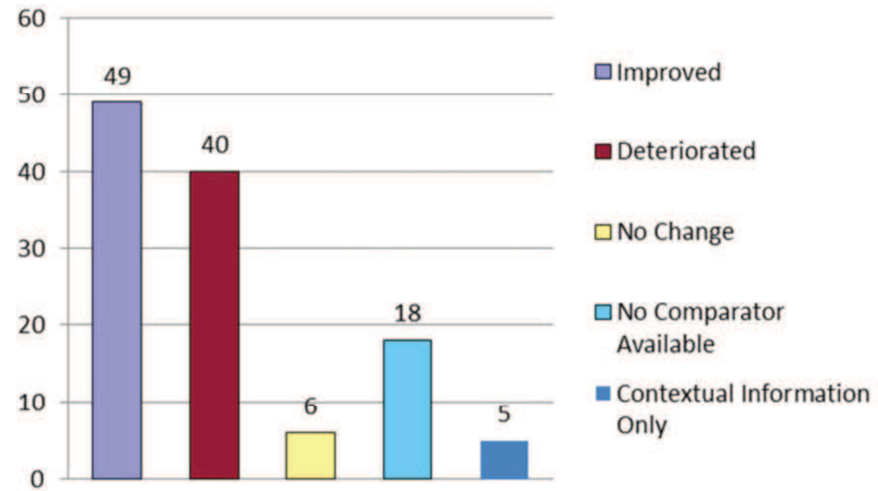
- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covering a range of information relating to service performance
- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

182. An evaluation of all Scottish councils' approaches to public performance reporting was carried out by Audit Scotland's Performance Audit and Best Value group during 2014/15 and reported to the Accounts Commission in June 2015. An individual assessment for Aberdeen City Council was issued to the Leader and Chief Executive in June 2015.

183. The review found that for the SPIs 1 and 2, the council were alone in the lowest quartile, complying with only 4 out of 18 themes. The council fully complied with SPI 3.

184. The council has produced a total of 118 indicators covering SPI's 1 and 2 for 2014/15. A summary of the council's SPIs for 2014/15 compared with 2013/14 is set out in Exhibit 13.

Exhibit 13 – Direction of Performance 2013/14 - 2014/15



Source: Audit analysis of council's SPIs

185. The following list includes examples from the 49 indicators where performance has improved during the year:

- average number of days to process new benefit claims – 20.02 days (38.12 days in 2013/14)
- percentage of Criminal Justice Social Work reports submitted to courts by the due date – 99.85% (99.49%)
- average time in weeks to deal with planning applications for major developments – 47.6 weeks (75.9 weeks in 2013/14)

- percentage of homeless households who are housed where there is a council duty to secure permanent accommodation – 82.9% (77.3% in 2013/14)
- percentage of all traffic light repairs completed within 48 hours – 98.2% (96.8% in 2013/14).

186. Among the 40 indicators which showed a deterioration in performance from last year are:

- percentage complaints dealt with within time – 59.54% (65.75% in 2013/14)
- number of people aged 65+ receiving a Community Care service who are supported to stay at home – 1,496 (1,581 in 2013/14)
- average time in weeks to deal with householder planning applications – 12.8 weeks (10.0 weeks in 2013/14)
- percentage of looked after young people and families at risk supported to stay together or in their own communities – 48.64% (52.45%)
- percentage of trading standards inspection visits to high risk premises achieved – 75.49% (96.19% in 2013/14).

National performance audit reports

187. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2014/15, a number of reports were issued which are of direct interest to the council. These are outlined in appendix III. The Audit, Risk and Scrutiny Committee receive regular reports on the council's response to all national performance audit reports.

Equalities

188. The Equality Act 2010 introduced a new public sector 'general duty' which encourages equality to be mainstreamed into public bodies' core work. The Finance Policy and Resources Committee approved the councils Equality Outcomes and Mainstreaming Progress Report 2015 on 23 April 2015.

Outlook

189. In common with other councils, Aberdeen City Council faces the key challenges of reducing budgets, an ageing population with higher levels of need and the public expectation of high quality services. As choices on how to address funding gaps become increasingly difficult, councils will have to focus on making the very best use of all available resources and challenge existing ways of doing things. A strong and effective performance management framework will be critical to the success of the council achieving its key priorities and achieving best value.

Appendix I – Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

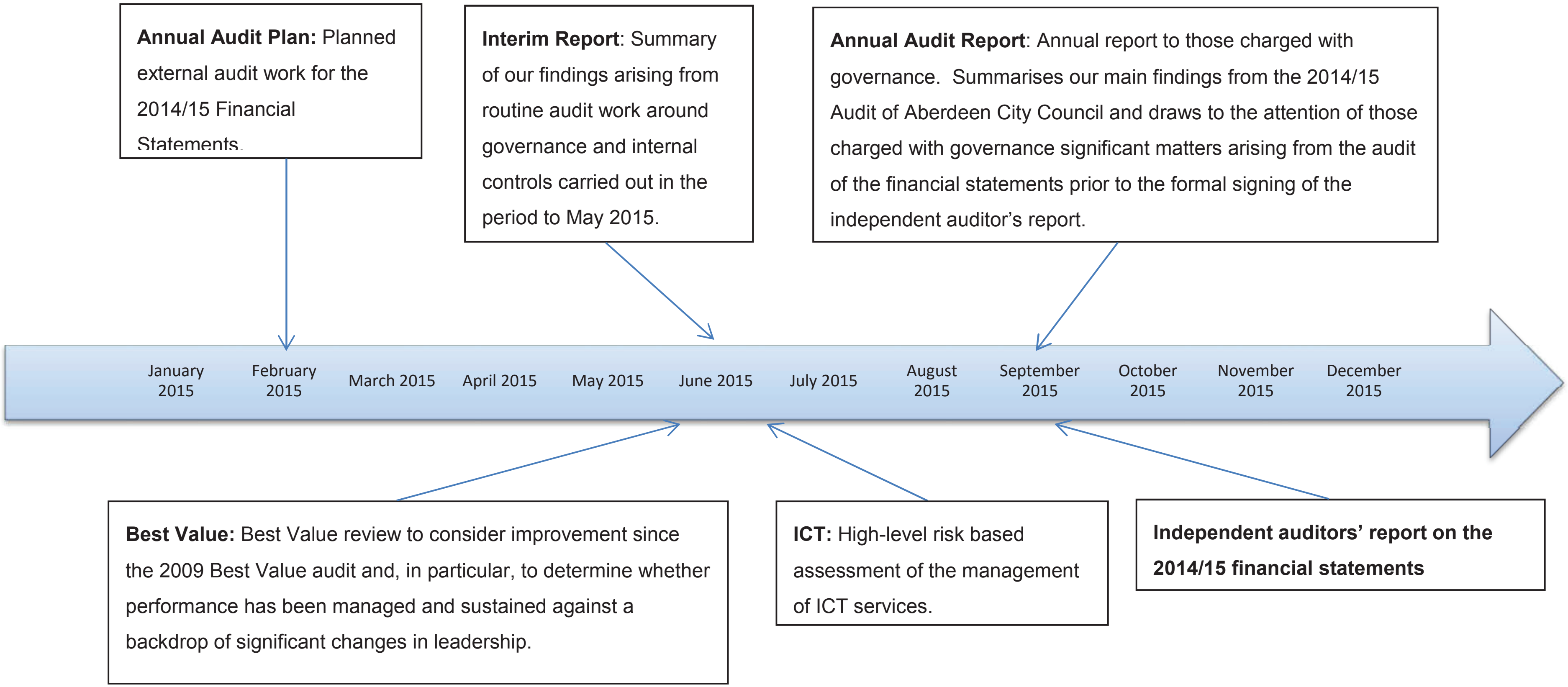
Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations) The 2014 regulations introduce a number of key changes with regard to the processes for approval and publication of both the unaudited and audited annual accounts. There is a risk that the new requirements are not met.	• Annual Accounts Action Plan prepared taking all key dates into account • Early planning meeting held with Head of Finance and his team to agree an approach to enable an earlier conclusion to the audit to ensure the audited accounts meet the timetable for the Audit, Risk and Scrutiny Committee.	We met with officers early in the 2014/15 audit to agree a joint timetable for delivery of audited accounts to meet the requirements of the regulations. Regular discussions have been held throughout the audit to ensure that plans were proceeding as expected.

Audit Risk	Assurance procedure	Results and conclusions
Income recognition Aberdeen City Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.	• Confirmation of the key controls in place for Trade Receivables, Council Tax, Non Domestic Rates and Cash & Banking • Substantive testing of a sample of income transactions, including agreement of amounts received from Scottish Government, grant income and other income • Testing of a sample of income received at year end to confirm it was allocated to the correct financial year.	• Key Controls - Testing of the key controls in place including reliance on work carried out by Internal Audit, where appropriate, did not highlight any significant weaknesses in financial control systems. • Income Transactions - We substantively tested the total Revenue Support Grant to Scottish Government confirmation, a sample of 5 grants received and 9 items of other income. We found all had been accounted for correctly. • Year end income - Sample testing of 10 income items received at year end found that all were allocated to the correct financial year. • No fraud concerns identified in respect of income.
Management override of controls As stated in ISA240, management in all entities is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	• Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business.	• Journals - a sample of 45 journal entries was tested as part of debtors (15) and creditors (30) testing. We found no evidence to suggest that management were overriding controls. • Estimates - based on testing of debtors, creditors and provisions/contingencies, we found no evidence of bias in accounting estimates. • Significant transactions - based on our work on the annual accounts, we did not find any evidence of transactions outwith the scope of the council. • No fraud concerns identified in respect of management override of controls.

Audit Risk	Assurance procedure	Results and conclusions
Group Accounting Standards The Code of practice on local authority accounting in the United Kingdom 2014/15 (the Code) requires authorities to prepare group financial statements in accordance with relevant accounting standards. These have been updated for 2014/15. There is a risk that group relationships and transactions included in the financial statements do not comply with accounting standards.	• Reviewed client's procedures for identifying potential group relationships • Considered disclosures made of related parties for any omissions from group structure • Review of client working papers.	The council has in place a robust methodology for identifying potential group relationships by way of a signed return required of all Heads of Service. Our review of related parties did not highlight any further organisations which should be included in the council's group. Overall we are satisfied that all relevant bodies have been included in the council's group accounts and accounted for under the correct classification. We have reviewed the council's working papers for the preparation of the group accounts and are satisfied that all material transactions have been included in the consolidated accounts.
Holiday pay A recent legal ruling reached the opinion that the calculation of holiday pay could be based on variable payments in addition to basic pay and that employees and former employees may be able to make retrospective claims. There is a risk that provisions included in the financial statements do not meet the criteria set out in accounting standards.	• Reviewed the assumptions used by the council in the calculation of the level of provisions.	We have reviewed the level of all provisions included in the annual accounts and concluded that they are satisfactory.

Audit Risk	Assurance procedure	Results and conclusions
Capital investment Through its Strategic Infrastructure Plan (SIP), the council is taking forward a number of significant developments. Several projects have complex funding arrangements, involve different models of working with external partners and agencies and consequently, there are potential technical accounting issues to resolve. There is a risk that significant transactions are not treated correctly in the financial statements leading to a potential misstatement in the results.	• Substantive testing of a sample of capital expenditure invoices, additions/deletions from the Asset Register, revaluations and depreciation calculations • Review of the accounting entries arising from the sale of the St Nicholas House site, in particular how the deferred element of the sale price had been treated • Review of accounting entries for other significant projects impacting on 2014/15 – Hydrogen Buses and Aberdeen Western Peripheral Route (AWPR).	We tested 13 capital invoices, 5 additions, 5 disposals, including the St Nicholas House site mentioned elsewhere in the report, 12 revaluations and 10 depreciation calculations. All were found to be satisfactory. The Hydrogen Bus fleet came into operation during the year. The fleet is owned by the council and leased to 2 local bus companies. We reviewed the terms of the lease agreements, and were satisfied that these have been correctly classified as operating leases by the council. The council is Managing Agent on behalf of Transport Scotland for constructing the AWPR. This means that all payments are made by the council, who in turn reclaim amounts from both Transport Scotland and Aberdeenshire Council. We are satisfied that this arrangement has been appropriately disclosed in the accounts.
Highway assets The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis from 1 April 2016. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. There is a risk that the new valuations will not be available when required.	• Ongoing discussions with finance and infrastructure officers.	The council has set up a working group of officers from both the Finance and Roads functions to address this requirement. We are satisfied that work is on schedule to ensure that the council will meet the implementation of the new valuation method.

Appendix II - Summary of local audit reports 2014/15

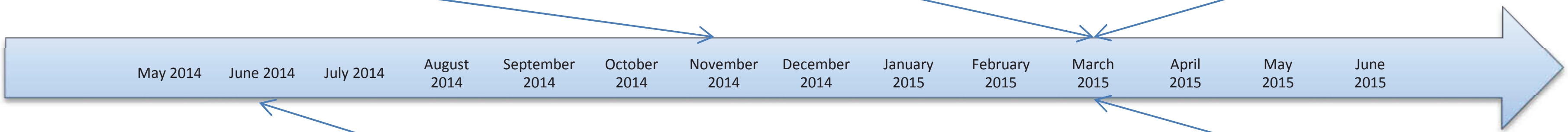


Appendix III - Summary of national reports 2014/15

Community planning: Turning ambition into action – Many Community Planning Partnerships are still not clear about what they are expected to achieved. Local data should be used to help set relevant, targeted priorities for improvement that will address inequalities within specific communities.

Borrowing and treasury management in councils - Councils are meeting professional requirements but need to do more to set out the longer term implications of borrowing and other debt on their finances.

Update on developing financial reporting - Following the Smith Commission, the framework for Scotland's public finances is undergoing fundamental change. The Scottish Parliament will have enhanced financial powers from April 2015. The report emphasises the importance of comprehensive, transparent and reliable financial reporting for accountability and decision-making. The report also notes that while the audited accounts of public bodies across Scotland provide a sound base for financial reporting and scrutiny, there is no single complete picture of the devolved public sector's finances.



Scotland's public finances - a follow up: Progress in meeting the challenges – Leaders and managers must produce balanced budgets and hold people in their organisations to account for how the money is used and what is achieved. Councillors have an important role in ensuring that approved budgets are used to best effect. To do this they need good quality and timely financial information. They need to take a longer-term view on: options available for services; service standards and affordability; and the sustainability of financial plans.

An overview of local government in Scotland – A high level, independent view on the progress councils are making in managing their finances and achieving Best Value.

Appendix IV - Action plan

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1/51	**Shared Section 95 Officer arrangement** The shared arrangement will have operated for 12 months by December 2015. A review of the pilot period is expected at that point. ***Risk: the review may not cover all the critical factors*** Recommendation: All aspects of the shared arrangement should be considered across both councils e.g. development opportunities, all costs, geography.	The review will consider the perspectives of both councils and the officers involved, taking account of all relevant aspects, including the extent to which both consider they are deriving value from the arrangement. Initial discussions have taken place with the relevant Director in SIC and this will be followed up as part of the review to be reported to committee in December 2015.	Head of Human Resources & Customer Services	3 December 2015
2/58 -60	**Financial position** The council has a significant task ahead in meeting the funding shortfall set out in its 5 year business plan. ***Risk: the ongoing need to deliver savings may have an adverse impact on services and the delivery of strategic priorities.*** Recommendation: the council needs to develop its strategy for delivering the savings required over the next 5 year period. This should bring together the different strands of work which are in progress e.g. shared service opportunities, outcome budgeting and service targets.	Work is well underway to progress the 2016/17 and indicative 5 year budgets. The council's approach to financial planning, incorporating the Extended Corporate Management Team into the process, ensures that all options are considered in developing a strategy to deal with future financial pressures. Progress is also being made in the development of an outcome based budgeting approach for future years.	Head of Finance, in conjunction with the Corporate Management Team & Extended Management Team	Update position in February 2016

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
3/62 and 3/65	**Long term financial planning** Longer term horizon scanning through the development of long term planning will support the strategic infrastructure plan but also give a more rounded view of the financial landscape. In addition, links should be made with workforce plans. ***Risk: financial difficulties arise through unexpected events*** Recommendation: Long term planning continues to be developed**.**	The importance of long term financial planning is acknowledged and will continue to be developed.	Head of Finance, in conjunction with the Corporate Management Team	Update position in February 2016
4/107 – 114 and 4/135 - 142	**ALEOs** The first round of hub meetings have now taken place with a plan to meet on a six monthly basis. ***Risk: the bedding in period may be too long and momentum lost so that it is some time before an effective scrutiny routine is in place.*** Recommendation: consider more meetings in the initial period until everybody is up to speed and the initial teething problems have bene sorted out.	The first meeting of officers to consider requirements for the next round of hubs will take place by 30 September 2015 so whilst the formal hub meetings may be every 6 months, officers are working in the intervening period on the actions from the previous meetings and developing plans for the next one. Officers are aiming to improve the quality and robustness of the process and the meetings.	Head of Democratic Services	Ongoing

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
5/125 - 134	**Health and social care integration** Preparations are moving apace for the implementation of the integration board with effect from 1 April 2016, including the identification of necessary resources, and discussions are taking place around the scrutiny requirements. ***Risk: the required actions are not completed and the Board is unable to take responsibility from April 2016.*** Recommendation: regular engagement continues between the Shadow Integration Joint Board (sIJB) and officers to ensure that priorities are delivered.	Arrangements have been in place for some time to progress integration which includes regular engagement between the sIJB and officers. This will continue throughout the year to ensure that what is a statutory timescale will be met. A work plan is in place with regular updates on progress being reported to the sIJB. The team are also working closely with the Scottish Government to get approval of the Scheme of Delegation.	Chief Officer, Aberdeen Health & Social Care Partnership	1 April 2016
6/155	**Marischal Square Development** In responding to economic conditions, the council may mitigate risks by providing financial support, for example, rental assistance to encourage city centre investment. ***Risk: the council's rationale for offering support lacks transparency*** Recommendation: The council's should set out a framework which explains the type and level of regeneration investment it wishes to financially support.		Corporate Management Team	Update by 31 March 2016

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
7/174 - 179	**Performance management** While improvements are being made to performance management processes in the council, there is more to do. ***Risk: Performance issues may not be promptly identified and thus corrective action not taken timeously. Public performance reporting is not easily accessible for users.*** Recommendation: Performance reports, both council wide and at service level, should be available timeously with comparable information to improve overall scrutiny and public performance reporting.	Proposals for implementing a consistent approach will be developed and presented to elected members for approval. 'Aberdeen Performs' is updated when performance data becomes available. A refresh is scheduled for 2015/16 to reappraise the method in which performance information is communicated to the public in light of developing corporate priorities.	Head of IT and Transformation Head of Communications and Promotion	31 March 2016 31 March 2016

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ABERDEEN CITY COUNCIL

COMMITTEE:	Audit, Risk & Scrutiny
DATE:	29 September 2015
INTERIM DIRECTOR:	Angela Scott
TITLE OF REPORT:	Audited Annual Accounts 2014/15
REPORT NUMBER:	CG/15/122
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Council's audited Annual Accounts 2014/15.

1.2 The report also provides the audited Annual Accounts 2014/15 for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2. RECOMMENDATION(S)

It is recommended that the Committee:

i) approve the Council's audited Annual Accounts for signature by the Head of Finance, Chief Executive and Council Leader; and

ii) approve the audited Annual Accounts for those registered charities where the Council is the sole trustee, for signature by a trustee.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

4.1 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

5. BACKGROUND/MAIN ISSUES

5.1 Audited Annual Accounts

5.1.1 On 26 February 2015 this committee received and noted the contents of a report, “Annual Accounts 2014/15 – Action Plan” which provided high level information and key dates in relation to the production of the 2014/15 Annual Accounts.

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

31 March 2015	End of financial year 2014/15
March–Sept 2015	Information from Group Entities (including ALEO’s)
17 June 2015	Public notice for Annual Accounts inspection period to be issued
25 June 2015	Audit, Risk & Scrutiny Committee to consider Draft Annual Accounts
30 June 2015	Statutory deadline for Proper Officer to sign Draft Annual Accounts, submit to the Auditor and publish on the website
1 – 21 July 2015	Public inspection period for Annual Accounts
30 July 2015	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
29 Sept 2015	Audit, Risk & Scrutiny Committee to consider and aim to approve audited Annual Accounts for signature
29/30 Sept 2015	Signing of audited Annual Accounts by Proper Officer, Chief Executive and Council Leader
30 Sept 2015	Deadline for submission of audited Annual Accounts to the Auditor
Early Oct 2015	Deadline for submission of the Audited WGA to the Scottish Government (date to be confirmed)
31 Oct 2015	Statutory deadline for publication on website of signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
18 Dec 2015	Deadline for submission of Audited Trust Accounts to OSCR

5.1.3 On 25 June 2015 this committee considered the unaudited Annual Accounts and they were signed by the Head of Finance (as Proper Officer) on 26 June 2015.

5.1.4 The unaudited Annual Accounts were available for public inspection for the period 1 – 21 July 2015.

5.1.5 The committee must now consider and aim to approve the audited Annual Accounts for signature.

5.1.6 In a separate report, this committee has considered the external auditor's Annual Audit Report to Members and the Controller of Audit. This report highlights any significant findings from the audit of the accounts and informs Elected Members of their audit opinion.

5.2 Financial Performance and Review of the Accounts

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

5.2.2 A report detailing the financial position of the Council was considered by the Finance, Policy and Resources committee on 9 June 2015. This report covered the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2015.

5.2.3 The following paragraphs explain the audit adjustments made to the Annual Accounts:

5.2.3.1 The former Summerhill Academy site was revalued downwards to more accurately reflect its current fair value taking account of the proposed future use of the site.

5.2.3.2 The deferred capital receipt for the St Nicholas House has been reclassified from short to long term debtors and as an unusable reserve to reflect that payment is due in 2017/18.

5.2.3.3 The group accounts have been amended to reflect the above adjustments as well as any changes arising from the audit of other group entities and the reclassification of items from short term debtors to short term creditors.

5.2.4 These adjustments do not affect the overall financial position of the Council as reported to Finance, Policy and Resources committee on 9 June 2015.

5.3 Registered Charities

5.3.1 This encompasses those trusts, registered with OSCR, for which the Council (all 43 Councillors) is the sole trustee. There are eight separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts.

5.3.2 These accounts are subject to the same audit process as the Council with the audited accounts and are included with the aforementioned report from the external auditor.

5.3.3 The committee must now consider and aim to approve the audited Annual Accounts for signature.

6. IMPACT

6.1 The publication of the Annual Accounts demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.

7. MANAGEMENT OF RISK

The robust process of closing the accounts at the financial year-end means that all reasonable steps have been taken to ensure that they are reflective of the financial circumstances of the Council during 2014/15 and as at 31 March 2015.

8. REPORT AUTHOR DETAILS

Sandra Buthlay, Accounting Manager
sbuthlay@aberdeencity.gov.uk
01224 522565

9. BACKGROUND PAPERS

Audited Annual Accounts 2014/15
Audit Scotland Annual Audit Report to Members and the Controller of Audit

ABERDEEN

CITY COUNCIL

ANNUAL ACCOUNTS

FOR THE PERIOD

1 APRIL 2014 TO 31 MARCH 2015

Contents

Management Commentary

The purpose of the Management Commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2014/15 and understand the year-end financial position as at 31 March 2015. It also provides a narrative on the financial outlook and the complexities the Council will have to deal with in the financial years 2015/16 and beyond.

Background

Aberdeen City Council is one of thirty two councils in Scotland. There are forty three Elected Members serving a population of approximately 225,000. The current Council Administration is a coalition of Labour, Conservative and Independent members. During the financial year, Angela Scott was appointed as the new Chief Executive of the Council and Jennifer Laing was appointed as the new Council Leader. Following an operational restructure during the year, the Council is now organised to provide and deliver services through three core directorates – Communities, Housing and Infrastructure; Education and Children's Services; Corporate Governance; and an integrated structure bringing together the council's and NHS Grampian's Adult Care services.

The services the Council is responsible for providing include Education, Social Care, Housing, Roads, Waste Collection and Disposal, Environmental Health, Trading Standards, Licencing, Planning and Building Standards and Economic Development. More information can be obtained on the Council's website:
http://www.aberdeencity.gov.uk/home/home.asp

Financial Performance in 2014/15

The Council's financial performance is presented in the four primary statements: Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; and Cash Flow Statement. The Comprehensive Income and Expenditure Statement (CIES), which can be seen on page 36, presents the full economic cost of providing services. This differs from the operational budgeted outturn position which was reported to the Finance, Policy and Resources Committee on 9 June 2015 which can be viewed using this link: http://committees.aberdeencity.gov.uk/documents/s47474/FPR%20Year%20End%20Report%20FINAL%20ISSUED.pdf

The reasons for the difference are two-fold: (i) the application of appropriate accounting standards to ensure that corporate activities not included within operational budgets are identified and included in the accounts, as these require to be met from local taxation; and (ii) the CIES includes accounting adjustments required to comply with proper accounting practice, but which under statute do not impact on local taxation payers.

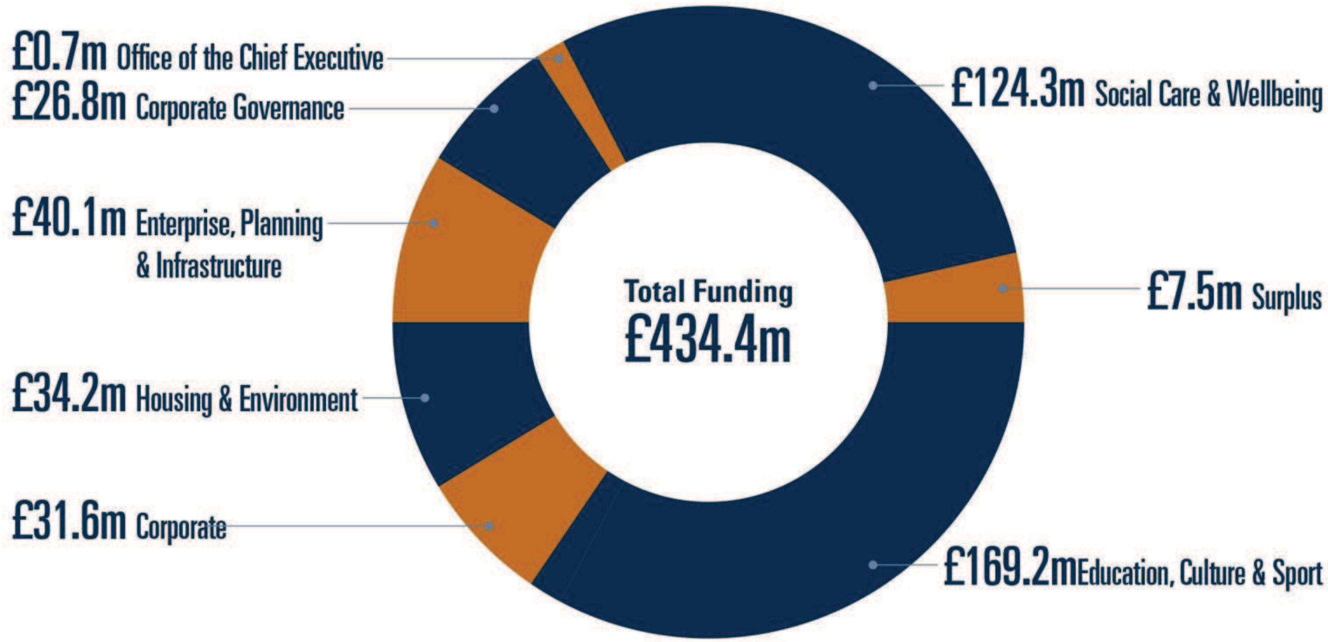
The final outturn position reflects only those costs that are required to be met from local taxation. The outturn of services, £394.6 million has been reconciled to the Cost of Services, £461.1 million as disclosed in the CIES at Note 17 – Amounts Required for Resource Allocation Decisions.

It is important to note that the Council reports it outturn position by individual account, as required by legislation. The revenue accounts managed by the Council are the General Fund and the Housing Revenue Account. The CIES is the consolidation of these accounts to reflect the Council's overall financial results of the year.

The outturn position for the General Fund, Housing Revenue Account and Common Good has been the subject of monthly scrutiny by the Corporate Management Team and regular reporting to relevant Committee's.

General Fund

The graphic below shows a favourable year end position of £7.5 million underspend which equates to 1.18% of the gross expenditure budget. The main reasons for the variance were: staff vacancy and turnover savings across a number of services; higher than anticipated income levels; reduced operating costs in certain areas (waste, homelessness, roads and catering as examples); reduced costs associated with commissioning; reduced capital financing costs; and an increased number of Band D equivalent properties.



(Note: the figures above reflect the services as reported during the year rather than those now in place following the operational restructure)

Housing Revenue Account (HRA)

The net expenditure on the HRA, prior to any CFCR contribution or increase in working balances was £22.4 million. From this position a CFCR contribution of £18.7 million to fund the capital programme was made. A further £2.7 million was used to fund the transfer at market value of the sites from the General Fund to the HRA for the development of affordable housing. The effect of these transactions was a net underspend of £1 million which was used to increase the working balance.

A number of factors contributed to the overall position of the HRA and these were reported during the year to the Communities, Housing & Infrastructure Committee: higher repairs and maintenance costs; higher loss of rent (voids) costs; lower former tenants arrears; reduced operating costs in admin & management; and lower capital financing costs.

Capital

Capital expenditure is undertaken by the Council having regard to the Prudential Code for Finance in Local Authorities and consideration, in all years, of affordability and sustainability. Expenditure on General Fund services totalled nearly £58 million while Housing Revenue Account capital spend totalled approximately £39 million. The Council is on track to deliver the 2015 Scottish Housing Quality Standards. This was funded through various grants, borrowing, revenue funding and use of capital receipts and the capital fund.

The most significant projects undertaken during the year with the General Fund programme were: Aberdeen Western Peripheral Route; Property Condition and Sustainability Programme; 3rd Don Crossing; Renewal and Replacement of Roads Infrastructure; Hydrogen Buses; School Estate; and Victoria House.

The HRA programme included: Victoria House; Modernisation Programme; Heating System Replacement; and Energy Efficiency in Multi-storey Blocks.

The Council is also progressing with three other large scale projects. The first is the Marischal Square development which is a key scheme in the regeneration of the City Centre. The Council has entered into a number of agreements to deliver retail/restaurant units, hotel and office accommodation on a ‘development strip lease’ basis. Understandably this project has attracted a lot of local and national interest. While the financial details of the ‘strip lease’ used to finance the development cannot be disclosed at this time due to commercial sensitivity, once the sites are let it is the Council’s intention to disclose as much financial information as possible without compromising the tenants commercial terms agreed with the Council. A hotel franchise has been agreed for the site with the expectation that the anticipated income stream will exceed the proportion of the ground lease costs. This is broadly similar with the expected retail/restaurant units and office income. The marketing of the office accommodation, while underway, will be formally launched later this calendar year and the marketing of the retail units is well advanced with a number of units under offer.

To de-risk the project a contingency account was created as part of the overall financial package which would be used to incentivise pre-lets and cover void costs as well as a profit account both of which will be split between the Council and the developer, depending on the final financial profile. The construction contract has been let and work is on site. The cost of the works, one of the significant risk elements, is broadly in line with the budget. During 2014/15 the Council received the first instalment of the capital receipt of £1 million. A further £9 million which will be provided at practical completion of the scheme is included within long term debtors. Further disclosures of the financial package will be made as part of the 2016/17 revenue budget process and will be reported to the relevant Committee in either December 2015 or February 2016, depending on when the final report is to be presented. It is important that the Council understands the risks associated with these types of innovative project funding mechanisms but also seek other similar opportunities in the future to provide a solid financial base on which to build over the coming years when the likely level of revenue funding will diminish.

The second major project the Council is currently exploring which received unanimous support from elected members is the new Aberdeen Exhibition and Conference Centre which will support and enhance Aberdeen’s place in the global oil and gas industry. This project is at an advanced stage and it is likely that a detailed planning application will be submitted in the coming months. The development will include two hotels, a conference centre, energy centre and an anaerobic digestive plant. While the income levels will vary, especially in the early years, in overall terms the cost to the Council is expected to be cost neutral compared to the current financial structure that is in operation for the existing site.

Lastly, the Council is in the process of procuring a private sector partner for the delivery of new housing through a 50:50 partnership vehicle with the Council. The aim of the project is ultimately to deliver 1,000 affordable homes which are vital to addressing housing shortages across the City. This method of delivery will bring in private sector experience and expertise in the delivery of affordable and private housing, using a standardised product where appropriate to assist in the speed of delivery. Whilst the Council will contribute land to the project, the private sector partner will provide increased ability to lever in finance to fund development. Both parties will share in the development risk and profit of the scheme.

Balance Sheet

The Balance Sheet sets out the net worth of the Council as a snapshot at 31 March 2015. Since 31 March 2014 there has been an overall increase in net worth of £26.2 million. The figure matches the total in the Comprehensive Income and Expenditure Statement which details the transactions during the financial year that led to the movement in the net worth of the Council.

The Councils Reserves

The Council's usable reserves are detailed in Notes 5 and 6 on pages 59 to 65.

Common Good

Against a budgeted use of working balances of £1 million, the Common Good recorded a surplus of £0.09 million. This was largely due to lower than anticipated spend on a number of projects. As many of these projects are ongoing a sum of £0.5 million has been earmarked to provide the necessary funding to complete them during 2015/16.

The above surplus is before gains on the disposal and revaluation of assets and other accounting adjustments are applied. The value of the Common Good has increased to £105.7 million at 31 March 2015, an increase of £6.4 million from last year. This increase includes a further receipt from the sale of land at Pinewood/Hazledene which has been invested in line with the approved Common Good Investment strategy. Further details on the Common Good can be seen at pages 133 to135.

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 2015 was £9.7 million, an increase of £0.1 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 136 to 138.

Group Accounts

The Aberdeen City Council Group consists of subsidiaries, joint venture and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with net assets of £1,292.4 million. This is an increase against the net assets of the Council, which are £1,191.1 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds. Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2014/15. Details can be seen on page 148.

Impact of the Current Economic Climate and Future Cost Pressures

Aberdeen continues to be impacted at a micro level of the wider macro-economic conditions that the world faces in relation to the continued down turn in the price of oil. A number of locally based companies continue to make further redundancies in the sector and this is likely to impact on the local economic conditions which in turn has the potential to impact Scotland more widely.

The level of Non Domestic Rates collected within Aberdeen City is estimated to account for almost 7.5% of the total Scottish NDR collectable during 2015/16 (up from 7.3% in 2014/15) and this demonstrates the economic strength required from within the City to maintain Scotland wide income levels for distribution to all local authorities. Against this back drop of economic difficulties within the Oil and Gas sector it should also be noted that the level of Band D equivalent properties increased during 2014/15 from 91,104 to 92,303 an increase of over 1,200 and demonstrates the level of confidence that still exists locally.

The Council recognises that there is a continued shortage of housing within the City to attract and house new workers. Population growth is still estimated to grow over the next 35 years and this is borne out by the views captured within the local development plan of developers within the city. The extracted data on the developer's views of construction of new houses in Aberdeen up to 2025 shows new house units of more than 11,000 units. These units will vary in size and value depending on where they are built in the city. What this does provide is a clear understanding that, all things being equal, there will be an additional 11,000 units by 2025. The population is predicted to increase by a further 84,000 from 2025 to 2050, which with an average number of residents per household of 2.13, suggests a further 39,000 units required between 2025 and 2050.

Population information for the Aberdeen City area has been sourced from the Scottish Government, showing projections up to 2037. This data has been extrapolated and projected up to 2050. Initial indications are that the total population for Aberdeen City is likely to increase from its current levels of 225,000 to 342,000. This will obviously increase pressure on a huge range of Council services, including roads, education and social care, as well as partner services such as health. The housing developments referred to above will evidently be required if this projected population growth comes to fruition.

The challenges facing local government have been further highlighted in a report, *An Overview of Local Government in Scotland 2015,* published by Audit Scotland in March 2015. The key messages from the report focus on the increasingly difficult financial challenges faced by councils, in the context of overall reductions in public sector budgets, whilst at the same time demand for services is increasing. With further funding reductions expected, tough decisions will be required to balance budgets, which must be based on a clear understanding of the current financial positions and the long term implications of decisions.

A number of other matters affecting councils finances were also highlighted: the Welfare Reform Act 2012 which is expected to have significant implications for households and councils; increased costs faced to implement national policies and legislation such as self-directed support and the Children and Young People (Scotland) Act 2014; and the abolition of contracting out national insurance contribution rates for defined benefit pension schemes will result in higher costs for the Council. Furthermore, there is likely to be implications from: the Community Empowerment Bill which gives councils some flexibility to control NDR income; the independent commission to examine alternatives to the existing council tax system; and the devolvement of further powers to the Scottish Government including those arising from the Smith Commission report .

The Public Bodies (Joint Working) (Scotland) Act 2014 requires all local authorities and health boards to integrate adult community health and social care services and to consult on and submit an integration scheme to the Scottish Government setting out the local governance arrangements for integration. This is explained further within the Annual governance Statement on page 17.

2015/16 Budget and Medium Term Financial Outlook

The Council set its 2015/16 and indicative five year General Fund revenue and capital budgets on 5 February 2015. A balanced 2015/16 budget was presented which required no further new savings to be found. The budget and associated reports reflected that the financial situation to be faced by the Council over the coming year will be challenging and indeed the five year position projected a net deficit of £53 million by 2019/20, assuming the Council does nothing and accepts the estimated cost pressures. This is clearly not an option and work is already underway and will continue to identify ways to close this funding gap while maintaining focus on improving outcomes for our customers.

In setting the 2015/16 budget, the importance of maintaining sufficient working balances to meet unforeseen expenditure over the five year period and beyond was recognised. This was particularly prevalent in the context of: the continued economic outlook for the UK and beyond; the continued austerity measures being implemented by the UK government; inflation levels; changing energy prices; other cost pressures arising directly from rising prices, demographic changes or additional legislative burdens placed on the Council; and the uncertainty that exists as no funding settlement is known beyond 2015/16.

A number of key assumptions have been made in the 2015/16 and indicative five year budgets including: a 1% annual staff pay award (2% in 2017/18); increasing costs of utility bills; increased investment to reflect demographic factors impacting on the delivery of social care and children's services; increased investment in teachers to reflect growing numbers of school children; increased investment in waste to ensure delivery of the Council's waste strategy; and a capital investment programme, incorporating the SIP of £398 million over the next five years.

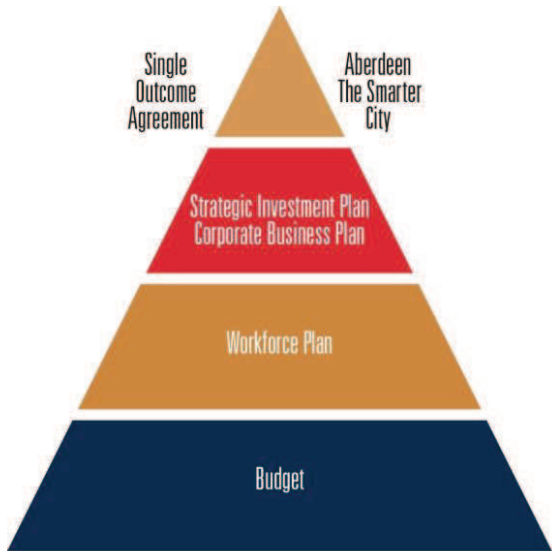
The capital and SIP programmes represent the ambitious investment strategy of the Council which includes: new schools, housing, roads and waste facilities; improvements to existing assets; development of Marischal Square; a new AECC; and the City Deal and City Centre Masterplan. This investment is key in delivering against the vision for the city as represented in the SOA, Smarter Aberdeen policy statement, the SIP and the associated Corporate and Service plans.

It should be noted that the delivery of this investment is not solely about the Council providing the funding and that the successful delivery of the SIP requires a package of funding options from a variety of sources. This requires the identification of a broader strategy to develop innovative funding models to deliver current and future infrastructure needs. One such option is in the form of a City Deal which will enable the delivery of the key priorities of the SIP and facilitate some of the projects which do not have funding solutions. It will also attempt to encompass the economic focus and needs of industry in a bigger scale by linking with, for example the Nigg Bay harbour redevelopment proposed by Aberdeen Harbour Board and the City Centre Masterplan.

It is recognised that there is a need to underpin all the Council's strategies and plans with a long term financial strategy which will provide a clear understanding of the long term financial opportunities and challenges and build on the medium term financial stability the Council has achieved in recent years. Work is underway to develop this and will encompass an analysis of and make assumptions on: future funding streams and funding levels; anticipated housing and business development and the impact on income from Council Tax and Non Domestic Rates and conversely the additional demand for services including new schools, community facilities, roads and waste collection and disposal; population trends and demographics; and the impact of daily migration in and out of the city.

Strategy and Performance Management

The Council's strategies and plans can be summarised as follows with each element described in detail below:



Community Planning Aberdeen: Single Outcome Agreement (SOA)

The Single Outcome Agreement 2013, between the Scottish Government and Community Planning Aberdeen, sets out a vision for 2022 which will deliver better outcomes for the people in Aberdeen City. It also sets out the role which Community Planning Aberdeen will play in that vision becoming reality. In taking forward the Single Outcome Agreement, the Scottish Government and Community Planning Aberdeen will continue to build on a working relationship based on mutual respect and partnership. Work has commenced to review and update the agreement including improving the robustness of the performance metrics included therein. The current agreement created *City Vision 2022* - "The 2022 Vision for Aberdeen City has been created and tested by a wide cross section of civic Aberdeen and its communities. As we look ahead, how can we all work towards……Aberdeen *2022* – the city we love to live in". The key priorities encompassed within the vision are: *Safer Communities; Learning and Workforce; Economic Growth; Health and Wellbeing; and Older People*. Further details on community planning and the SOA can be found at: http://communityplanningaberdeen.org.uk/

Aberdeen City Council: Aberdeen: The Smarter City

"Our vision for Aberdeen is to be an ambitious, achieving, smart city", which:

- Develops an economy based on knowledge and innovation;
- Encourages more efficient use of greener resource which generates a competitive economy;
- Uses technology and data to enable informed decisions to be taken;
- Enables citizens to interact in a city where there is a sense of place; and
- Encourages a form of governance which engages its citizens

The key priorities underpinning this vision are: *Smarter Living; Smarter People; Smarter Environment; Smarter Economy; Smarter Governance; and Smarter Mobility*. Further details can be found at: http://www.aberdeencity.gov.uk/council_government/performance/aberdeen_performs/abp_our_priorities.asp

Aberdeen City Council: Strategic Infrastructure Plan (SIP)

The SIP focuses on the delivery of our strategic and local development plans and is integral to the development of the enabling infrastructure needed to realise the aspirations of all our plans as well as meeting the objectives of the SOA. The SIP is centred on five key goals and contains a number of large scale projects that will help deliver these:

- A step change in the supply of housing
- Better digital connectivity at home and at work
- Better local transport
- The skills and labour that Aberdeen needs to thrive
- A better image for the city

Full details of the SIP can be found at: http://committees.aberdeencity.gov.uk/documents/s33119/Strategic%20Infrastructure%20Plan.pdf

Aberdeen City Council: Corporate Business Plan

The Council's current business plan covers the five year period from 2013/14 to 2017/18. It is subject to review and updates in line with changes in the council's priorities and emerging external factors which impact on the delivery of its objectives. The council's action and financial plans, included in the business plan, are built on the delivery of our vision and strategic priorities and our performance will be measured in terms of our success in their achievement. The full business plan can be viewed at: http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?lID=55122&sID=13935

Workforce Plan 2015-2020

The Council approved its updated 5 year corporate strategic workforce plan in February 2015, the full details of which can be viewed at:
http://committees.aberdeencity.gov.uk/documents/s35224/General%20Fund%20-%20Workforce%20Plan.pdf

The focus of our current corporate strategic workforce plan is three fold. Firstly, it is to recognise how we rely on our workforce to deliver our business strategies and objectives, with the emphasis on continuous improvement. Secondly, it is to describe the type of workforce we need to deliver business success. And finally, it is to outline our plans to recruit, develop and retain the quality of workforce we need.

Budgets

The Council's financial performance for the financial year 2014/15 was reported to the Finance, Policy and Resources Committee on 9 June 2015. A copy of the report can be found at the following link: http://committees.aberdeencity.gov.uk/documents/s47474/FPR%20Year%20End%20Report%20FINAL%20ISSUED.pdf

Best Value Audit

It is worth noting that the Council was subject to a Best Value Audit during 2014/15 which concluded in June 2015 with the detailed findings published in July 2015.. The report provides the Council with evidence that it recognises the areas of improvement that we are currently working on as well as citing a number of good practices. Indeed the report states:

"The council has improved its financial position since 2008 and it now has a record of sound financial management. This is a good foundation for delivering its next five-year business plan. The council has also built up considerable reserves. It can use these to meet unexpected and unplanned spending, but can do this only once. The council is at the early stages of identifying future savings as it moves into its next five-year budget cycle. In doing so, it can build on the good practice it has demonstrated in budget planning in recent years.

The council has established areas of good practice including its medium-term budget planning process. It has also taken positive steps to improve working relationships. It is important that the council continues to make progress in these areas."

Based on this report the Council is well placed and indeed is already undertaking work which aims to deliver service improvements.

Performance Management

The Council is required to report details of its performance across a range of indicators each year. The performance of all thirty two councils in Scotland is monitored by Audit Scotland to ensure Public Performance Reporting requirements are met. Information on Aberdeen City Council's performance can be found on the 'Aberdeen Performs' website which can be accessed at http://www.aberdeencity.gov.uk/council_government/performance/aberdeen_performs/abp_aberdeen_performs.asp

There are a number of key accounting ratios which under best practice can be used to demonstrate the pillars of good financial stewardship. These are shown below and the key message that can be taken from these is primarily the Council's ability to continue to invest but reduce the total capital financing requirement. This ensures that more funding can be directed to provide front line service delivery to services rather than funding capital expenditure costs.

The Council is involved with a number of Arm's Length External Organisations (ALEO's), a number of which form part of its group and are reflected in the group accounts on pages 139 to 159. Significant investment is made in ALEO's by the Council and proper consideration must be given to their performance and governance arrangements. This has been recognised by the Council as an area for development and during the year a forum was introduced, bringing together council finance staff and finance representatives from the ALEO's to focus on financial matters and share key messages on future funding. In addition, a framework of governance hubs, commencing June 2015, has been put in place to scrutinise a range of information including operational and financial performance and people and risk management. This will provide a strong platform from which to ensure review of the performance of ALEO's is embedded in the Council's culture.

Employee Matters

Employee Involvement

The Council recognises Trades Unions as the main channel for consultation with the workforce and has a collective agreement with them called the Framework Agreement for Industrial Relations (FAIR). It also has a Consultation Protocol which details the consultative processes for engaging with trade unions and the wider workforce on issues that are likely to affect them. Each Directorate has a Union Management Forum where local issues are raised and discussed.

The council has a number of arrangements for informing, consulting and involving its employees. These vary from Directorate to Directorate but include the Trade Unions, the intranet (Zone), team meetings, town hall briefings, Chief Executive's blog, cross service working groups, newsletters etc. In addition to this there are specific examples of engagement with employees throughout the financial year 2014-15 some of which are outlined below:

Restructure: During the financial year 2014/15 the second phase of the restructure of the council's senior management team took place. Clearly this was a matter of concern to a number of employees given their perception it would impact longer term on more than just top management. To address this, a clear communication strategy was put in place round how employees would be kept informed of what was happening. This included the Chief Executive circulating a report of the proposed structure which informed employees of what was proposed and invited their feedback. This was posted on the Zone for employees to access.

A comprehensive engagement strategy was also developed round the restructure. This included roadshows, drop in sessions, a direct email address and an online survey. A total of 412 employees contributed their views and a number of changes were made to the proposed structure as a result.

Employee opinion survey – November 2014: employees were invited to give their views and suggestions on a range of questions relating to their experience of working at the council. The survey outcomes were published direct to employees as soon as they were received by the organisation and a plan was put in place to organise Directorate workshops to allow employees to input their ideas to inform Directorate action plans going forwards.

Performance Review and Development (PR&D) survey – May 2014: PR&D is the council's mechanism for clarifying and reviewing the performance of employees. PR&D is still relatively new and has been developed on an ongoing basis with the input of employees. A further review of the process was held in May 2014 including an online survey and interviews with a sample of employees and managers. As a result of this a number of recommendations for enhancing the process were taken forward to and approved by the Corporate Management Team.

Given that our biggest resource is our staff clearly the performance of employees is a key factor affecting the performance of the authority. Communication round PR&D was made widely available throughout 2014/15 with a Zone page, drop in sessions and training sessions where requested.

Employee Voice: Employee Voice is the council's online suggestion scheme allowing employees to input their ideas for improvements to enhance both staff and customer experience. This continued to be active throughout 2014-15.

Diversity and Equality

The Council's Diversity and Equality policy sets out the organisation's commitment to adhering to the Equality Act including the General and Specific equality duties applying to public authorities. It covers all the protected characteristic groups detailed in the Act, including those who are disabled and helps to ensure that there is no discrimination, harassment or victimisation on grounds of a protected characteristic in any aspect of employment.

There are currently 250 employees who have declared as disabled, comprising 2.9% of the workforce and is continually seeking to increase this number through applying a range of equality related initiatives.

The Council is signed up to the government's 'Positive About Disabled' scheme and uses the 'two ticks' symbol on recruitment documentation. This scheme involves the Council making five commitments to demonstrate that it is taking practical steps to improve work and career opportunities for disabled people. Management guidance and notes on the scheme are in place which also covers good employment practice in relation to the recruitment and selection of disabled candidates.

The Council makes use of the government's 'Access to Work scheme which is concerned with the assessment of disabled employees needs for equipment and/or support and can provide grants to partially cover costs where criteria are met. The organisation has in place a guidance note on the scheme as well as a resource pack for managers.

Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from Finance and other Services in the Council, 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 2014/15 Annual Accounts.

Steven Whyte, CPFA	Angela Scott	Councillor Jennifer Laing
Head of Finance	Chief Executive	Leader of the Council

29 September 2015

Statement of Responsibilities

The Council is required to:

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

Signed on behalf of Aberdeen City Council

Councillor Jennifer Laing
Leader of the Council

The Head of Finance's responsibilities:

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

In preparing the Annual Accounts, I have:

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

I have also:

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

I certify that the 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 2015.

Steven Whyte, CPFA
Head of Finance

29 September 2015

Annual Governance Statement

Scope of Responsibility

The CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* sets out a standard for good corporate governance and this Annual Governance Statement follows the principles contained therein. This Statement explains how Aberdeen City Council has complied with the standard and meets the requirements of relevant legislation and current good practice.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities will be approved by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

A governance framework has been in place at Aberdeen City Council for the year ended 31 March 2015 and up to the date of approval of the annual accounts.

The Governance Framework

The Council has an approved Local Code of Corporate Governance, a copy of which can be read on our website at www.aberdeencity.gov.uk[1]. The Local Code incorporates the six principles recommended in the CIPFA / SOLACE Framework, and was last updated in 2012/13. Against each principle is a set of key documents, policies, arrangements and areas of activity within the Council which address the theme. The principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council is a complex organisation with many controlling interests in other businesses so this statement extends to cover the organisations included in the Council's Group Accounts, a list of which is included at pages 145 and 146.

A copy of the Local Code can be obtained at:
http://committees.aberdeencity.gov.uk/ecSDDisplay.aspx?NAME=SD636&ID=636&RPID=0&sch=doc&cat=13096&path=13083%2c13096

As such the influence, accountability and responsibilities that the Council has to the organisations which form part of its group are vitally important. In recent years the group governance framework has been recognised as an area that required development and as such this was reviewed and changes were made to ensure that the framework is one that provides clarity and consistency in the Council's relationship with the group entities.

The Council has put in place a framework of governance hubs for its group entities, also referred to as Arm's Length External Organisations (ALEO's), to provide assurance and confidence around their governance arrangements. The hubs will include key council officers and representatives from the organisations and will meet twice yearly and report to the Audit, Risk and Scrutiny Committee. A number of areas will be scrutinised including internal and external audit activity and reports, the activity and reports of external inspection agencies as well as the financial and other governance related procedures and processes each organisation has in place. This framework is in addition to that currently in place to gain assurances from group entities, through a signed statement from each, to confirm that no significant issues arose in relation to their systems of internal control or to advise of any failures identified during the year.

The Council demonstrates its compliance with the principles in many ways, examples include:

Principle 1 — Since the 2012 local government elections the Council's policy statement has been *Aberdeen: The Smarter* City. This policy is supported by the Single Outcome Agreement and progress towards the targets that it sets out is monitored on a regular basis. The Council has continued the development of its five year business plan during 2014/15 and this was the basis for decision making for the 2015/16 budget, supporting a longer term approach to service development and financial planning and it is expected this will be developed and continue to be strongly embedded in the way the Council does business. The individual Services have specific Service Plans and these are monitored through regular reports to the Service Committees.

Principle 2 — The Council has a comprehensive approach to ensure clarity of roles and responsibilities that enable officers to work effectively and submit to the relevant committees suitable recommendations upon which members make decisions. These include Standing Orders, Terms of Reference, Scheme of Delegation and operational management structures.

Principle 3 — Council policies provide a structure to enable staff to know and understand their role and responsibilities as an employee, while the Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish Local Authorities.

Principle 4 — The Standing Orders and Orders of Reference provide the decision making structure to the organisation, with members and officers understanding of roles and responsibilities further enhanced by the Scheme of Delegation. As noted above these documents have been revised during the year. Regular, structured meetings between the Corporate Management Team (CMT) and the Administration leaders as well as annually set committee meetings, pre-agenda meetings and reporting / consultation deadlines ensure that sufficient time is dedicated to decision making. Urgent Business Committees can be called by members at short notice where a Council decision is recognised as essential. The CMT meets regularly and each individual Service has its own scheduled meetings to make decisions, review and monitor progress and cascade information.

The decision making structure is therefore robust and ensures that organisationally the range of recommendations and the implications for those recommendations presented to members for decisions are clear and understood by officers. It is recognised that key strategic decision making itself is for members and on occasion they are controversial or highly publicised, this is a natural consequence of an organisation operating in a political arena. It should not be overlooked that the systems of decision making are underpinned by a normal decision making process and officers remain rigorous in following those systems.

The scrutiny in the Council emanates from the Audit, Risk and Scrutiny Committee[2], which has a convener and vice-convener from the opposition groups to enhance the independence and scrutiny function. The Committee comprises 16 Councillors, 9 being selected from the Council Administration. The Committee oversees the system of risk management and is charged with the responsibility for the effectiveness of Internal Audit, while receiving all External Audit reporting and can consider any previously unscrutinised issue, process or practice. The Committee also has responsibility for scrutiny of the Council's Arm's Length External Organisations, through regular reporting.

The Audit, Risk and Scrutiny Committee receives regular reports on the system of risk management. The Committee approved a revised Risk Management Strategy in February 2015 and there is a supporting operational manual. This strategy and the Strategic Risk Register will be reviewed and reported to the committee annually. In addition, revised service risk registers reflecting the new corporate structure are being reported to the Committee and these are being aligned with service performance reporting to be presented to service committees twice per year. Further work has been undertaken to enhance the scrutiny of all committee reports to ensure a proper consideration and assessment of risk is taken.

Principle 5 Members have personal development plans and dedicated days are set aside for member training events, specific training for members of the Audit, Risk and Scrutiny Committee has been a feature over the last two years. The Human Resources and Organisational Development team prepares and provides / commissions management and specialist training courses, while individual Services not only have their own training teams but will procure the necessary training where this is thought appropriate.

Principle 6 Engagement with local people and stakeholders is driven through a number of routes, with the Community Planning Partnership of particular importance. Specific events are carried out on a regular basis or when a matter of appropriate importance demands it. This can be with the general public or specific groups as well as partners, staff and trade unions. The Community Planning Partnership website provides access to information on engagement events, how citizens can get involved and feedback.

Performance reporting is critical to the Council and is discussed regularly with Service Committees receiving performance reports, while the Aberdeen Performs website provides information on the key priorities of the Council and its performance. This is aligned to the Business Plan.

In Year Activity and Development

Principle 1 The legislative framework of local government defines a number of posts which are primary to the governance arrangements in the Council, these include the head of paid service – a role fulfilled by the Chief Executive; the Chief Financial Officer, often referred to as the s.95 officer on account of it being required by s.95 of the local Government (Scotland) Act 1973 – the Head of Finance is defined as this officer; and the Monitoring Officer – a post undertaken by the Head of Legal and Democratic Services – a requirement of s.5 of the Local Government & Housing Act 1989. All these post holders are full members of the Council's senior officer team, the Corporate Management Team. During 2014/15, a shared arrangement was put in place with Shetland Islands Council for the provision of s.95 officer services. In addition to these posts there is also a requirement under s.3 of the Social Work (Scotland) Act 1968 to have a Chief Social Work Officer – a post undertaken by the Head of Children's Services. The importance of these posts was recognised during the management restructure and all were all retained within the new structure.

In recognition of the significant role that the Chief Financial Officer (CFO) has in relation to financial performance and the financial control environment, CIPFA published in April 2010 *the role of the chief financial officer in local government* in which it sets out five principles that define the core activities and behaviours that belong to the role. These principles cover the importance of being a key member of the Leadership Team, being actively involved in and influencing decision making and leading the delivery of good financial management across the whole organisation.

[2] A copy of the Audit, Risk and Scrutiny Committee Orders of Reference can be obtained at: http://councilcommittees/ieListMeetings.aspx?CommitteeId=507

Fundamentally all reports were provided to the CFO during the year and this extended to all Council reports under Standing Orders and Financial Regulations requirements, providing a process by which influence could be brought to bear in relation to all business decisions. However, an internal audit covering compliance with laws and regulations identified that reports were not consistently being provided to the Monitoring Officer as required by Standing Order 45. Processes have been put in place to further strengthen compliance and mitigate the risk to the Council of reports being approved that are in breach of laws and regulations. More widely, the new Monitoring Officer is reviewing staffing and working practices across his areas of responsibility to ensure his service is well positioned to effectively support the council.

The appointment of a new Chief Executive in early 2104/15, by internal promotion, saw proposals to restructure the operational running of the Council taken forward. The restructuring, taking account of the challenges of the future was the next phase of developing the Council and making it fit for the future. The new operational structure encompasses three core services (previously five) as well as the Aberdeen City Health and Social Care Partnership. The Director of Corporate Governance post remained without a permanent postholder throughout the financial year. However, an effective solution, which included a clearly defined role for an individual who was temporarily promoted to fulfil the role, was put in place. This arrangement and the ethos of teamwork by the Corporate Management Team ensured the team operated effectively throughout the year.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires all local authorities and health boards to integrate adult community health and social care services and to consult on and submit an integration scheme to the Scottish Government setting out the local governance arrangements for integration. This requirement saw the establishment of the Aberdeen City Health and Social Care Partnership, comprising Aberdeen City Council and NHS Grampian. The partnership agreed to adopt the ‘body corporate’ model for integration, which under the legislation requires the establishment of an Integration Joint Board and the appointment of a Chief Officer to this Board. To initially take forward the planning and implementation of integration, a Transitional Leadership Group (TLG) was established and met regularly throughout the year until the establishment of a Shadow Integration Joint Board (sIJB) which has been meeting since January 2015. The Chief Officer was appointed and took up post during 2014/15, also becoming a member of the Council’s Corporate Management Team. The Aberdeen City draft Integration Scheme was consulted on between December 2014 and February 2015 through a number of forums to wide variety of stakeholders. The Council agreed at its meeting in March 2015 that, pending agreement by NHS Grampian, the scheme be submitted to the Scottish Government for approval.

The work throughout the year and the progress achieved clearly demonstrates the Council’s commitment to the successful implementation of the integration scheme and the governance surrounding it. This will continue during 2015/16, with a number of significant milestones and deadlines in place to ensure the necessary resources are in place prior to “go live” on 1 April 2015. An integration work plan sets out the major elements of work to be completed, with regular updates on progress being reported to the sIJB. The work plan clearly sets out the actions, milestones, completion dates and lead roles with a traffic light system in place to highlight the status of each action. The Council will actively participate throughout the coming year to ensure milestones are achieved and will provide assurances on resources to the Audit, Risk and Scrutiny Committee by February 2016.

Principle 2

During 2014/15, the committee structure was changed in line with the operational management structure and the Standing Orders and Committee Terms of Reference were also reviewed and updated accordingly.

Principle 3

A statement referencing the Council’s policy in relation to the Scottish Independence Referendum from the Council Leader accompanying the 2014/2015 Council Tax Bills caused significant public concern. In response, the Controller of Audit considered the issue and it was also subject to a separate investigation by the Standards Commission.

The Controller of Audit considered that while the position as set out in the paragraph was an accurate statement of council policy, it was only one of 11 of the council's key policy or 'vision statements'. Including such a statement in council tax documents was very unusual and he was not aware of any other council including similar material about the referendum with council tax bills. Council tax regulations refer to what information should be included but do not explicitly preclude specific types of information from being included with council tax bills.

A hearing by the Standards Commission, concluded on 16 April 2015, found that councillors did not breach the councillor's code of conduct. The hearing panel found that *'the use of officers' time and Council resources was legitimate and in furtherance of Council business. The panel accepted that the paragraph of the letter was a restatement of Aberdeen City Council policy, which had been in the public domain since December 2013*' and *'… the Panel was not persuaded that the paragraph in the letter amounted to "party political or campaigning activities". There was a history of such a publication of this style, at this time, to accompany Aberdeen City Council Tax letters.'*

Principle 5 — The Council Group Leaders agreed an Elected Members' Development Framework built around four development areas: Skills Practice, Information Giving, Knowledge Transfer and Skills Acquisition. A Members' Development Steering Group will be established to offer the opportunity for members to engage more directly with their own development and the development of the programme.

Principle 6 — As a result of the Annual Public Performance Report 2013/14 by Audit Scotland, Aberdeen City Council will be reviewing its approach to the collation and presentation of Public Performance information. A key goal of this review is to improve the accessibility of the data presented and to ensure that the council's website can support the presentation of data easily and clearly. This will involve redesigning the existing council website, creating a combined service that will lead on the presentation of this data and analyse how to make more information publicly accessible including the provision of more detailed narrative and contextual description of complex data.

Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its control environment including the system of internal control.

The Council approaches this with reference to different layers of assurance, namely management assurance both internally through the Council and externally through the group entities; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports.

Management Assurance:

Each head of service has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Head of Finance. These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses will be incorporated into the 'Significant Governance Issues' section where it's determined necessary. For 2014/15, other than those included in the significant issues table below, all issues highlighted have been addressed.

In reviewing this 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 in Local Government (2010). Furthermore in relation to the statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition the CFO and Monitoring Officer are in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Finance, Policy and Resources Committee.

The Council Committee structure follows and supports the organisational and management structure, incorporating a culture of accountability that has been developed throughout the Council. The Audit, Risk and Scrutiny Committee remains responsible for ensuring the effectiveness of the internal audit function and also considering all reports prepared by the external auditor.

Assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Chief Executive or Director of Finance. There are no significant areas to be included in this statement. It is recognised that more regular reporting and scrutiny across the Group requires continued development, and this is a recognised priority of the Council to firmly embed this in the organisation.

The Annual Governance Statement from 2013/14 identified nine significant governance issues and in reviewing the progress made by officers on these actions, six of these have progressed sufficiently to be removed with three remaining outstanding at 31 March 2015.

Assurance from Internal Audit:

The Internal Audit function was under contract to PricewaterhouseCoopers LLP during the financial year.

At the end of the year the Head of Internal Audit provided the Council with a written report on risk management, controls and governance framework during the year and the report issued covered the year ending 31 March 2015.

The report showed that 27 audits had been carried out and that out of 133 recommendations there were no business critical risk and only 17 high risk recommendations. It further commented that the areas deemed high risk are not pervasive to the Council's operations but do pose significant risks, and improvements are required to ensure objectives in these areas are met. The report reflects that the Council is making improvements and there is a good culture focused on risk and governance. There has been an overall increase in the number of high and medium risk findings which reflects the focus on those areas of greater risk to the Council. It also recognised that a number of areas of good practice were identified and reflected within individual internal audit reports. As at 31 March 2015, good progress had been made by officers in implementing recommendations, with 112 recommendations having been due to be implemented within the period of which 89% (100) have been agreed by Internal Audit as fully implemented. Positive progress on addressing the areas of weakness is being made by management and evidence was able to be provided to show the implementation of those recommendations. Where recommendations remain outstanding, Internal Audit highlight the need for management to complete the work at the earliest opportunity and this is being done in accordance with revised completion dates.

During the year the Audit, Risk and Scrutiny Committee received a range of reports produced by Internal Audit which enabled scrutiny and questioning of officers to take place, such that the Committee has gained assurance about the identified weaknesses and the actions being taken to address them.

External Audit and Other External Scrutiny:

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

In June 2014 the Audit, Risk and Scrutiny Committee received the updated Assurance and Improvement Plan (AIP) for the period 2014-17 which, through a shared risk assessment (SRA), drawing evidence from a number of sources, focused on identifying the council's current position in relation to its improvement and transformation agenda. The structure of the AIP covers four areas: local priorities and public service reform; corporate assessment; service performance; and improving and transforming public services/public performance reporting. The SRA concluded that a Best Value audit follow up would be appropriate to consider improvement since 2009 and, in particular, to determine whether performance has been managed and sustained against a backdrop of significant changes in leadership. The audit was undertaken in early 2015 with the final report to be published on 2 July 2015. The Council acknowledges the work undertaken by Audit Scotland and is committed to addressing recommendations arising from the review.

External scrutiny of the Council comes from a variety of sources as was demonstrated during the year when the Traffic Commissioner ordered a Public Inquiry to investigate concerns regarding the Councils Goods Vehicles Operator's Licence. The outcome of the hearing gave the Council specific timescales in which to put effective processes in place to address concerns, following which two unannounced visits would take place, with a further hearing in early May 2015 which concluded that significant improvements have been made such that no further public inquiry is required. The response by the Council was prompt and comprehensive to ensure compliance with its operator's licence and that policies and procedures are fit for purpose. This response provides evidence of the effective governance that the Council has in place to respond to unplanned and unexpected situations.

Between August and December 2014, the Care Inspectorate undertook an inspection of integrated children's services, reviewing and assessing provision across the integrated partnership. The inspection looked at the difference services are making to the lives of children, young people and families and took account of the full range of work with children, young people and families within the community planning partnership area. The inspection identified a number of particular strengths which are making a positive difference for children and young people in the Aberdeen City Community Partnership area and expressed confidence that partners in Aberdeen City will be able to make the necessary improvements in light of the inspection findings. In doing so, Community Planning Aberdeen and the Integrated Children's Services Board will prepare a joint action plan which clearly details how improvements will be made in the key areas identified by the inspectors. The Care Inspectorate and other bodies which took part in this inspection will continue to offer support for improvement through their linking arrangements and will monitor the Partnership's progress in taking forward their action plan.

In terms of the controlling interest in the group entities, reliance has also been placed on each organisation's most recent audited accounts together with Council officer's detailed knowledge of these organisations as a consequence of their continued involvement with these companies.

Audit, Risk and Scrutiny Committee Self-Evaluation:

The Audit, Risk and Scrutiny Committee recognised the benefits of self-evaluation, using tools such as CIPFA's "A toolkit for Local Authority Audit Committees" and agreed at its meeting in February 2014 to do an annual self-evaluation. The results for 2014/15 were reported in May 2015 and a number of recommended actions were agreed that will develop the Committee and the Council.

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

Significant Governance Issues

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Group, systems of internal control, the Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.

The exceptions highlighted have been, or will be, addressed through the actions set out below.

Issue Ref.	Issue Description	Source of Evidence	Action
	Outstanding Issues from 2013/14		
1.	Group Governance; following further work on the framework for governance there remains work to be carried out to deliver consistent and regular scrutiny of the group and external organisations. In addition, work is required to identify and consider risks to the council from its relationship with arm's length organisations and to ensure adherence with Following the Public Pound guidance..	Self-evaluation; Internal Audit Annual Statement 2012/13; 2013/14; 2014/15.	Significant progress has been made to establish a programme of reporting as the basis of regular and consistent scrutiny of group and external organisations. This will involve twice yearly meetings, commencing in June 2015, with representatives from the respective organisations and key council officers. The identifcation and consideration of the wider risks to the Council posed by arm's length organisations will be taken forward during 2015/16. This will inform the governance arrangements for each organisation and ensure adherence with Following the Public Pound guidance.

Issue Ref.	Issue Description	Source of Evidence	Action
2.	Contract Management (Social Care & Wellbeing); contract management practices require to be improved to address gaps in information and performance management data.	Internal Audit Annual Statement 2013/14.	Procedures have been implemented to address the recommendations of the audit with significant progress having been made towards having contracts in place for all services and this will continue during 2015/16.
3.	Investigation Required; an investigation has been instructed following the allegations made regarding baby and adult cremations at Hazlehead Crematorium.	Self-evaluation 2013/14.	A national investigation is being undertaken which includes Hazlehead Crematorium. The outcome and recommendations arising from this investigation will be reported in due course.
	New Issues during 2014/15		
4.	Review of Care Needs for Adults and Older People; a service review found that there were poor procedures in place for the regular reviewing of care needs for vulnerable adults and older people, with care reviews not being undertaken in many cases; secondly clarity is required with what constitutes a care review to prevent inconsistencies in the review procedures.	Internal Audit Annual Statement 2014/15.	To fully implement the recommendations as agreed in the internal audit report.
5.	Aberdeen International Youth Festival - Following the Public Pound; procedures require to be put in place to ensure an appropriate level of involvement of ACC management in the governance of the Youth Festival; secondly that there is appropriate oversight of the funding of the Youth Festival, with submission of financial reports on a regular basis required.	Internal Audit Annual Statement 2014/15.	To fully implement the recommendations as agreed in the internal audit report.
6.	Investigation Required; the Traffic Commissioner ordered a Public Inquiry to investigate concerns regarding the Councils Goods Vehicles Operator's Licence.	Traffic Commissioner 2014/15.	To put effective processes in place to address concerns raised. A further hearing in early May 2015 concluded that significant improvements have been made such that no further public inquiry is required. Work to fully implement the actions identified to ensure continued compliance with the Operator's Licence will continue during 2015/16.
7.	Incident involving a member of the public who suffered fatal injuries.	Self-evaluation 2014/15.	Incident investigation undertaken internally with recommendations implemented. The incident was the subject of a formal police investigation. The Procurator Fiscal has stated there will not be a Fatal Accident Inquiry and is currently considering a report submitted by the Health & Safety Executive. This remains a significant issue until all investigations are concluded, reported on and any potential further actions implemented.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its Group systems of governance. The annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and the Council and its Group propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Angela Scott Chief Executive	Councillor Jennifer Laing Leader of the Council

on behalf of Aberdeen City Council

29 September 2015

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.

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2013 (SSI No. 2013/351) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2008 (SSI No. 2008/415). 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 2014/15, the salary of the Leader of Aberdeen City Council is £38,642. 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, £28,982.

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 £432,642. 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 six principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £28,982, with the remaining Senior Councillors receiving 75 per cent of that sum, £21,736.

In 2014/15, Aberdeen City Council had 19 Senior Councillor posts. The salary and allowances paid to them totalled £412,026 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. The Scottish Joint Negotiating Committee for Local Authority Services (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities and Circular CO/146 recommends the amount of salary for the Chief Executive for the period 2013 to 2015. During the recruitment of the Chief Executive in 2008/09, the Council agreed to pay the Chief Executive an alternative amount. This was to take account of local conditions at the time.

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 points. Directors are based on Chief Officer spinal column point 53. The Heads of Finance, and Legal and Democratic Services are both paid based on Chief Officer spinal column point 36, and all other Heads of Service are paid based on Chief Officer spinal column point 34.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd only in so far as it is represented on the Board of Directors by elected members.

Remuneration Disclosures:

Table 1 : In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000. This includes, where applicable, head teachers and other senior teaching staff.

Table 2 : Details of total remuneration paid to the Council's Councillors. The annual return of Councillors' salaries and expenses for 2014/15 is available to any member of the public on the Council's website at www.aberdeencity.gov.uk Follow the links through the 'Council and Government' page, clicking on 'Councillors and Committees' followed by 'Councillors Allowances and Expenses'.

Table 3 : Details of exit packages.

Table 4 : Details of remuneration paid to the Council's Senior Councillors. The 'Other Expenses' shown include the cost of travel and subsistence incurred or booked on behalf of Councillors travelling on Council business.

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

Table 6 : Details of remuneration paid to the Senior Employees of the Council's subsidiary bodies i.e. Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd.

Table 1: Remuneration Bands

	Number of Employees	
Remuneration Band	**2013/14**	**2014/15**
£50,000 - £54,999	121	114
£55,000 - £59,999	28	46
£60,000 - £64,999	5	12
£65,000 - £69,999	6	7
£70,000 - £74,999	6 *	7
£75,000 - £79,999	13 *	8
£80,000 - £84,999	3	5
£85,000 - £89,999	-	1
£90,000 - £94,999	2	1
£95,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	3	4
£115,000 - £119,999	-	1
£120,000 - £139,999	-	-
£140,000 - £144,999	1	1
£145,000 - £184,999	-	-
£185,000 - £189,999	-	1
Total	**188**	**209**

* figure revised to reflect updated information

Table 2: Total Remuneration Paid to Councillors

	2013/14 £	**2014/15 £**
Salaries	874,809	876,133
Allowances	-	-
Expenses	57,743	47,873
Total	**932,552**	**924,006**

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Total Cost of Exit Packages by Cost Band	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**
					£'000	£'000
£0 - £19,999	-	-	13	4	62 *	41
£20,000 - £39,999	-	-	2	7	59	206
£40,000 - £59,999	-	-	1	3	48	140
£60,000 - £79,999	-	-	1	1	67	68
£80,000 - £99,999	-	-	-	1	-	93
£100,000 - £149,999	-	-	-	1	-	105
£150,000 - £199,999	-	-	-	-	-	-
	-	**-**	**17**	**17**	**236**	**653**

The total cost of £653,000 in Table 3 above includes £nil for exit packages that have been approved, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement in the current year (2013/14 £nil).

* figure revised to reflect updated information

Table 4: Remuneration of Senior Councillors

2013/14			2014/15				
Total Remuneration £	Councillor Name	Responsibility	Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	Notes
29,420	Jennifer Laing	Leader of the Council (from 15 May 2014)	37,477	215	332	38,024	**1**
28,897	Marie Boulton	Depute Council Leader	28,981	207	-	29,188	**2**
36,066	George Adam	Lord Provost	28,981	403	6,972	36,356	
26,857	John Reynolds	Depute Provost	21,736	317	6,777	28,830	
22,162	Yvonne Allan	Convener, Appeals (from 8 October 2014)	21,736	124	251	22,111	**3**
29,687	Neil Cooney	Convener, Communities, Housing and Infrastructure	28,981	801	280	30,062	
52,180	Barney Crockett	Convener, Pensions Panel	26,646	749	12,525	39,920	**4**
-	Alan Donnelly	Convener, Petitions (from 8 October 2014)	7,969	79	1,539	9,587	
22,984	Lesley Dunbar	Social Care Spokesperson (from 8 October 2014)	21,622	186	778	22,586	**5**
-	Andrew Finlayson	Vice Convener, Planning Development Management	16,560	165	-	16,725	
25,482	Gordon Graham	Vice Convener, Communities, Housing and Infrastructure (from 8 October 2014)	21,736	373	49	22,158	**6**
21,696	Ross Grant	Regeneration and Transport Spokesperson (from 8 October 2014)	21,736	172	-	21,908	**7**
30,326	Len Ironside CBE	Vice Convener, Education and Children's Services (from 8 October 2014)	25,508	301	457	26,266	**8**
8,742	Aileen Malone	Vice Convener, Audit and Risk (until 21 August 2013)	-	-	-	-	
27,486	Callum McCaig	Convener, Audit, Risk and Scrutiny Committee	27,532	149	-	27,681	
22,877	Ramsay Milne	Convener, Planning Development Management	21,736	214	1,045	22,995	
21,919	Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	21,736	99	796	22,631	
22,124	Angela Taylor	Convener, Education and Children's Services (from 8 October 2014)	25,210	177	-	25,387	**9**
21,702	Ross Thomson	Vice Convener, Finance, Policy and Resources (from 8 October 2014)	21,736	129	-	21,865	**10**
29,473	William Young	Convener, Finance, Policy and Resources	28,981	171	201	29,353	
16,433	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	21,000	156	-	21,156	
-	Scott Carle	Convener, Licensing Committee (from 8 October 2014)	10,377	92	-	10,469	**11**
26,162	Fraser Forsyth	Convener, Licensing Committee (until 7 October 2014)	15,036	84	61	15,181	
522,675	**Total**		**503,013**	**5,363**	**32,063**	**540,439**	

Table 4: Notes

Note 1: Prior to her appointment as Leader of the Council, Councillor Laing was Convener, Education Culture and Sport. As such a full year disclosure of remuneration has been made.

Note 2: Councillor Boulton was also Convener of Licensing Board throughout 2014/15 and Culture and Events Spokesperson from 8 October 2014.

Note 3: Prior to her appointment as Convener, Appeals, Councillor Allan was Convener, Property Sub Committee. As such a full year disclosure of remuneration has been made.

Note 4: Councillor Crockett was also Council Leader until 14 May 2014.

Note 5: Prior to her appointment as Social Care Spokesperson Councillor Dunbar was Vice Convener, Social Care, Wellbeing and Safety. As such a full year disclosure of remuneration has been made.

Note 6: Prior to his appointment as Vice Convenor Communities, Housing and Infrastructure Councillor Graham was Vice Convener, Social Care, Wellbeing and Safety. As such a full year disclosure of remuneration has been made.

Note 7: Prior to his appointment as Regeneration and Transport Spokesperson Councillor Grant was Convener, Appeals Committee. As such a full year disclosure of remuneration has been made.

Note 8: Prior to his appointment as Vice Convener, Education and Children's Services Councillor Ironside was Convener, Social Care, Wellbeing and Safety. As such a full year disclosure of remuneration has been made.

Note 9: Prior to her appointment as Convener, Education and Children's Services Councillor Taylor was Vice Convener, Enterprise, Strategic Planning and Infrastructure. As such a full year disclosure of remuneration has been made.

Table 5: Remuneration of Senior Employees of the Council

2013/14	2013/14			2014/15	2014/15			
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration £	Note
110,925	40,115	Angela Scott	Chief Executive (from 1 July 2014) Director of Corporate Governance (until 30 June 2014)	144,686	141,065	-	141,065	
143,253	143,858	Valerie Watts	Chief Executive (until 30 June 2014)	-	39,182	-	39,182	
110,925	112,823	Gayle Gorman	Director of Education and Children's Services	112,035	112,235	-	112,235	
110,925	13,869	Ewan Sutherland	Acting Director of Corporate Governance (from 1 June 2014)	112,035	93,597	-	93,597	
110,925	37,836	Stewart Carruth	Director of Corporate Governance (until 2 August 2013)	-	-	-	-	
110,925	13,869	Paul Fleming	Acting Director of Corporate Governance (from 16 September until 1 November 2013)	-	-	-	-	
110,925	110,925	Pete Leonard	Director of Community and Infrastructure Services	112,035	112,235	-	112,235	
110,925	55,417	Elizabeth Taylor	Transitioning Director	112,035	112,035	-	112,035	
110,925	55,615	Fred McBride	Director of Social Care and Wellbeing (until 30 September 2013)	-	-	-	-	
110,925	110,925	Gordon McIntosh	Transitioning Director	112,035	112,285	-	112,285	
81,410	69,997	Steven Whyte	Head of Finance (s.95 Officer)	82,224	82,424	-	82,424	1
81,410	85,653	Barry Jenkins	Head of Finance (s.95 Officer) (until 31 August 2013)	-	-	-	-	
81,410	82,606	Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	82,224	82,424	105,041	187,465	
77,938	78,541	Ciaran Monaghan	Head of Service, Office of Chief Executive	78,717	83,826	-	83,826	
	1,012,049	**Total**			**971,308**	**105,041**	**1,076,349**	

Note 1: Steven Whyte is also the s.95 Officer for Shetland Islands Council

Note 2: With effect from 1 October 2014 Judith Proctor was Chief Officer, Aberdeen City Adult Health and Social Care Partnership. This post is shared 50:50 with NHS Grampian, the cost being recharged to Aberdeen City Council.

The senior employees included in Table 5 include any Council employee:

- Who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money), during the year to which the Report relates whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a Council subsidiary body, is £150,000 or more.

Table 6: Remuneration – the Council's Subsidiary Bodies

2013/14			2014/15				
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Performance Related Pay £	Benefits Other Than in Cash £	Total Remuneration £	Note
140,505	Brian Horsburgh	Managing Director Aberdeen Exhibition & Conference Centre Ltd	228,350	-	1,813	230,163	1
80,822	Alistair Robertson	Managing Director Sport Aberdeen Ltd	81,563	-	-	81,563	
61,276	Sandra Ross	Managing Director Bon Accord Support Services Ltd	93,358	-	-	93,358	
282,603	**Total**		**403,271**	**-**	**1,813**	**405,084**	

Note 1: Brian Horsburgh resigned in February 2015. The remuneration reported includes a payment for pay in lieu of notice.

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 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.

For local government employees, this is a final salary pension scheme. 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 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 for 2014/15 are as follows:

Whole time pay	Contribution rate 2013/14
On earnings up to and including £19,800	5.5%
On earnings above £19,800 and up to £24,200	7.25%
On earnings above £24,200 and up to £33,200	8.5%
On earnings above £33,200 and up to £44,300	9.5%
On earnings above £44,200	12%

Whole time pay	Contribution rate 2014/15
On earnings up to and including £20,335	5.5%
On earnings above £20,335 and up to £24,853	7.25%
On earnings above £24,853 and up to £34,096	8.5%
On earnings above £34,096 and up to £45,393	9.5%
On earnings above £45,393	12%

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

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 1/60th 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 65.

<u>Pension Disclosures</u>:

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 2015.

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 2015.

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

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions by ACC: For year to 31 March 2014 £	In-year Pension Contributions by ACC: For year to 31 March 2015 £	Accrued Pension Benefits	As at 31 March 2015 £'000	Difference from 31 March 2014 £'000
Jennifer Laing	Leader of the Council (from 15 May 2014)	5,538	7,233	Pension	3	1
				Lump Sum	2	1
Marie Boulton	Depute Council Leader	5,538	5,593	Pension	3	1
				Lump Sum	2	-
George Adam	Lord Provost	5,538	5,593	Pension	2	1
John Reynolds	Depute Provost	4,154	4,195	Pension	3	-
				Lump Sum	2	-
Yvonne Allan	Convener, Appeals (from 8 October 2014)	4,154	4,195	Pension	3	1
				Lump Sum	2	1
Neil Cooney	Convener, Communities, Housing and Infrastructure	5,538	5,593	Pension	4	1
				Lump Sum	2	-
Barney Crockett	Convener, Pensions Panel	7,384	5,143	Pension	4	1
				Lump Sum	2	-
Alan Donnelly	Convener, Petitions (from 8 October 2014)	-	1,538	Pension	5	5
				Lump Sum	9	9
Lesley Dunbar	Social Care Spokesperson (from 8 October 2014)	4,154	4,195	Pension	1	-
Andrew Finlayson	Vice Convener, Planning Development Management	-	3,196	Pension	1	1
Fraser Forsyth	Convener, Licensing Committee	4,999	2,902	Pension	1	-
Gordon Graham	Vice Convener, Communities, Housing and Infrastructure (from 8 October 2014)	4,768	4,195	Pension	3	1
				Lump Sum	1	-
Ross Grant	Regeneration and Transport Spokesperson (from 8 October 2014)	4,154	4,195	Pension	1	-
Aileen Malone	Vice Convener, Audit and Risk (until 21 August 2013)	1,485	-	Pension	3	-
				Lump Sum	2	-
Callum McCaig	Convener, Audit, Risk and Scrutiny Committee	5,261	5,314	Pension	3	-
				Lump Sum	1	-
Ramsay Milne	Convener, Planning Development Management	4,154	4,195	Pension	1	-
Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	4,151	4,195	Pension	1	-
Angela Taylor	Convener, Education and Children's Services (from 8 October 2014)	4,154	4,865	Pension	1	-
Ross Thomson	Vice Convener, Finance, Policy and Resources (from 8 October 2014)	4,154	4,195	Pension	1	-
William Young	Convener, Finance, Policy and Resources	5,538	5,593	Pension	3	1
				Lump Sum	2	1
Ian Yuill	Vice-Convener, Audit, Risk and Scrutiny	3,084	4,053	Pension	2	-
				Lump Sum	1	-
Scott Carle	Convener, Licensing Committee (from 8 October 2014)	-	2,003	Pension	1	1
Sub Total		**87,900**	**92,179**	**Pension**	**50**	**15**
				Lump Sum	**28**	**12**

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC: For year to 31 March 2014 £	In-year Pension Contributions by ACC: For year to 31 March 2015 £		Accrued Pension Benefits: As at 31 March 2015 £'000	Accrued Pension Benefits: Difference from 31 March 2014 £'000
Angela Scott	Chief Executive (from 1 July 2014)	7,742	26,871	Pension	52	51
	Director of Corporate Governance (until 30 June 2014)					
Valerie Watts	Chief Executive (until 30 June 2014)	27,648	6,962	Pension	83	1
Gayle Gorman	Director of Education and Children's Services	21,409	21,623	Pension	4	2
Ewan Sutherland	Acting Director of Corporate Governance (from 1 June 2014)	2,677	18,016	Pension	38	7
				Lump Sum	83	9
Stewart Carruth	Director of Corporate Governance (until 2 August 2013)	7,273	-	Pension	-	(7)
Paul Fleming	Acting Director of Corporate Governance	2,735	-	Pension	-	(5)
	(from 16 September 2013 until 1 November 2013)					
Pete Leonard	Director of Community and Infrastructure Services	21,409	21,623	Pension	35	2
				Lump Sum	72	1
Elizabeth Taylor	Transitioning Director	10,696	21,623	Pension	49	9
				Lump Sum	115	18
Fred McBride	Director of Social Care and Wellbeing (until 30 September 2013)	10,062	-	Pension	-	(37)
				Lump Sum	-	(86)
Gordon McIntosh	Transitioning Director	21,409	21,623	Pension	46	3
				Lump Sum	103	1
Steven Whyte	Head of Finance (s.95 Officer)	13,509	15,869	Pension	22	3
				Lump Sum	40	2
Barry Jenkins	Head of Finance (s.95 Officer) (until 31 August 2013)	6,547	-	Pension	-	(30)
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	15,943	15,869	Pension	35	1
				Lump Sum	81	(1)
Ciaran Monaghan	Head of Service, Office of Chief Executive	15,042	15,192	Pension	33	2
				Lump Sum	76	1
				Pension	**397**	**2**
Total		**184,101**	**185,271**	**Lump Sum**	**570**	**(55)**

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

		In-year Pension Contributions		Accrued Pension Benefits			
Name	**Post Title**	**For year to 31 March 2014 £**	**For year to 31 March 2015 £**		**As at 31 March 2015 £'000**	**Difference from 31 March 2014 £'000**	**Note**
Brian Horsburgh	Managing Director, Aberdeen Exhibition & Conference Centre Ltd	30,254	30,396		n/a	n/a	1
Alistair Robertson	Managing Director, Sport Aberdeen Ltd	10,426	10,478	Pension	39	1	
Sandra Ross	Managing Director, Bon Accord Support Services Ltd	8,061	14,190	Pension	3	2	
Total		**48,741**	**55,064**	**TOTAL**	**42**	**3**	

Note 1: Aberdeen Exhibition & Conference Centre Ltd contributes towards a money purchase pension scheme for Mr Horsburgh and therefore all the benefits that may become payable are retirement benefits, the rate and amount of which is calculated by reference to the payments made by the person (or on behalf of the person) and which are not average salary benefits. As a result no accrued pension benefits are shown.

Angela Scott
Chief Executive

Councillor Jennifer Laing
Leader of the Council

29 September 2015

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	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	Total Unusable Reserves £'000	**Total Council Reserves £'000**
Balance at 1 April 2013	**(11,291)**	**(37,938)**	**(5,979)**	**(2,431)**	**(51,050)**	**-**	**(97)**	**(108,786)**	**(968,938)**	**(1,077,724)**
Movement in Reserves during 2013/14										
(Surplus) or deficit on provision of services	1,252	0	20,613	0	0	0	0	**21,865**	0	**21,865**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(109,062)	**(109,062)**
Total Comprehensive Income and Expenditure	**1,252**	**0**	**20,613**	**0**	**0**	**0**	**0**	**21,865**	**(109,062)**	**(87,197)**
Adjustments between accounting basis & funding basis under regulations (note 5)	(16,112)	0	(21,609)	0	7,812	0	0	**(29,909)**	29,909	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(14,860)**	**0**	**(996)**	**0**	**7,812**	**0**	**0**	**(8,044)**	**(79,153)**	**(87,197)**
Transfers to/from Earmarked Reserves (note 6)	14,860	(7,918)	261	(249)	(6,954)	0	0	**0**	0	**0**
(Increase)/Decrease in 2013/14	**0**	**(7,918)**	**(735)**	**(249)**	**858**	**0**	**0**	**(8,044)**	**(79,153)**	**(87,197)**
Balance at 31 March 2014 carried forward	**(11,291)**	**(45,856)**	**(6,714)**	**(2,680)**	**(50,192)**	**0**	**(97)**	**(116,830)**	**(1,048,091)**	**(1,164,921)**

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	Total Unusable Reserves £'000	**Total Council Reserves £'000**
Balance at 31 March 2014 brought forward	**(11,291)**	**(45,856)**	**(6,714)**	**(2,680)**	**(50,192)**	**-**	**(97)**	**(116,830)**	**(1,048,091)**	**(1,164,921)**
Movement in Reserves during 2014/15										
(Surplus) or deficit on provision of services	(8,743)	0	17,983	0	0	0	0	**9,240**	0	**9,240**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(35,440)	**(35,440)**
Total Comprehensive Income and Expenditure	**(8,743)**	**0**	**17,983**	**0**	**0**	**0**	**0**	**9,240**	**(35,440)**	**(26,200)**
Adjustments between accounting basis & funding basis under regulations (note 5)	(16,547)	0	(21,773)	0	9,706	0	0	**(28,614)**	28,614	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(25,290)**	**0**	**(3,790)**	**0**	**9,706**	**0**	**0**	**(19,374)**	**(6,826)**	**(26,200)**
Transfers to/from Earmarked Reserves (note 6)	25,290	(7,681)	2,449	278	(12,158)	0	0	**8,183**	(8,183)	**0**
(Increase)/Decrease in Year	**0**	**(7,681)**	**(1,341)**	**278**	**(2,452)**	**0**	**0**	**(11,191)**	**(15,009)**	**(26,200)**
Balance at 31 March 2015	**(11,291)**	**(53,537)**	**(8,055)**	**(2,402)**	**(52,644)**	**0**	**(97)**	**(128,026)**	**(1,063,101)**	**(1,191,127)**

Comprehensive Income and Expenditure Statement

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

2013/14				2014/15		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
5,397	(2,994)	2,403	Central Services to the Public	5,692	(3,533)	2,159
41,518	(7,672)	33,846	Cultural and Related Services	43,589	(9,414)	34,175
183,269	(11,265)	172,004	Education Services	191,918	(10,543)	181,375
39,374	(9,226)	30,148	Environmental Services	42,247	(11,529)	30,718
169,315	(148,440)	20,875	Housing Services	182,374	(155,351)	27,023
15,623	(6,803)	8,820	Planning and Development Services	16,777	(7,681)	9,096
32,850	(14,144)	18,706	Roads and Transport Services	34,308	(15,433)	18,875
172,350	(37,914)	134,436	Social Work Services	173,497	(37,567)	135,930
7,207	(549)	6,658	Corporate and Democratic Core	6,386	(344)	6,042
7,946	151	8,097	Non Distributed Costs	12,912	1,347	14,259
1,463	0	1,463	Joint Boards	1,433	0	1,433
676,312	**(238,856)**	**437,456**	**Cost of Services**	**711,133**	**(250,048)**	**461,085**
0	(2,695)	(2,695)	Other Operating Expenditure (note 7)	0	(6,932)	(6,932)
79,241	(47,964)	31,277	Financing and Investment Income and Expenditure (note 8)	72,613	(48,030)	24,583
0	(444,174)	(444,174)	Taxation and Non Specific Grant Income (note 9)	0	(469,496)	(469,496)
755,553	**(733,689)**	**21,864**	**(Surplus) or Deficit on Provision of Services (note 17)**	**783,746**	**(774,506)**	**9,240**
		(17,245)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(68,892)
		0	Impairment losses on non current assets charged to the Revaluation Reserve			0
		62	(Surplus)/deficit on revaluation of available for sale financial assets			233
		(91,880)	Actuarial (gains)/losses on pension assets/liabilities			33,219
		(109,063)	**Other Comprehensive Income and Expenditure**			**(35,440)**
		(87,199)	**Total Comprehensive Income and Expenditure**			**(26,200)**

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 2013 £'000	31 March 2014 £'000		Note	31 March 2015 £'000
1,796,422	1,790,107	Property, Plant & Equipment	30	1,816,313
150,715	151,881	Heritage Assets	29	171,370
83,288	84,771	Investment Property	27	84,870
388	180	Intangible Assets	28	80
10,897	10,835	Long Term Investments	40	10,602
9,416	13,870	Long Term Debtors	40	22,121
2,051,126	**2,051,644**	**Long Term Assets**		**2,105,356**
36,445	18,047	Cash and Cash Equivalents	16	44,179
20,341	25,234	Short Term Investments	40	40,199
65,242	57,313	Short Term Debtors	35	54,429
1,654	1,507	Inventories	34	1,505
5,731	2,206	Assets Held for Sale	33	3,412
129,413	**104,307**	**Current Assets**		**143,724**
(121,660)	(117,608)	Short Term Borrowing	40	(92,658)
(65,355)	(59,533)	Short Term Creditors	36	(82,378)
(2,928)	(5,899)	Short Term Provisions	37	(3,698)
(2,728)	(2,488)	PPP Short Term Liabilities	32	(1,773)
(8,683)	(8,009)	Accumulated Absences Account	12	(7,170)
(1,054)	(1,540)	Grants Receipts in Advance - Revenue	39	(1,120)
(1,902)	(4,836)	Grants Receipts in Advance - Capital	39	(495)
(204,310)	**(199,913)**	**Current Liabilities**		**(189,292)**

1 April 2013 £'000	31 March 2014 £'000		Note	31 March 2015 £'000
(460,777)	(435,168)	Long Term Borrowing	40	(469,621)
(59)	0	Long Term Creditors	40	(451)
(5,511)	(3,584)	Long Term Provisions	37	(3,371)
(110,230)	(107,836)	PPP Long Term Liabilities	32	(106,063)
(321,928)	(244,529)	Pension Liabilities	22	(289,155)
(898,505)	**(791,117)**	**Long Term Liabililties**		**(868,661)**
1,077,724	**1,164,921**	**Net Assets**		**1,191,127**
		Usable Reserves:	11	
(49,229)	(57,147)	General Fund Balance		(64,828)
(8,410)	(9,394)	Housing Revenue Account		(10,457)
(51,050)	(50,192)	Statutory and Other Reserves		(52,644)
0	0	Capital Receipts Reserve		0
(97)	(97)	Capital Grants Unapplied Account		(97)
(968,938)	(1,048,091)	Unusable Reserves	12	(1,063,101)
(1,077,724)	**(1,164,921)**	**Total Reserves**		**(1,191,127)**

Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 26 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

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.

2013/14 £'000		2014/15 £'000
(21,865)	Net Surplus or (Deficit) on the provision of services	(9,240)
118,601	Adjust net surplus or deficit on the provision of services for non cash movements	140,171
(35,322)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(51,613)
61,414	Net cash flows from Operating Activities (note 13)	79,318
(47,264)	Net cash flows from Investing Activities (note 14)	(60,118)
(32,548)	Net cash flows from Financing Activities (note 15)	6,932
(18,398)	Net increase or decrease in cash and cash equivalents	26,132
36,445	Cash and cash equivalents at the beginning of the reporting period	18,047
18,047	**Cash and cash equivalents at the end of the reporting period (note 16)**	**44,179**

Notes to the Accounts

1. Accounting Policies

i General Principles

The Annual Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year ending 31 March 2015. 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 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of National Non Domestic Rates and Water Charges), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

iii Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The CRC is a mandatory cap and trade emissions trading scheme for organisations whose electricity consumption is greater than 6000MWh or approximately £500k. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

iv Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand as they form an integral part of the Council's cash management.

v Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the relevant service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2%.
- 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 Non Distributed Costs; and
        - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
    - Remeasurements comprising:
        - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
        - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
        - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

viii Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has provided a number of financial guarantees which are reflected as a contingent liability and disclosed as a note to the annual accounts. A suitable value is earmarked from the General Fund Balance to provide financial backing in the event of there being a call on these guarantees.

ix Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest – except for the Council's Small Business Loan Scheme) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available for Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

x Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

xii Heritage Assets

The Council’s Heritage Assets are held primarily in the City’s Art Gallery and Museums. There are eight collections of heritage assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council’s collections of heritage assets are accounted for as follows:

- **Fine Art & Applied Art Collection**

The Art collection includes paintings (both oil and watercolour), installations and sculptures, decorative and applied art including silver, ceramics and glass etc and is reported in the Balance Sheet at market value. There is no periodic programme of valuations although items in the collection are prompted for revaluation when they are loaned to exhibitions or if a similar item is sold at auction. The Council's Art Gallery and Museums' curators value the items and base this on commercial market values. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation as provided by the Curators with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an ad hoc basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Art Gallery and Museum's curators in accordance with the Council's policy on valuations of Civic Insignia. Subsequent measurement is based on insurance valuation performed in line with the Council's Policy.

- **Archaeology**

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet. The Council's acquisitions are well focused with the aim of reflecting the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland. Future collecting will largely be due to continued excavation in Aberdeen City. The Council does not (normally) make any purchases of archaeological items.

- **Library and Information Services**

The collection of reference items which could be deemed to be held and maintained principally for their contribution to knowledge and culture include historical book collections, directories and local newspaper archives. The collection is not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £2,000.

- **Other Heritage Assets**

Collections outwith those stated above are reported in the Balance Sheet at market value where possible as determined by the curator. This includes city monuments, maritime & social history, numismatics and science technology & industry. Acquisitions are rare and most additions are due to donations which are accepted provided suitable storage is available. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations of heritage assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xxi in this summary of significant accounting policies. Disposal of heritage assets is carried out occasionally following the procedures outlined in the Acquisition and Disposal Policy, approved by the Education Culture and Sport committee on 16 October 2010. The Policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the annual accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi in this summary of significant accounting policies).

xiii Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xiv Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. 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.

xiii 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 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

xx 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.

xxi 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 of 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. 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 – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- specialised properties – depreciated replacement cost (DRC); and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 nor to expenditure on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Deprecation 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.

xxii 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.

xxiii 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.

xxiv Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but do not result in the creation of a non current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

xxvi VAT

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

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement (May 2011);
- IFRIC 21 Levies (May 2013);
- Changes to UK GAAP; and
- Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 annual accounts.

IFRS 13 will impact up on surplus assets only. Surplus assets will be measured at fair value in accordance with IFRS 13 and this will require some additional disclosures. IFRIC 21 provides guidance on the recognition of liabilities to pay levies. Changes to UK GAAP apply to VAT, Heritage Assets and Pension Funds. However, there are no substantial changes to the Code as a result of the changes to UK GAAP. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the annual accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (valued at £178.9 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.

Service Concession Arrangement (PPP)	The council has a contract with an operator to provide ten schools. The contract regulates price revisions over the period of the service arrangement. Fees are adjusted by an indexation factor each year which is based on RPI plus the Bank of England base rate.	The indexation adjustment is applied to approximately 48% of the Unitary Charge (UC) and 100% of the monthly Service Fee (SF). If RPI were to increase by 1% and the base rate was 1% rather than 0.5%, the UC and SF would increase by £8,542.62 and £4,135.88 per month respectively.
Provisions	The Council has made a provision of £2.284 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.228 million the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.7 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 £21.1 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2015 the Council had a balance of short term debtors of £106.319 million. A review of significant balances suggested that an allowance for impairment of debt of £51.890 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 2% on impairment would require a further provision of £2.126 million.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets	(40,083)	(29,252)	0	0	0	69,335
Revaluation losses on Property, Plant and Equipment	(1,017)	(23,587)	0	0	0	24,604
Capital grants and contributions applied	20,243	2,520	0	0	0	(22,763)
Write off carrying amount of non current assets sold	(4,571)	(5,293)	0	0	0	9,864
Write off carrying amount of non current assets scrapped	(473)	(30)	0	0	0	503
Statutory provision for the financing of Capital spend (3R's)	2,728	0	0	0	0	(2,728)
Movement in the fair value of Investment Properties	2,081	0	0	0	0	(2,081)
Amortisation of Intangible Assets	(208)	0	0	0	0	208
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Loan principal repayments during the year	12,429	4,580	0	0	0	(17,009)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	462	22,575	12,430	0	0	(35,467)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,618)	12,559	0	(7,941)
Proceeds from sale of non current assets	5,110	7,871	0	(12,981)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(236)	(186)	0	422	0	0
Adjustments involving the Capital Grants Unapplied Account:				0		
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	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	422	0	0	0	0	(422)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(40,369)	(2,398)	0	0	0	42,767
Employer's pensions contributions and direct payments to pensioners payable in the year	26,696	1,590	0	0	0	(28,286)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	674	1	0	0	0	(675)
Total Adjustments	**(16,112)**	**(21,609)**	**7,812**	**0**	**0**	**29,909**

2014/15	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets	(37,832)	(30,956)	0	0	0	68,788
Revaluation losses on Property, Plant and Equipment	(8,749)	(23,976)	0	0	0	32,725
Capital grants and contributions applied	30,570	4,554	0	0	0	(35,124)
Write off carrying amount of non current assets sold	(13,303)	(5,254)	0	0	0	18,557
Write off carrying amount of non current assets scrapped	(1,890)		0	0	0	1,890
Statutory provision for the financing of Capital spend (3R's)	2,488		0	0	0	(2,488)
Movement in the fair value of Investment Properties	3,069		0	0	0	(3,069)
Amortisation of Intangible Assets	(100)		0	0	0	100
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Loan principal repayments during the year	10,789	4,885		0	0	(15,674)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	2,314	18,725	15,200	0	0	(36,239)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			(5,494)	16,489	0	(10,995)
Proceeds from sale of non current assets	5,867	11,120		(16,987)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(280)	(217)		497	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	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	424		0	0	0	(424)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(36,572)	(2,257)	0	0	0	38,829
Employer's pensions contributions and direct payments to pensioners payable in the year	25,821	1,601	0	0	0	(27,422)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	837	2	0	0	0	(839)
Total Adjustments	**(16,547)**	**(21,773)**	**9,706**	**0**	**0**	**28,614**

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

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

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
General Fund:								
Strategic Infrastructure Plan	0	(334)	33	(301)	(464)	408	(357)	Continued investment towards the delivery of the plan
ICT Projects	(1,650)	(719)	472	(1,897)	(1,079)	727	(2,249)	Implement various approved ICT projects
Business Plan Service Option	(3,762)	0	826	(2,936)	0	661	(2,275)	Continued investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(30)	(12)	16	(26)	(15)	16	(25)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which take place each year
Shopmobility	0	(91)	0	(91)	0	0	(91)	Unspent funding to be utilised on the development of the scheme
Employee Benefit Scheme	0	0	0	0	(113)	0	(113)	For marketing the Employee Benefit Scheme
City Deal	(300)	0	0	(300)	0	0	(300)	Funding to support the city deal scheme
Fairer Aberdeen	0	(36)	0	(36)	0	0	(36)	Unspent funding to be utilised for Community Planning Aberdeen
Queens Links Reinstatement Fund	(102)	0	0	(102)	0	102	0	Historic fund in relation to potential reinstatement work at beach
Energy Efficiency Fund	(670)	(7)	(433)	(1,110)	(568)	494	(1,184)	Pump-prime funding for energy saving schemes
Road Repairs/Projects	(129)	(562)	129	(562)	0	400	(162)	Road repair and maintenance sum approved by Finance, Policy & Resources Committee May 2014
"The Green" Townscape Project	(326)	0	276	(50)	0	0	(50)	Match funding in relation to the Heritage Lottery Funding awarded for works at "the Green"
South of the City Regeneration	(1,345)	0	0	(1,345)	0	8	(1,337)	Fully committed to the Aberdeen City Hydrogen Energy Storage (ACHES) project
Windfarm setup	(100)	0	0	(100)	0	7	(93)	Professional fees for legal advice, business case consultancy and client advisor services
Bus Lane Enforcement	0	(896)		(896)	(953)	584	(1,265)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfers	0	(370)	0	(370)	0	215	(155)	Funding in relation to the transfer of Thomas Blake Glover House to the Council as agreed at Finance, Policy & Resources Committee Sept 2015
Sub Total	(8,414)	(3,027)	1,319	(10,122)	(3,192)	3,622	(9,692)	

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
General Fund cont'd:	(8,414)	(3,027)	1,319	(10,122)	(3,192)	3,622	(9,692)	
Transition Extreme	0	0	0	0	(100)		(100)	Contribution, as agreed at Finance, Policy and Resources Committee June 2015
Mortuary Fridges	(47)	0	47	0	0	0	0	Provision of additional fridges for the Mortuary
Windmill Brae	(10)		10	0	0	0	0	Provision of lighting at Windmill Brae to match external funding received
Zero Waste Fund	(350)	0	0	(350)	0	0	(350)	Unspent money from Zero Waste Fund monies
Waste Strategy	(75)	0	0	(75)	0	75	0	Reviewing existing waste strategy
Mobile Working	(153)	0	0	(153)	0	56	(97)	Implement mobile working for field staff in Trading Standards/Environmental Health
Second / Long Term Empty Homes	(2,921)	(1,324)	0	(4,245)	(1,125)	0	(5,370)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing
Environmental Improvements	0	(400)	0	(400)	0	400	0	Utilised for Aberdeen's Greenspace Strategy and In Bloom agenda, as agreed at Housing & Environment Committee March 2014
Replacement of Handheld Devices	0	(148)	0	(148)	0	0	(148)	To fund the replacement of devices used by Trade Operatives, as agreed at Housing & Environment Committee March 2014
Park Improvement Schemes	0			0	(173)		(173)	Improvements to various parks, as agreed at Finance, Policy & Resources Committee June 15
Hazlehead Pets Corner	0			0	(100)		(100)	Renovation and expansion, as agreed at Finance, Policy & Resources Committee June 15
Winter Gardens, Duthie Park	0			0	(40)		(40)	To fund work on the Education Room , agreed at Finance, Policy & Resources June 2015
Youth Work and Under 12's Club	0			0	(100)		(100)	To support work with children and young people in regeneration areas and Mastrick, approved at Finance, Policy & Resources June 2015
Men's Shed	0			0	(10)		(10)	Contribution to Men's Shed social club, Dyce, approved at Finance, Policy & Resources June 2015
Sea Cadets	0			0	(10)		(10)	Contribution to Aberdeen's two sea cadet groups, approved at Finance, Policy & Resources June 2015
Balnagask Community Centre	0			0	(7)		(7)	internal improvement scheme, approved at Finance, Policy & Resources June 2015
Devolved Education Management	(4,000)	(16)	628	(3,388)	(1,082)	613	(3,857)	School funds c/forward £2.752 m; and Community Education Centres £1.105 m
City of Culture	(592)	0	0	(592)	0	0	(592)	To develop culture within the city
Sub Total	(16,562)	(4,915)	2,004	(19,473)	(5,939)	4,766	(20,646)	

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
General Fund cont'd:	(16,562)	(4,915)	2,004	(19,473)	(5,939)	4,766	(20,646)	
Property Improvements	(260)	(165)	140	(285)	0	285	0	Carry out improvement works to Tullos Pool and Rosemount & Loirston Community Facilities as agreed at Education Culture and Sport Committee March 2013
Music Hall Redevelopment	0	(1,000)		(1,000)			(1,000)	To contribute towards the redevelopment of the Music Hall, approved by Council June 2013
Reclaiming Social Work	0	(371)	0	(371)	(2,930)	34	(3,267)	Contribution towards costs, as agreed at Social Care & Wellbeing Committee Sept 2013 & Council Feb 2015
Hilton Outdoor Centre	0	0	0	0	(25)		(25)	Improvements to outdoor area, approved at Finance, Policy & Resources June 2015
Social Care & Wellbeing Projects	(234)		214	(20)	0	20	0	Balance of OT store funding
Local Autism Action Plan	(35)	0	0	(35)	0	35	0	Production of plan for which funding provided through revenue grant determination
Police and Fire Amounts Repaid	(5,242)	0	5,242	0	0	0	0	Reserves of the local Police and Fire bodies initially repayable to the Council but primarily earmarked for transfer to the Scottish Government in 2013/14
De-risk the Council	(5,762)	0	0	(5,762)	0	2,890	(2,872)	Cash backing for Council guarantees to external organisations
Welfare Reform	(2,000)	0	0	(2,000)	0	0	(2,000)	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on
Financial Risk Fund	(5,541)	0	0	(5,541)	0	0	(5,541)	As agreed at Finance and Resources Committee October 2012, to provide funding to support the cost pressure risks associated with Priority Based Budgeting
Scottish Welfare Fund	0	(143)	0	(143)	0	103	(40)	Unspent funding to be utilised in 2014/15 as per advice from the Scottish Government
Investment Strategy	0	(9,174)	0	(9,174)	(6,808)	0	(15,982)	Funding set aside towards the future investment strategy of the Council
Revenue Grants Unspent	(2,302)	(530)	780	(2,052)	(173)	61	(2,164)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Total General Fund	**(37,938)**	**(16,298)**	**8,380**	**(45,856)**	**(15,875)**	**8,194**	**(53,537)**	

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA):								
Housing repairs	(1,617)	(1,543)	1,617	(1,543)	(1,207)	1,543	(1,207)	Repairs ordered prior to the year end
Scottish Secure Tenancy	0	0	0	0	0	0	0	Ongoing costs in relation to SST
House Sales - Non right to buy	(57)	(188)	0	(245)	0	0	(245)	One-off vacant properties sold on the open market
Purchase of internal land/properties	(305)	0	0	(305)	0	0	(305)	Recognition of value of land to be transferred to housing account from general fund
Central Heating	(452)	(134)	0	(586)	(59)	0	(645)	Finance lease liability in relation to a long-term lease agreement
Total HRA	**(2,431)**	**(1,865)**	**1,617**	**(2,679)**	**(1,266)**	**1,543**	**(2,402)**	
Total Earmarked Reserves	**(40,369)**	**(18,163)**	**9,997**	**(48,535)**	**(17,141)**	**9,737**	**(55,939)**	

2013/14	**General Fund £'000**	**HRA £'000**
Total Transfers in during the year	(16,298)	(1,865)
Total Transfers out during the year	8,380	1,617
Net Movement in Earmarked Reserves in 2013/14	**(7,918)**	**(248)**

2014/15	**General Fund £'000**	**HRA £'000**
Total Transfers in during the year	(15,875)	(1,265)
Total Transfers out during the year	8,194	1,543
Net Movement in Earmarked Reserves in 2014/15	**(7,681)**	**278**

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 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
Capital	(48,948)	(11,131)	12,429	(47,650)	(17,938)	15,200	(50,388)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,757)	(1,629)	1,213	(2,173)	(250)	516	(1,907)	To meet the cost of uninsured claims
City Improvement	(339)	(24)	(1)	(364)	(3)	23	(344)	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	**(51,049)**	**(12,784)**	**13,641**	**(50,192)**	**(18,191)**	**15,739**	**(52,644)**	

7. **Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

2013/14 £'000		2014/15 £'000
(2,695)	(Gains)/losses on the disposal on non current assets	(6,932)
(2,695)	**Total**	**(6,932)**

8. **Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2013/14 £'000		2014/15 £'000
33,622	Interest payable and similar charges	31,189
12,785	Pensions interest cost and expected return on pensions assets	10,129
(680)	Interest receivable and similar income	(986)
(6,476)	Income and Expenditure in relation to investment properties and changes in their fair value	(7,718)
(7,974)	Other Investment income	(8,031)
31,277	**Total**	**24,583**

9. **Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income**

2013/14 £'000		2014/15 £'000
(102,749)	Council Tax Income	(103,567)
(176,952)	Non domestic rates *	(193,805)
(141,710)	Non ring-fenced government grants	(137,000)
(22,763)	Capital grants and contributions	(35,124)
(444,174)	**Total**	**(469,496)**

* The 2014/15 figures reflect that no excess has been retained by the Council in relation to exceeding the Business Rates Incentivisation Scheme (BRIS) revised target.

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

During 2014/15, a number of contributions from Council Services, totalling £9.3 million were made to the Capital Fund to capture funding for future capital investment.

11. **Balance Sheet – Usable Reserves**

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

12. **Balance Sheet – Unusable Reserves**

31 March 2014 £'000		31 March 2015 £'000
(601,744)	Revaluation Reserve	(670,990)
(538)	Available for Sale Financial Instruments Reserve	(306)
(715,505)	Capital Adjustment Account	(704,865)
17,158	Financial Instruments Adjustment Account	16,735
244,529	Pensions Reserve	289,155
8,009	Accumulated Absences Account	7,170
(1,048,091)	**Total Unusable Reserves**	**(1,063,101)**

Revaluation Reserve

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

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

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.

2013/14			2014/15	
£'000	**£'000**		**£'000**	**£'000**
	(596,135)	**Balance at 1 April**		**(601,744)**
(20,793)		Upward revaluation of assets	(95,636)	
3,548		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	26,744	
	(17,245)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(68,892)
11,248		Difference between fair value depreciation and historical cost depreciation	11,847	
738		Accumulated gains on assets sold or scrapped	(12,201)	
	11,986			(354)
	(350)	Amount written off to the Capital Adjustment Account		0
	(601,744)	**Balance at 31 March**		**(670,990)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2013/14			2014/15	
£'000	£'000		£'000	£'000
	(600)	**Balance at 1 April**		(538)
0		Upward revaluation of investments	0	
62		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	232	
	62			232
	0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		0
	(538)	**Balance at 31 March**		(306)

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2013/14		2014/15	
£'000		£'000	£'000
(720,394)	**Balance at 1 April**		**(715,505)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
69,335	Charges for depreciation and impairment on non current assets	68,788	
24,603	Revaluation losses on Property, Plant and Equipment	32,724	
208	Amortisation of intangible assets	100	
0	Revenue expenditure funded from capital under statute	0	
504	Carrying amount of non current assets scrapped		
9,864	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	20,447	
104,514		122,059	
(11,637)	Adjusting amounts written out of the Revaluation Reserve	354	
92,877	Net written out amount of the cost of non current assets consumed in the year		122,413
	Capital financing applied in the year:		
(7,941)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10,995)	
(12,429)	Use of the Capital Fund to finance new capital expenditure	(15,200)	
(22,763)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(35,124)	
(17,009)	Loans Fund principal repayments	(15,674)	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0	
(23,037)	Capital expenditure charged against the General Fund and HRA balances	(21,040)	
(2,728)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(2,488)	
(85,907)			(100,521)
	Deferred Capital Receipt		(8,183)
(2,081)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(3,069)
0	Movement in the market value of Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	0	
(715,505)	**Balance at 31 March**	**0**	**(704,865)**

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.

2013/14		**2014/15**	
£'000		**£'000**	**£'000**
17,580	**Balance at 1 April**		**17,158**
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(25)	Long Term Borrowing – Stepped Loans	(27)	
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(422)	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		(424)
17,158	**Balance at 31 March**		**16,735**

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 employers 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.

2013/14		2014/15
£'000		£'000
321,928	**Balance at 1 April**	**244,529**
(91,880)	Remeasurements of the net defined benefit liability/(asset)	33,219
42,767	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	38,829
(28,286)	Employer's pensions contributions and direct payments to pensioners payable in the year	(27,422)
244,529	**Balance at 31 March**	**289,155**

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.

2013/14		2014/15	
£'000		£'000	£'000
8,683	**Balance at 1 April**		**8,009**
(8,683)	Settlement or cancellation of accrual made at the end of the preceding year	(8,009)	
8,009	Amounts accrued at the end of the current year	7,170	
(674)	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		(839)
8,009	**Balance at 31 March**		**7,170**

13. Cash Flow Statement – Operating Activities

2013/14		2014/15
£'000		**£'000**
(21,865)	Net surplus or (deficit) on the provision of services ^	(9,240)
(21,865)		**(9,240)**
	Adjustment to surplus or deficit on the provision of services for noncash movements:	
69,335	Depreciation	68,789
24,603	Impairment, downward revaluations & non sale derecognitions	32,723
147	(Increase)/Decrease in Stock	2
3,475	(Increase)/Decrease in Debtors	(5,367)
0	Increase/(Decrease) in impairment provision for bad debts	0
(3,751)	Increase/(Decrease) in Creditors	16,859
14,481	Payments to Pension fund	11,407
10,367	Carrying amount of non current assets sold	20,447
1,817	Contributions to Other Reserves/Provisions	(1,720)
0	Assets held for sale movement	0
0	Capital Grants unapplied transactions	0
208	Amortisation of Intangible Assets	100
(2,081)	Movement in value of investment properties	(3,069)
118,601		**140,171**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
0	Proceeds from short term and long term investments	0
(22,763)	Receipt of Capital Grants and Contributions	(35,124)
(12,559)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(16,489)
(35,322)		**(51,613)**
61,414	**Net cash flows from operating activities**	**79,318**

^ includes the following:

2013/14		2014/15
£'000		**£'000**
680	Interest received	989
(33,622)	Interest paid	(31,183)

14. Cash Flow Statement – Investing Activities

2013/14		2014/15
£'000		£'000
(77,755)	Purchase of property, plant and equipment, investment property and intangible assets	(96,999)
(4,831)	Purchase of short term and long term investments	(14,731)
0	Other payments for investing activities	0
12,981	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,985
(422)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(497)
0	Proceeds from short term and long term investments	0
22,763	Capital grants and contributions received	35,124
0	Other receipts from investing activities	0
(47,264)	**Net cash flows from investing activities**	**(60,118)**

15. Cash Flow Statement – Financing Activities

2013/14		2014/15
£'000		£'000
0	Cash receipts of short term and long term borrowing	0
(25)	Other receipts from financing activities	(25)
(2,862)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(2,546)
(29,661)	Repayments of short term and long term borrowing	9,503
0	Other payments for financing activities	0
(32,548)	**Net cash flows from financing activities**	**6,932**

16. Cash Flow Statement – Cash and Cash Equivalents

31 March 2014		31 March 2015
£'000		£'000
42	Cash held by the Authority	42
18,005	Bank current accounts	44,137
0	Short term deposits with building societies	0
18,047	**Total cash and cash equivalents**	**44,179**

17. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the annual accounts. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure 2013/14	**Education Culture & Sport £'000**	**Social Care & Wellbeing £'000**	**Housing & Environment £'000**	**Enterprise, Planning & Infrastructure £'000**	**Corporate Governance £'000**	**Total £'000**
Fees, charges and other service income	(7,270)	(33,195)	(26,186)	(47,263)	(8,980)	(122,894)
Government grants	(1,499)	(4,536)	(1,107)	8,910	(53,387)	(51,619)
Total Income	**(8,769)**	**(37,731)**	**(27,293)**	**(38,353)**	**(62,367)**	**(174,513)**
Employee Expenses	**113,606**	**39,029**	**25,083**	**28,689**	**22,882**	**229,289**
Other service expenses	56,670	118,931	35,500	46,838	66,209	324,148
Support service recharges	0	24	430	9	217	680
Total Other Service Expenses	**56,670**	**118,955**	**35,930**	**46,847**	**66,426**	**324,828**
Total Expenditure	**170,276**	**157,984**	**61,013**	**75,536**	**89,308**	**554,117**
Net Expenditure	**161,507**	**120,253**	**33,720**	**37,183**	**26,941**	**379,604**

Portfolio Income and Expenditure 2014/15	Education Culture & Sport £'000	Social Care & Wellbeing £'000	Housing & Environment £'000	Enterprise, Planning & Infrastructure £'000	Corporate Governance £'000	Total £'000
Fees, charges and other service income	(7,593)	(32,166)	(26,952)	(62,655)	(9,708)	(139,074)
Government grants	(1,456)	(4,644)	(483)	3,003	(53,326)	(56,906)
Total Income	**(9,049)**	**(36,810)**	**(27,435)**	**(59,652)**	**(63,034)**	**(195,980)**
Employee Expenses	**115,717**	**32,361**	**25,529**	**30,179**	**24,103**	**227,889**
Other service expenses	62,539	128,737	35,815	69,539	65,490	362,120
Support service recharges	0	4	317	0	227	548
Total Other Service Expenses	**62,539**	**128,741**	**36,132**	**69,539**	**65,717**	**362,668**
Total Expenditure	**178,256**	**161,102**	**61,661**	**99,718**	**89,820**	**590,557**
Net Expenditure	**169,207**	**124,292**	**34,226**	**40,066**	**26,786**	**394,577**

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2014/15 £'000
Net expenditure in the Portfolio Analysis	379,604	394,577
Net expenditure of services and support services not included in the Analysis	(388,372)	(405,852)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	105,918	93,399
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(75,286)	(72,884)
Cost of Services in Comprehensive Income and Expenditure Statement	**21,864**	**9,240**
Amounts relating to Subsidiaries, Associates and Joint Ventures	28,127	(2,954)
Group (Surplus)/Deficit	**49,991**	**6,286**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14 comparative figures	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to Management £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Corporate Amounts £'000	Cost of Services £'000	Group Amounts £'000	Total £'000
Fees, charges and other service income	(122,894)	(136,998)	(2,695)	0	(19,210)	0	**(281,797)**	0	**(281,797)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	**0**	28,127	**28,127**
Interest and investment income	0	0	0	0	0	(680)	**(680)**	0	**(680)**
Income from council tax	0	0	0	0	0	(102,749)	**(102,749)**	0	**(102,749)**
Government grants and contributions	(51,619)	(122)	(22,763)	0	0	(318,662)	**(393,166)**	0	**(393,166)**
Total Income	**(174,513)**	**(137,120)**	**(25,458)**	**0**	**(19,210)**	**(422,091)**	**(778,392)**	**28,127**	**(750,265)**
Employee expenses	229,289	31,375	42,093	(28,286)	0	0	**274,471**	0	**274,471**
Other service expenses	324,148	126,459	(2,787)	(47,000)	0	0	**400,820**	0	**400,820**
Support Service recharges	680	12,839	0	0	19,210	0	**32,729**	0	**32,729**
Depreciation, amortisation and impairment	0	0	92,064	0	0	0	**92,064**	0	**92,064**
Interest Payments	0	166	6	0	0	0	**172**	0	**172**
Total Expenditure	**554,117**	**170,839**	**131,376**	**(75,286)**	**19,210**	**0**	**800,256**	**0**	**800,256**
Surplus or deficit on the provision of services	**379,604**	**33,719**	**105,918**	**(75,286)**	**0**	**(422,091)**	**21,864**	**28,127**	**49,991**

2014/15	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to Management £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Corporate Amounts £'000	Cost of Services £'000	Group Amounts £'000	Total £'000
Fees, charges and other service income	(139,074)	(142,236)	(6,932)		(15,834)		**(304,076)**	0	**(304,076)**
Surplus or deficit on associates and joint ventures							**0**	(2,954)	**(2,954)**
Interest and investment income							**0**	0	**0**
Income from council tax						(103,568)	**(103,568)**	0	**(103,568)**
Government grants and contributions	(56,906)	(817)	(35,124)			(330,805)	**(423,652)**	0	**(423,652)**
Total Income	**(195,980)**	**(143,053)**	**(42,056)**	**0**	**(15,834)**	**(434,373)**	**(831,296)**	**(2,954)**	**(834,250)**
Employee expenses	227,889	32,533	37,990	(27,422)			**270,990**	0	**270,990**
Other service expenses	362,121	125,423	(1,081)	(45,462)			**441,001**	0	**441,001**
Support Service recharges	547	13,566			15,834		**29,947**	0	**29,947**
Depreciation, amortisation and impairment			98,544				**98,544**	0	**98,544**
Interest Payments		52	2			0	**54**	0	**54**
Total Expenditure	**590,557**	**171,574**	**135,455**	**(72,884)**	**15,834**	**0**	**840,536**	**0**	**840,536**
Surplus or deficit on the provision of services	**394,577**	**28,521**	**93,399**	**(72,884)**	**0**	**(434,373)**	**9,240**	**(2,954)**	**6,286**

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:

		2012/13		2013/14		2014/15	
		£'000	£'000	£'000	£'000	£'000	£'000
Building and Maintenance	Turnover	(29,213)		(31,909)		(31,743)	
Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative surplus over the last three financial years: £9.060 million.	Expenditure	25,394		28,600		28,155	
	Exceptional Items	0		0		0	
	Interest	(25)		(2)		(3)	
	Net (Surplus)/Deficit		(3,844)		(3,311)		(3,591)
	Refunds/(Charges)		1,161		347		178
	Net (Surplus)/Deficit		(2,683)		(2,964)		(3,413)
Provision and Management of Car Parking Facilities	Turnover	(8,074)		(9,200)		(8,730)	
Responsible for the management and operation of off-street and on-street pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over the last three operational financial years: £14.051 million.	Expenditure	3,716		4,315		4,221	
	Exceptional Items	0		0		0	
	Interest	(65)		(125)		(109)	
	Net (Surplus)/Deficit		(4,423)		(5,010)		(4,618)
	Refunds/(Charges)		0		0		0
	Net (Surplus)/Deficit		(4,423)		(5,010)		(4,618)
Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)			**(7,106)**		**(7,974)**		**(8,031)**
Letting of Industrial, Commercial and Other Properties	Turnover	(5,662)		(6,521)		(6,747)	
Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates. Cumulative surplus in the last three financial years: £21.218 million.	Expenditure	2,503		3,000		2,839	
	Exceptional Items	(2,962)		(2,081)		(3,069)	
	Interest	(903)		(874)		(741)	
	Net (Surplus)/Deficit		**(7,024)**		**(6,476)**		**(7,718)**
Net (Surplus)/Deficit on Trading Operations			**(14,130)**		**(14,450)**		**(15,749)**

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.

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Net (Surplus)/Deficit on trading operations	(14,130)	(14,450)	(15,749)
Investment Properties	(7,024)	(6,476)	(7,718)
Other Trading Operations	(7,106)	(7,974)	(8,031)
Net Surplus credited to Financing and Investment Income and Expenditure (note 8)	**(14,130)**	**(14,450)**	**(15,749)**

19. Agency Services

Under various statutory powers a Council may agree with other local authorities and government departments to do work on their behalf, and likewise certain of the Council's service work may be undertaken on our behalf by other bodies. The main items of agency expenditure and income were as follows:-

Agency Expenditure	2013/14 £'000	2014/15 £'000	Agency Income	2013/14 £'000	2014/15 £'000
Payments to voluntary organisations for the provision of care home places	19,167	16,441	Income from other local authorities in respect of the provision of public analyst services	506	509
Payments to voluntary organisations for the provision of day care	2,663	2,997	Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	181	206
Payments to voluntary organisations for the provision of community based care	14,994	19,279	Net receipts from partners in respect of trunk roads (including administration) – AWPR *	0	10,140
Payments to residential schools Education, Culture & Sport	2,556	3,451	Receipts from other bodies for administrative services:		
Payments to residential schools Social Care & Wellbeing	3,768	4,826	Scottish Water	637	761
Payments to other public authorities for the provision of care home places	203	269	Scottish Police Authority	73	67
Payments to other public authorities for the provision of community based care	818	713	Scottish Fire and Rescue Service	0	0
Payment to private organisations for the provision of care home places	30,331	29,441	Moray Council	75	71
Payments to private organisations for the provision of day care	732	857	Highland Council	0	0
Payments to private organisations for the provision of community based care	16,425	15,139	Shetland Council	0	17
Payment to other public authorities for the provision of mortuary services	5	22	Receipts from Aberdeenshire Council for goods supplied	772	963
Payment to Aberdeenshire Council for Aberdeen City and Shire Economic Forum	134	169			
Net payments to partners in respect of trunk roads (including administration) - AWPR *	1,671	0			
Payment to Bon Accord Support Services	16,445	26,026			
	109,912	**119,630**		**2,244**	**12,734**

* The council is the appointed managing agent on behalf of Transport Scotland and Aberdeenshire Council for the Aberdeen Western Peripheral Route (AWPR/BT) project. During 2014/15 expenditure on the project amounted to £37.9 million. The council incurred expenditure of £34.6 million including £7.2 million requisitioned by Transport Scotland and received income of £17.3 million from Aberdeenshire Council thus making a net contribution of £17.3 million to the project in the year.

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 auditors

	2013/14 £'000	2014/15 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	449	455
Recharge to Trust Funds	(7)	(10)
Recharge to Pension Fund	(39)	(39)
Total	**403**	**406**
2013/14 figure restated to reflect recharge to Trust Funds		

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 2014, the Council's own contributions equate to approximately 2.7%.

In 2014/15, the council paid £9.531 million to the Scottish Government in respect of teachers' pension costs, which represents 14.9% of teachers' pensionable pay. The figure for 2013/14 was £9.387 million representing 14.9% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 22. The Council is not liable to the scheme for any other entities obligations under the plan.

22. **Defined Benefit Pension Schemes**

The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

The Scheme was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. The scheme is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).

Employees of admitted bodies can join the scheme subject to their individual admission criteria which are outwith the control of Aberdeen City Council.

There are 12 scheduled bodies and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, Visit Scotland, North East Scotland College, Moray College, Northern Community Justice Authority, Grampian Valuation Joint Board and Nestrans.

The Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

Under the Local Government Pension Scheme (Administration) (Scotland) Regulations, there is a requirement for the Council to publish a pension fund annual report from 2011. The report covers, amongst other things, a report by the Head of Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under www.nespf.org.uk or on request from the Head of Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB

Participation in pension schemes

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

The Council participates in two post employment schemes:

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

	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
Comprehensive Income and Expenditure Statement	**2013/14**	**2014/15**	**2013/14**	**2014/15**
Cost of Services:				
Service cost comprising:				
• current service cost	29,404	28,044	0	0
• administration expenses	480	477	0	0
• past service costs	24	0	0	0
• (gain)/loss from settlements	74	179	0	0
Financing and Investment Income and Expenditure				
• net interest expense	11,732	8,911	1,053	1,218
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**41,714**	**37,611**	**1,053**	**1,218**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(52,516)	(1,028)	2,797	0
• actuarial gains and losses arising on changes in demographic assumptions	0	(18,461)	0	(226)
• actuarial gains and losses arising on changes in financial assumptions	(39,974)	134,180	(2,187)	2,812
• other	0	(84,058)	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(50,776)**	**68,244**	**1,663**	**3,804**
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	(41,714)	(37,611)	(1,053)	(1,218)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	24,105	23,202	0	0
• retirement benefits payable to pensioners	2,402	2,435	1,779	1,785

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	2012/13	**2013/14**	**2014/15**	**2012/13**	**2013/14**	**2014/15**
Present value of the defined benefit obligation	(1,156,159)	(1,164,497)	(1,245,520)	(43,814)	(42,312)	(43,807)
Fair value of plan assets	863,568	949,189	987,605	0	0	0
Sub total	(292,591)	(215,308)	(257,915)	(43,814)	(42,312)	(43,807)
Scottish Teachers Superannuation Scheme	(29,337)	(29,221)	(31,240)	0	0	0
Net liability arising from defined benefit obligation	**(321,928)**	**(244,529)**	**(289,155)**	**(43,814)**	**(42,312)**	**(43,807)**

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £289.2 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- 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 2016 is £26.8 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2016 are £4.1million.

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**	
	2013/14	**2014/15**	**2013/14**	**2014/15**
Opening fair value of scheme assets	**863,568**	**949,189**	**0**	**0**
Interest income	36,215	41,680	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	52,516	1,028	0	0
• Other	(480)	(477)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	26,507	25,637	2,324	2,333
Contributions from employees into the scheme	7,494	7,403	0	0
Benefits paid	(36,631)	(36,855)	(2,324)	(2,333)
Other	0	0	0	0
Closing fair value of scheme assets	**949,189**	**987,605**	**0**	**0**

	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2013/14	**2014/15**
Opening fair value of scheme assets	**0**	**0**
Contributions from employer	1,779	1,785
Benefits paid	(1,779)	(1,785)
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 £107.327 million (2013/14: £88.731m).

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

	Total Liabilities: Local Government Pension Scheme £'000		**Includes: Discretionary Benefits £'000**	
	2013/14	**2014/15**	**2013/14**	**2014/15**
Opening balance at 1 April	**(1,156,159)**	**(1,164,497)**	**(43,814)**	**(42,312)**
Current service cost	(29,404)	(28,044)	0	0
Interest cost	(47,947)	(50,591)	(1,791)	(1,809)
Contributions from scheme participants	(7,494)	(7,403)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	18,461	0	791
• Actuarial gains/losses arising from changes in financial assumptions	39,974	(134,180)	969	(3,891)
• Other	0	84,058	0	1,081
Past service cost	(24)	0	0	0
Losses/(gains) on curtailment	(74)	(179)	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	36,631	36,855	2,324	2,333
Liabilities extinguished on settlements	0	0	0	0
Closing balance at 31 March	**(1,164,497)**	**(1,245,520)**	**(42,312)**	**(43,807)**

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2013/14	**2014/15**
Opening balance at 1 April	**(29,337)**	**(29,221)**
Interest cost	(1,053)	(1,218)
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	0	226
• Actuarial gains/losses arising from changes in financial assumptions	2,187	(2,812)
• Other	(2,797)	0
Benefits paid	1,779	1,785
Closing balance at 31 March	**(29,221)**	**(31,240)**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2013/14 £'000	%	Fair value of scheme assets 2014/15 £'000	%
Cash and cash equivalents	23,160	2.4%	28,641	2.9%
Equity instruments:				
• UK quoted and unquoted	371,323		201,473	
• Global quoted and unquoted	371,228		230,112	
• Global Frontier Fund	12,055		11,851	
• Pooled UK & Global	0		326,897	
Sub total equity	754,606	79.5%	770,333	78.0%
Bonds:				
• Corporate	20,882		20,739	
• Government	59,229		61,231	
Sub total bonds	80,111	8.4%	81,970	8.3%
Property:				
• UK Direct	53,060		66,170	
• Property funds - Global	3,417		3,950	
Sub total property	56,477	6.0%	70,120	7.1%
Private equity:				
• European	15,472		11,851	
• Global	18,699		21,727	
Sub total private equity	34,171	3.6%	33,578	3.4%
Other investment funds:				
• Infrastructure	664		1,975	
• Property	0		988	
Sub total other investment funds	664	0.1%	2,963	0.3%
Derivatives:				
• Forward foreign exchange contracts	0	0.0%	0	0.0%
Total assets	**949,189**	**100.0%**	**987,605**	**100.0%**

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2013/14	2014/15	2013/14	2014/15
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	6.5%	-	-
Government Bonds	3.4%	2.2%	-	-
Other Bonds	4.3%	2.9%	-	-
Other	7.0%	6.4%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5	22.1	22.5	22.1
Women	25.5	24.7	25.5	24.7
Longevity at 65 for future pensioners:				
Men	24.8	24.3	-	-
Women	27.9	27.5	-	-
Rate of inflation	2.4%	2.0%	2.4%	2.0%
Rate of increase in salaries	4.15%	3.50%	4.15%	3.50%
Rate of increase in pensions	2.4%	2.0%	2.4%	2.0%
Rate for discounting scheme liabilities	4.4%	3.2%	4.3%	3.1%

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

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Assumption £'000
Longevity (increase by 1 year in life expectancy)	24,944
Rate of inflation (increase by 0.1%)	21,061
Rate of increase in salaries (increase by 0.1%)	4,549
Rate for discounting scheme liabilities (increase by 0.1%)	(20,711)

23. Events after the Balance Sheet Date

The unaudited Annual Accounts was authorised for issue by the Head of Finance on 26 June 2015. Events taking place after this date are not reflected in the annual accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the annual accounts and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

24. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. During 2014/15 payments to 39 organisations, amounting to £11.4 million (2013/14, 43 organisations, £11.1 million) were made by means of grant support and for the delivery of services. Approval of these grants and service contracts was undertaken in accordance with Council policies and procedures. Details of all members' interests are disclosed on the Council website at www.aberdeencity.gov.uk

Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.124 million for this service in 2014/15 (2013/14, £1.026 million).

For 2014/15 the Council paid £27.422 million to the Pension Fund representing its employer contributions in respect of current and former employees (2013/14, £28.286 million).

Entities Controlled or Significantly Influenced by the Council

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

	2013/14			2014/15	
	Receipts £'000	Payments £'000		Receipts £'000	Payments £'000
Joint Boards					
Grampian Joint Valuation Board	0	1,463		0	1,434
AECC/Mountwest Ltd	204	3,962		205	1,495
Common Good	1,805	31	*	2,111	34
Trust Funds	32	37		11	35
Aberdeen Sports Village	16	1,373		2,469	3,750
Sport Aberdeen	1,370	6,203		1,099	5,787
Aberdeen Heat & Power	16	6,142		16	8,641
NESTRANS	2,422	1,078		4,428	1,305
SDPA	0	67		0	60
Scotland Excel	0	124		0	224
Bon Accord Care	744	243		118	50
Bon Accord Support Services	1,867	16,445		1,573	26,026

* 2013/14 Figures have been restated to correct a transposition of Receipts & Payments.

The majority of these bodies form part of the Council's group accounts which are set out on pages 140 to 160.

25. Partnership Arrangements

During the last year under the Community Care and Health (Scotland) Act 2002, Aberdeen City Council continued to have in place a signed Local Partnership Agreement, with the following partner bodies:

- NHS Grampian and
- Aberdeen City Health & Social Care Partnership.

The principal objective of the Partnership is the achievement of a better quality of life for the people of Aberdeen, including empowerment, social inclusion, and improved health, through ease of access to an increasingly integrated health and social care service.

In financial year 2014/15 the Partnership Agreement continued to include services to older people, those with physical illness, people with learning disabilities, and people needing mental health services.

The Partnership had a budget, covering each of the above client groupings, in excess of £150m during 2014/15. The budgets are aligned throughout the Partnership, which means that each Partner organisation holds their own element of the budget and records the expenditure and income that relates to the part of the services it is responsible for. At appropriate levels the budgets are then accumulated from across the Partnership and the total represents the overall Partnership budget. Aberdeen City Council's expenditure (and related income) on services to clients is included within the Comprehensive Income and Expenditure Statement.

Aberdeen City Council contributed a budget of approximately £115.7 million in respect of the specific services. This can be broken down as follows:

- Older People and Physical Health £78.9 million
- Learning Disabilities £26.5 million
- Mental Health & Addictions £10.3 million

These budgets cover a range of services from the assessment of needs and the Council's provision of day and home care to the commissioning and purchase of care home places from private and voluntary sector organisations.

In accordance with the Public Bodies (Joint Working) Bill it is intended that an Integration Joint Board will replace the Aberdeen City Health & Social Care Partnership with effect from 1 April 2016, with shadow arrangements in place during the 2015/16 financial year. The budgets outlined above will form the core of the funding to be delegated into the Integration Joint Board.

26. Leases

Council as Lessee

Finance Leases

The Council installed central heating systems within some of its Council Dwellings under finance leases. These leases were repaid in full at 31 March 2015.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet within the overall valuation for Council Dwellings and thus the net carrying amounts cannot be separately identified.

The minimum lease payments are made up of the following amounts:

	31 March 2014 £'000	31 March 2015 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	59	0
• non current	0	0
Finance costs payable in future years	2	0
Minimum lease payments	**61**	**0**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	61	0	59	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	61	**0**	**59**	**0**

Operating Leases

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

	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	3,129	3,252
Later than one year and not later than five years	9,635	10,284
Later than five years	30,039	27,693
	42,803	**41,229**

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

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

	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	504	523
Later than one year and not later than five years	1,512	1,568
Later than five years	0	0
	2,016	**2,091**

<u>Council as Lessor</u>

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 2014 £'000	**31 March 2015 £'000**		**31 March 2014 £'000**	**31 March 2015 £'000**
Not later than one year	6,932	6,938		0	80
Later than one year and not later than five years	20,404	19,051		0	241
Later than five years	149,538	142,521		0	0
	176,874	**168,510**		**0**	**321**

27. Investment Properties

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

	31 March 2014 £'000	31 March 2015 £'000
Rental and interest income from investment property	(7,395)	(7,488)
Expenses arising from investment property	3,000	2,839
Revaluation (gains)/losses	(2,081)	(3,069)
Net (gain)/loss	**(6,476)**	**(7,718)**

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

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

	2013/14 £'000	2014/15 £'000
Balance at start of the year	**83,288**	**84,771**
Additions:		
• Purchases	124	2
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	(722)	(2,972)
Net gains/losses from fair value adjustments	2,081	3,069
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	**84,771**	**84,870**

28. Intangible Assets

The Council accounts for its capitalised software licences as intangible assets. Consideration is also given to whether any internally generated software should be included as intangible assets. As at 31 March 2015 no material software has been identified.

Software licences are given a finite useful life based on assessments of the period that the licence is expected to be of use to the Council. The majority of licences have a useful life of five years with a small number having been assessed as having a ten year useful life. Of the latter, a maximum of two years remains of the ten year useful life assigned.

The carrying amount of intangible assets is amortised on a straight line basis. Of the amortisation charged to revenue in 2014/15, £0.100 million was charged to IT Administration and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14 Software Licences £'000	2014/15 Software Licences £'000
Balance at start of year:		
• Gross carrying amounts	1,361	1,361
• Accumulated amortisation	(973)	(1,181)
Net carrying amount at start of year	388	180
Additions	0	0
Other disposals	0	0
Amortisation for the period	(208)	(100)
Other changes	0	0
Net carrying amount at end of year	180	80
Comprising:		
• Gross carrying amounts	1,361	550
• Accumulated amortisation	(1,181)	(470)
	180	**80**

29. **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 2013	608	1,984	6	10	147,807	300	150,715
Additions	0	0	0	0	107	0	107
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	1,111	0	1,111
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	(52)	0	(52)
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
At 31 March 2014	**608**	**1,984**	**6**	**10**	**148,973**	**300**	**151,881**
Cost or valuation							
At 1 April 2014	608	1,984	6	10	148,973	300	151,881
Additions	0	0	11	0	7	0	18
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	19,471	0	19,471
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
At 31 March 2015	**608**	**1,984**	**17**	**10**	**168,451**	**300**	**171,370**

City Monuments

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

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

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature there is little movement in the market for the sale of these collections and it is often difficult to value an item. For items within the Maritime collection, most were valued between 2002 and 2013. The numismatics collection consists of a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection consists of 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.

Additions of Heritage Assets

The following items were added during the year:

	£'000
Obscure Outing, I, 2014 by Kevin Harman	7
Military General Service Medal Peninsular War Medal, 1848	11
Net carrying amount at end of year	18

There were no disposals made in the financial year.

ii Heritage Assets: Five Year Summary of Transactions

Due to the nature and number of Heritage Assets held it is deemed impractical to disclose a five year summary of transactions for accounting periods before 1 April 2010.

iii 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 is reported in the Balance Sheet. This is a Rawlins of London Carriage dated 1817 valued at £10,000.

Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both valued and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which has been valued by the curator at £32 million.

Applied and Decorative Art

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

Civic Insignia

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

Archaeology

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

Library & Information Services

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

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

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

Preservation and Management

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

30. **Property, Plant and Equipment**

Movements in 2013/14:

	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 Propert, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2013	**808,870**	**859,699**	**68,492**	**191,110**	**21,359**	**39,316**	**16,161**	**2,005,007**	**156,074**
Additions	35,941	9,676	7,606	7,895	1,010	181	15,215	**77,524**	**0**
Donations	0	0	0	0	0	0	0	**0**	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	509	8,535	0	0	0	(1,595)	0	**7,449**	**0**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,587)	(1,739)	0	0	0	(1,090)	0	**(26,416)**	**0**
Derecognition – Disposals	(4,340)	0	(1,931)	0	0	(600)	0	**(6,871)**	**0**
Derecognition – Other	0	(231)	0	0	0	0	0	**(231)**	**0**
Reclassifications and Transfers	(1,354)	1,523	0	0	0	0	(1,523)	**(1,354)**	**0**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**	**0**
At 31 March 2014	**816,039**	**877,463**	**74,167**	**199,005**	**22,369**	**36,212**	**29,853**	**2,055,108**	**156,074**
Accumulated Depreciation and Impairment									
At 1 April 2013	**(77,644)**	**(21,926)**	**(40,466)**	**(66,300)**	**0**	**(2,249)**	**0**	**(208,585)**	**(11,480)**
Depreciation charge	(29,071)	(23,943)	(9,438)	(6,344)	0	(539)	0	**(69,335)**	**(4,318)**
Depreciation written out to the Revaluation Reserve	112	8,626	0	0	0	0	0	**8,738**	**0**
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,654	0	0	0	0	0	**1,654**	**0**
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	159	0	**159**	**0**
Derecognition – Disposals	548	0	1,734	0	0	6	0	**2,288**	**0**
Derecognition – Other	0	80	0	0	0	0	0	**80**	**0**
Reclassifications and Transfers	0	0	0	0	0	0	0	**0**	**0**
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	**0**	**0**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**	**0**
At 31 March 2014	**(106,055)**	**(35,509)**	**(48,170)**	**(72,644)**	**0**	**(2,623)**	**0**	**(265,001)**	**(15,798)**
Net Book Value									
At 31 March 2014	**709,984**	**841,954**	**25,997**	**126,361**	**22,369**	**33,589**	**29,853**	**1,790,107**	**140,276**
At 31 March 2013	**731,226**	**837,773**	**28,026**	**124,810**	**21,359**	**37,067**	**16,161**	**1,796,422**	**144,594**

Property, Plant and Equipment

Movements in 2014/15:

	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 Propert, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2014	**816,039**	**877,463**	**74,167**	**199,005**	**22,369**	**36,212**	**29,853**	**2,055,108**	**156,074**
Additions	36,755	8,137	10,546	11,738	936	246	28,621	**96,979**	1
Donations	0	0	0	0	0	0	0	**0**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,064	25,878	0	0	0	5,721	0	**32,663**	33,513
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,978)	(5,107)	0	0	0	(7,852)	0	**(36,937)**	(2,643)
Derecognition – Disposals	(5,474)	0	(1,161)	0	0	(10,836)	0	**(17,471)**	0
Derecognition – Other	0	(1,023)	(18,499)	0	0	0	(435)	**(19,957)**	0
Reclassifications and Transfers	825	3,526	0	0	0	(2,730)	(3,525)	**(1,904)**	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**	0
At 31 March 2015	**825,231**	**908,874**	**65,053**	**210,743**	**23,305**	**20,761**	**54,514**	**2,108,481**	**186,945**
Accumulated Depreciation and Impairment									
At 1 April 2014	**(106,055)**	**(35,509)**	**(48,170)**	**(72,644)**	**0**	**(2,623)**	**0**	**(265,001)**	**(15,798)**
Depreciation charge	(30,569)	(24,281)	(6,712)	(6,720)	0	(506)	0	**(68,788)**	**(4,318)**
Depreciation written out to the Revaluation Reserve	130	16,630	0	0	0	0	0	**16,760**	11,150
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,277	0	0	0	2,933	0	**4,210**	907
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	0
Derecognition – Disposals	918	0	1,119	0	0	5	0	**2,042**	0
Derecognition – Other	0	110	18,499	0	0	0	0	**18,609**	0
Reclassifications and Transfers	0	0	0	0	0	0	0	**0**	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	**0**	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2015	**(135,576)**	**(41,773)**	**(35,264)**	**(79,364)**	**0**	**(191)**	**0**	**(292,168)**	**(8,059)**
Net Book Value									
At 31 March 2015	**689,655**	**867,101**	**29,789**	**131,379**	**23,305**	**20,570**	**54,514**	**1,816,313**	**178,886**
At 31 March 2014	**709,984**	**841,954**	**25,997**	**126,361**	**22,369**	**33,589**	**29,853**	**1,790,107**	**140,276**

Depreciation – Useful Lives
The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – up to 35 years
- Other Land and Buildings – up to 60 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

Capital Commitments
As at 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £37.431 million in future years. Similar commitments as at 31 March 2014 were £20.229 million. The major commitments are:

- Housing – Structural Repairs Multi Storeys- £1.697 million
- Housing – Cooper Roof Refurbishment - £0.257 million

- Non Housing – Brimmond Primary School - £9.577 million
- Non Housing – Kittybrewster Depot - £0.296 million
- Non Housing – Hydrogen Facility - £0.458 million
- Non Housing – Museum Collection Centre - £5.129 million
- Non Housing – Deeside Family Centre - £0.379 million
- Non Housing – Town House - £1.093 million
- Non Housing – St Machar Academy - £0.424 million
- Non Housing – Craigielea Childrens Centre - £0.268 million
- Non Housing – Duthie Park Winter Gardens - £0.414 million
- Non Housing – 74-82 Spring Garden - £0.439 million
- Non Housing – Aberdeen Western Peripheral Route - £17 million

Effects of Changes in Estimates
In 2014/15, the Council made no material change to its accounting estimates for Property, Plant and Equipment.

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 Stephen Booth, 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 2015	0	224,020	0	0	0	0	0	224,020
31 March 2014	0	186,933	0	0	0	0	0	186,933
31 March 2013	1,484	394,425	0	0	0	6,073	0	401,982
31 March 2012	6,218	271,190	0	0	0	4,440	0	281,848
31 March 2011	766,904	43,840	0	0	0	0	0	810,744
31 March 2010	0	135,062	0	0	0	9,385	0	144,447
Total cost or valuation	**829,012**	**1,176,681**	**68,484**	**191,110**	**21,359**	**38,474**	**16,161**	**2,341,281**

* 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.

31. 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. The CFR is analysed in the second part of this note.

	HRA 2013/14 £'000	General Fund 2013/14 £'000	Total 2013/14 £'000	HRA 2014/15 £'000	General Fund 2014/15 £'000	Total 2014/15 £'000
Opening Capital Financing Requirement	**234,168**	**497,606**	**731,774**	**235,659**	**490,872**	**726,531**
Capital investment						
Property, Plant and Equipment	35,941	41,583	77,524	36,755	60,225	96,980
Investment Properties	0	124	124	0	2	2
Heritage Assets	0	107	107	0	18	18
Loan for National Housing Trust Initiative	2,910	0	2,910	0	0	0
Sources of finance						
Capital receipts	(7,871)	(257)	(8,128)	(11,120)	(93)	(11,213)
Government grants and other contributions	(2,520)	(20,243)	(22,763)	(4,554)	(30,570)	(35,124)
Other contributions	0	(12,429)	(12,429)	0	(15,200)	(15,200)
Sums set aside from revenue:						
• Direct revenue contributions	186	0	186	217	0	217
• Capital for Current Revenue (CFCR)	(22,575)	(462)	(23,037)	(18,725)	(2,315)	(21,040)
• Loans fund principal	(4,580)	(12,429)	(17,009)	0	(15,674)	(15,674)
• PPP liability repayments	0	(2,728)	(2,728)	0	(2,488)	(2,488)
Closing Capital Financing Requirement	**235,659**	**490,872**	**726,531**	**238,232**	**484,777**	**723,009**
Explanation of movements in year						
Increase/(Decrease) in underlying need to borrow	(215)	(2,296)	(2,511)	10	(1,043)	(1,033)
Assets acquired under finance leases	0	0	0	0	0	0
Assets acquired under PFI/PPP contracts	0	(2,728)	(2,728)	0	(2,488)	(2,488)
Increase/(decrease) in Capital Financing Requirement	**(215)**	**(5,024)**	**(5,239)**	**10**	**(3,531)**	**(3,521)**

32. Public Private Partnerships (PPP) and Similar Contracts

3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

The Council has entered into a 30 year PPP contract for the construction or renovation, maintenance and operation of ten schools. The schools came into operation between May 2009 and April 2011. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 30.

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 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2015/16	5,636	1,773	7,037	14,446
Payable within two to five years	20,776	11,309	27,834	59,919
Payable within six to ten years	34,079	15,197	31,774	81,050
Payable within eleven to fifteen years	40,395	19,619	28,719	88,733
Payable within sixteen to twenty years	45,647	27,530	23,994	97,171
Payable within twenty one to twenty five years	37,359	32,408	15,488	85,255
Payable within twenty six to thirty years	0	0	0	0
Total	**183,892**	**107,836**	**134,846**	**426,574**

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:

	2013/14 £'000	2014/15 £'000
Balance outstanding at start of year	**112,958**	**110,324**
Payments during year	(2,728)	(2,488)
Capital expenditure incurred in the year	0	0
Other Movements	94	0
Balance outstanding at end of year	**110,324**	**107,836**

33. Assets Held for Sale

	2013/14 £'000	2014/15 £'000
Balance Outstanding at start of year	**5,731**	**2,206**
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,354	1,904
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale:		0
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Assets sold	(4,879)	(698)
Transfers from non current to current	0	0
Balance outstanding at end of year	**2,206**	**3,412**

34. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2012/13 £'000	2014/15 £'000
Balance outstanding at start of year	**1,567**	**1,392**	**0**	**37**	**87**	**78**	**1,654**	**1,507**
Purchases	19,981	18,009	30,066	25,284	187	201	50,234	43,494
Recognised as an expense in the year	(20,136)	(17,976)	(30,029)	(25,272)	(196)	(248)	(50,361)	(43,496)
Written off balances	(20)	0	0	0	0	0	(20)	0
Reversals of write offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at end of year	**1,392**	**1,425**	**37**	**49**	**78**	**31**	**1,507**	**1,505**

35. Short Term Debtors

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	10,613	11,171
Other local authorities	1,525	2,089
NHS bodies	1,480	2,022
Public corporations and trading funds	5,758	2,967
Other entities and individuals	88,797	88,070
Gross Total	**108,173**	**106,319**
Deduct: Provision for Impairment	(50,860)	(51,890)
Net Total	**57,313**	**54,429**

36. Short Term Creditors

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	(10,991)	(6,961)
Other local authorities	(1,387)	(12,618)
NHS bodies	(510)	(888)
Public corporations and trading funds	(3,871)	(6,382)
Other entities and individuals	(42,774)	(55,529)
Total	**(59,533)**	**(82,378)**

37. Provisions

	Note 1	Note 2	Note 3	Note 4	
2014/15	**Compensation Payments - Equal Pay £'000**	**Property - Asset Management £'000**	**Housing Benefit Subsidy £'000**	**Other £'000**	**Total £'000**
Balance at 1 April 2014	**(2,241)**	**(2,160)**	**(509)**	**(4,573)**	**(9,483)**
Additional provisions made in 2014/15	(152)	(99)	(200)	(2,180)	(2,631)
Amounts used in 2014/15	109	692	244	3,510	4,555
Unused amounts reversed in 2014/15	0	145	265	80	490
Unwinding of discounting in 2014/15	0	0	0	0	0
Balance at 31 March 2015	**(2,284)**	**(1,422)**	**(200)**	**(3,163)**	**(7,069)**
Represented by:					
Current provisions	(335)	0	(200)	(3,163)	**(3,698)**
Long term provisions	(1,949)	(1,422)	0	0	**(3,371)**

Notes on Provisions –

1. **Compensation Payments – Equal Pay £ 2.284 million**

   This is a provision for arrears of equal pay under Single Status legislation for the period from June 2006, subsequent to compromise settlements already paid. The primary groups of staff involved are employed in the Cleaning, Catering, Education and Social Work services. This provision may have an extended life due to uncertainty in relation to Employment Tribunal outcomes which may also alter the amounts due.

2. **Property – Asset Management - £1.422 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 2013 and 2020. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation.

3. **Housing Benefit Subsidy - £0.200 million**

   This Provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing Benefit Subsidy Grant. Liability will depend on the outcome of the audit scrutiny, testing and a final determination by DWP. The figure is based on a worst case scenario by the Corporate Debt/Income Manager. The full liability could be called upon in 2015/16.

4. **Other**

   - **General Fund - £0.759 million**

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

   - **Holiday Pay - £0.826 million**

     This is a provision for arrears of Holiday Pay due based on the decision in the case of Lock v British Gas Trading Ltd which reviewed the basis of calculation for holiday pay. The full liability could be paid out in 2015/16.

   - **Council Tax Discount on Second Homes and Long Term Empty Properties - £0.553 million**

     This provision relates to amounts committed towards affordable housing projects, which are expected to be released in 2015/16.

   - **HRA - £1.025 million**

     This provision relates to a potential ICO penalty notice and other potential compensation payments.

38. Contingent Liabilities

At 31 March 2015 the Council had material contingent liabilities as undernoted:

- **Satrosphere**

  The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £131,500 in support of an overdraft facility and card transactions until 31 March 2016.

- **Transition Extreme Sports Ltd**

  The Council has agreed to provide a guarantee to the Bank of Scotland in respect of loans of £340,000 and a maximum overdraft facility of £200,000 as well as a guarantee of £200,000 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2022.

- **Landfill Sites**

  The Council is responsible under environmental legislation for the ongoing monitoring, maintenance and ultimately capping and re-instatement of 3 closed landfill sites. The costs associated with two of these sites, Ness and Hill of Tramaud, have been accounted for through a mix of revenue and capital funding.

  The third site at Mill of Dyce was previously operated by the Council under a lease. The Council purchased the site in 2012/13, and following an assessment of the environmental monitoring and reinstatement requirements works were carried out in 2014. The works are now complete with no further activity planned for the site.

- **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.

  As a result of changes in environmental legislation, problems in obtaining planning consents for elements of the contract and changes in operational costs resulting therefrom, the contractor submitted a number of substantial claims in respect of additional costs incurred, which have been accounted for through both revenue and capital funding. The value of claims reduced substantially in 2014/15 and the continuing costs arising from agreed settlements will be met from revenue funding.

  It is unknown whether any further liabilities may arise from this contract.

- **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 penalties have never been imposed and it is expected that the regulations will be repealed in due course. However, until such a repeal is formalised there remains a potential liability on the Council.

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

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

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2013/14* £'000	2014/15 £'000
Credited to Taxation and Non Specific Grant Income		
Total Revenue Funding Grant	318,662	330,805
Total	**318,662**	**330,805**
Credited to Services		
Department of Work and Pensions		
Housing Benefit Grant	51,749	51,980
Housing Benefit Admin Grant	1,183	918
Discretionary Housing Payment	367	308
Other	0	57
Grampian Health Board		
Resource Transfer	18,122	18,692
Other Local Authorities		
Western Peripheral Route Works	9,044	17,373
Other	922	449
Scottish Government		
S27 Community Justice Grant	4,340	4,488
Home Insulation	708	2,210
Waste Collection	814	409
Education Maintenance	348	313
Other	1,098	1,225
Department for Culture, Medial and Sport		
Accelerate Aberdeen	128	1,799
European Funding		
Hydrogen Bus Project	0	457
Hydrogen Transport Economy	93	261
Other	558	218
Sport Scotland	395	524
Creative Scotland	191	327
HerOtage Lottery Fund	107	201
Home Office	66	59
Sustrans	0	180
Other	275	299
Total	**90,508**	**102,747**

* 2013/14 figures have been restated following a review of grant income

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:

Current Liabilities

	2013/14* £'000	2014/15 £'000
Revenue Grants - Receipts in Advance		
Anti Terrorism	8	0
Social Care & Wellbeing (Telecare,Kinship Care,Luggage)	26	6
Equality Funding	16	16
Self Directed Support / Caledonian Funding	508	456
Bequest / Europe Direct for Libraries	0	51
Substance Misuse Training	0	0
Creative Scotland – Various Projects	133	218
Creative Learning Network	0	8
Sport Scotland – Various Projects	169	24
Award Scotland - various projects	2	0
Education Scotland	4	35
Scottish Government	521	201
DWP	0	50
Community Safety Hub Funding	123	50
Heritage Lottery Fund - various projects	13	5
NHS Food - Focus Women's Connection Centre	17	0
Total	**1,540**	**1,120**
Capital Grants - Receipts in Advance		
Gypsy Traveller Grant	103	103
Hydrogen Bus Project	4,733	192
Sport Scotland Grant	0	200
Total	**4,836**	**495**

* 2013/14 figures have been restated following a review of grant income

40. 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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Investments				
Loans and receivables	0	0	25,234	40,199
Available for sale financial assets	10,835	10,602	0	0
Total investments	**10,835**	**10,602**	**25,234**	**40,199**
Debtors				
Loans and receivables	13,870	22,121	0	0
Financial assets carried at contract amount	0	0	57,313	54,429
Total debtors	**13,870**	**22,121**	**57,313**	**54,429**
Borrowings				
Financial liabilities at amortised cost	(435,168)	(469,621)	(117,608)	(92,658)
Overdraft	0	0	0	
Total borrowings	**(435,168)**	**(469,621)**	**(117,608)**	**(92,658)**
Other Long term Liabilities				
PPP liabilities	(107,836)	(106,062)	(2,488)	(1,773)
Finance lease liabilities (Creditors)	0	0	0	0
Total other long term liabilities	**(107,836)**	**(106,062)**	**(2,488)**	**(1,773)**
Creditors				
Financial liabilities carried at contract amount	0	(451)	(59,533)	(82,378)
Total creditors	**0**	**(451)**	**(59,533)**	**(82,378)**

Note: Lenders Option/Borrowers Option (LOBO's) of £45.9m have been included in long term borrowing but have a call date in the next 12 months.

Reclassifications

Income, Expense, Gains and Losses

Financial Instruments Gains/(Losses)	2013/14			2014/15		
	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	(33,622)	0	**(33,622)**	(31,189)	0	**(31,189)**
Total expense in Surplus or (Deficit) on the Provision of Services	**(33,622)**	**0**	**(33,622)**	**(31,189)**	**0**	**(31,189)**
Interest income	0	680	**680**	0	986	**986**
Total income in Surplus or (Deficit) on the Provision of Services	**0**	**680**	**680**	**0**	**986**	**986**
Net gain/(loss) for the year	**(33,622)**	**680**	**(32,942)**	**(31,189)**	**986**	**(30,203)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2015 of 1.90% to 11.00% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair Value of Liabilities	31 March 2014				31 March 2015			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
PWLB – maturity	(373,717)	(7,369)	(381,085)	(434,402)	(388,591)	(6,841)	(395,432)	(526,405)
PWLB – annuity	0	0	0	0	0	0	0	0
PWLB – EIP	(980)	(41)	(1,021)	(1,127)	(588)	(24)	(613)	(649)
LOBOs	(93,893)	(663)	(94,556)	(97,622)	(93,893)	(665)	(94,558)	(124,404)
Transfer Interest to Short Term in line with Code requirements	0	8,073	8,073	0	0	7,530	7,530	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	35,518	0	0	0	15,518	0
Financial Instrument Adjustments	0		(2,097)	0	0	0	(2,066)	0
Total Long Term Borrowing	**(468,590)**	**0**	**(435,168)**	**(533,151)**	**(483,072)**	**0**	**(469,621)**	**(651,458)**
Short term borrowing	(73,921)	(96)	(74,017)	(74,017)	(69,527)	(82)	(69,609)	(69,609)
Transfer Interest from Long Term in line with Code requirements	0	(8,073)	(8,073)	0	0	(7,530)	(7,530)	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(35,518)	0	0	0	(15,518)	0
Total Short Term Borrowing	**(73,921)**	**(8,169)**	**(117,608)**	**(74,017)**	**(69,527)**	**(7,612)**	**(92,657)**	**(69,609)**

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 2015) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Assets	31 March 2014				31 March 2015			
	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	35,658	161	35,819	35,847	67,095	199	67,293	67,335

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

41. 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 £67.1m 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 2015 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 2014 £'000		Amount at 31 March 2015 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability at 31 March 2015 £'000
		A	B	C	(A x C)
0	Deposits with banks and building societies	67,293	0	0	0
1,169	Customers	24,682	4.07%	4.07%	1,005
1,169					**1,005**

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 £24.7m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2014 £'000	31 March 2015 £'000
Less than three months	6,545	7,431
Three to six months	946	1,175
Six months to one year	1,846	1,636
More than one year	14,815	14,440
	24,152	**24,682**

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 2014 £'000	31 March 2015 £'000
Less than one year	110,082	92,657
Between one and two years	15,838	24,781
Between two and five years	59,152	43,447
Between five and ten years	26,369	16,000
More than ten years	338,596	383,329
	550,037	**560,214**

In the “More than 10 years” category in the table above there are £45.9 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.

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 2015, if discount 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	489
Increase in interest receivable on variable rate investments	(400)
Impact on Surplus or Deficit on the Provision of Services	**89**
Share of overall impact debited to the HRA	**28**
Decrease in fair value of fixed rate investment assets	**126**
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**99,180**

The impact of a 1% fall in discount 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 2014/15, the average interest rates were 3.85% for capital (2013/14, 4.20%), 0.39% for revenue advances (2013/14, 0.41%) and 0.02% for expenses (2013/14 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

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
General Fund						
Corporate Governance	4,436	5,840	7,679	7,076	4,141	2,407
Education, Culture & Sport	154,005	155,016	151,392	146,250	145,962	146,953
Enterprise, Planning & Infrastructure	147,184	176,524	187,345	189,751	204,988	219,821
Housing & Environment	34,607	39,665	41,397	46,982	45,320	44,407
Social Care & Wellbeing	22,074	21,529	21,140	21,372	21,016	21,587
Other	10,855	9,952	(6,114)	(13,777)	(24,870)	(37,861)
	373,161	**408,526**	**402,839**	**397,654**	**396,557**	**397,314**
Trading Operations						
Enterprise, Planning & Infrastructure	24,237	22,633	22,102	23,717	23,005	21,209
Housing & Environment	674	624	576	565	78	74
	24,911	**23,257**	**22,678**	**24,282**	**23,083**	**21,283**
Housing Revenue Account						
Housing & Environment	**163,850**	**185,923**	**193,225**	**196,880**	**196,665**	**196,675**
Total	**561,922**	**617,706**	**618,742**	**618,816**	**616,305**	**615,272**

Loans Fund

Revenue Account

2013/14 £'000		2014/15 £'000
	Expenditure	
26,229	Interest paid to External Bodies	23,987
825	Interest paid to Other Council Accounts	912
147	General Expenses	153
27,201		**25,052**
	Income	
	Interest & Expenses charged to Aberdeen City Council	
(16,968)	General Fund	(15,700)
(8,694)	Housing Revenue Account	(8,008)
(1,003)	Trading Operations	(852)
(536)	From Temporary Investments	(492)
(27,201)		**(25,052)**

Loans Fund

Balance Sheet as at 31 March

2014 £'000		2015 £'000
	Assets	
	Advances to:	
616,305	Aberdeen City Council for Capital Expenditure	615,272
2	Other Bodies	2
14,804	Rescheduled Premiums	14,407
631,111		629,681
	Current Assets	
35,550	Temporary Investments	67,000
269	Sundry Debtors	293
666,930		696,974
	Less: Current Liabilities	
123,272	Temporary Advances from Council Services	156,062
8,169	Sundry Creditors	7,613
(630)	Bank Overdraft	(8,635)
130,811		155,040
536,119	**Net Assets**	**541,934**
	Financed by:	
(374,697)	Public Works Loan Board	(389,179)
(93,893)	Money Market Loans	(93,893)
(2)	Stock Issue & Gas Annuities	(2)
(67,527)	Temporary Loans	(58,860)
(536,119)		**(541,934)**

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

2013/14		2014/15	
£'000		**£'000**	**£'000**
	Income		
(75,997)	Dwelling Rents	(78,661)	
(3,007)	Non dwelling Rents	(3,550)	
0	Hostel Grant	0	
(1,069)	Other Income	(958)	
(80,073)			**(83,169)**
	Expenditure		
606	Staff Costs	550	
606			**550**
	Premises Costs:		
21,816	Repairs and Maintenance	25,443	
3,228	Maintenance of amenity areas	3,164	
1,138	Bad debts written off/provisions	1,117	
1,560	Loss of rent vacant periods	1,896	
1,427	Other costs	1,586	
29,169			**33,206**
	Administration Costs:		
7,051	Management and Administration	7,156	
1,029	Other costs	1,961	
8,080			**9,117**
	Supplies and Services:		
3,804	Communal Lighting and Heating, etc.	3,293	
249	Information Technology	175	
200	Other Costs	148	
4,253			**3,616**

2013/14		2014/15	
£'000		**£'000**	**£'000**
	Agencies:		
227	Contributions	240	
406	Supporting People Contribution	406	
565	Tenant's Participation/Helplines	655	
1,198			**1,301**
	Capital Charges:		
29,252	Depreciation	30,956	
23,587	Impairment of Non Current Assets	23,976	
52,839			**54,932**
96,145	**Gross Expenditure**		**102,722**
16,072	**Net Cost of HRA Services per Council's**		19,553
143	Corporate and Democratic Core		148
16,215	**Net Cost of HRA Services**		**19,701**
(2,364)	(Gain) / Loss on Sale of HRA Non Current Assets		(5,648)
8,694	Interest payable and similar charges		8,007
(131)	Interest and investment income		(114)
718	Pensions interest and return on assets		591
(2,520)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)		(4,554)
20,612	**(Surplus)/deficit for the year on HRA Services**		**17,983**

Movement on the Housing Revenue Account Statement

2013/14 £'000		Notes	2014/15 £'000
(8,410)	Balance on the HRA at start of Year		(9,395)
20,612	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		17,983
(21,597)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(21,773)
(985)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(3,790)
0	Transfers to or (from) Reserves	2	2,730
(985)	(Increase) or Decrease in Year on the HRA		(1,060)
(9,395)	**Balance on the HRA at end of Year**		**(10,455)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2013/14 £'000		2014/15 £'000
2,363	Gain or (loss) on sale of HRA non-current assets	5,648
22,575	Capital expenditure funded by the HRA	18,725
	Transfer to/from the Capital Adjustment Account:	
(52,839)	Depreciation and Impairment	(54,931)
2,520	Capital Grants and Contributions	4,554
4,580	Repayment of Debt	4,885
(808)	HRA share of contributions to or from the Pensions Reserve	(656)
0	Adjustment involving the Accumulated Absences Account	2
12	Statutory Reserves	0
(21,597)		**(21,773)**

2. Transfers (to) or from Reserves

2013/14 £'000		2014/15 £'000
0	Transfer to/(from) the General Fund	2,730
0	**Total**	**2,730**

3. Housing Stock

The Council's housing stock at 31 March 2015 was 22,348 (22,500 at 31 March 2014) in the following categories:

2013/14 Number		2014/15 Number
	Type of Property	
2,237	Sheltered Property	2,152
5	Wardens Property	2
4,671	Cottage	4,465
8,888	Flat	8,778
2,192	Four in Block	2,170
564	Maisonette	558
2,131	Multi Storey Flat	2,116
122	Split Level Flat	121
441	Multi Storey Maisonette	439
867	Amenity	1,124
358	Homeless	373
22,476	**Sub Total**	**22,298**
24	Properties off the charge	50
22,500	**HRA Total**	**22,348**
	Other Assets	
1	Hostel	1
245	Garages Sites	245
2,058	Lock Up Garages	2,053
918	Parking Spaces	917
17	Travelling Peoples Sites	17
3,239		**3,233**

4. Rent Arrears

2013/14 £'000			2014/15 £'000
4,434		Current Tenant Arrears	3,850
4,249		Former Tenant Arrears	3,195
8,683		**Total Rent Arrears**	**7,045**

5. Impairment of Debtors

In 2014/15 an impairment of £5,839,000 has been provided in the Balance Sheet for irrecoverable rents, a decrease of £1,727,000 from the provision in 2013/14.

6. Exceptional or Prior Year Adjustments

There are no exceptional or prior year adjustments not disclosed in the statement.

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 2014/15, which is set annually by the Scottish Ministers, is 47.1 pence. There is also a small supplement on the poundage rate of 1.1 pence for subjects with a rateable value greater than £35,000 to cover the additional costs of the Small Business Bonus Scheme. In addition, large retail properties with a rateable value of £300,000 or more which sell alcohol and tobacco are required to pay a Public Health Levy of 13 pence. In 2013/14, the NDR poundage rate was set at 46.2 pence and the supplement at 0.9 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

2013/14		2014/15	
£'000		**£'000**	**£'000**
(209,691)	**Gross Rates Levied and Contributions in Lieu**		**(218,913)**
	Deduct:		
24,307	Reliefs, remissions, etc.	23,896	
0	Payment of Interest	0	
1,911	Write off of uncollectable debts and allowances for impairment	1,014	24,910
(183,473)	**Net Non Domestic Rate Income**		**(194,003)**
5,602	Adjustment to previous years' National Non Domestic Rates		1,040
(177,871)	**Contribution to Non Domestic Rate Pool**		**(192,963)**
(177,084)	**Distribution from Non Domestic Rate Pool**		**(193,738)**
	Add:		
(138)	Adjustment for Statutory Additions	(365)	
			(365)
(138)			
	Less:		298
270	Charity Relief adjustment		
(176,952)	**Income credited to the Comprehensive Income and Expenditure Statement ***		**(193,805)**

* The figures above assume that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target.

Category	Number of Subjects	Rateable Value at 1 April 2015 £'000
Shops	2,098	91,862
Public Houses	166	6,739
Offices	2,104	146,497
Hotels	284	16,240
Industrial Factories, Warehouses, Stores	1,828	100,895
Leisure Entertainment, Caravans and Holiday Sites	309	12,799
Garages and Petrol Stations	204	3,744
Cultural	14	771
Sporting Subjects	50	414
Education & Training	157	29,292
Public Service Subjects	538	15,686
Communications	317	2,287
Quarries, Mines etc.	9	95
Petrochemical	2	848
Religious	133	2,393
Health / Medical	124	14,023
Other	414	4,516
Care Facilities	132	5,200
Advertising	381	421
Undertaking	7,642	1,928
Total Non Domestic Rates Subjects	**16,906**	**456,650**

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 2014/15, for Band D properties, the Council's Council Tax was frozen at £1,230.39. The full range of bandings is set out after the Council Tax Income Account.

Council Tax Income Account

2013/14 £'000		**2014/15 £'000**
(134,141)	Gross Assessments	(135,856)
(695)	Net band adjustments	(494)
(134,836)	**Council Tax Collectable**	**(136,350)**
	Deduct:	
8,672	Exemptions	9,093
62	Disabled Relief	62
12,396	Discounts	12,261
3,235	Provision for non collection	2,220
9,838	Council Tax Reduction	9,180
233	Other	201
(100,400)		**(103,333)**
	Add:	
(1,127)	Statutory Additions	1,153
(1,264)	Prior Year Adjustments	(825)
52	Write Ons	(98)
(102,739)	**Net Council Tax income for the Year**	**(103,563)**
(10)	Arrears of Community Charge (Poll Tax) recovered during the year	(4)
(102,749)	**Net Council Tax income transferred to General Fund**	**(103,567)**

The calculation of the Council Tax Base 2014/15:

	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)			5			5	5/9	3
Band A	22,092	(2,382)	22	(3,057)	(450)	16,226	6/9	10,817
Band B	28,068	(2,108)	12	(3,253)	(346)	22,374	7/9	17,402
Band C	18,669	(1,290)	(12)	(1,602)	(258)	15,508	8/9	13,785
Band D	14,580	(1,665)	6	(1,178)	(348)	11,395	9/9	11,395
Band E	14,002	(480)	(4)	(973)	(240)	12,306	11/9	15,041
Band F	8,284	(177)	10	(460)	(109)	7,548	13/9	10,903
Band G	7,287	(114)	(35)	(270)	(86)	6,782	15/9	11,303
Band H	891	(22)	(4)	(21)	(18)	827	18/9	1,654
							Total	92,303
							Contributions in Lieu	6
							Provision for Bad Debts (2.4%)	(2,215)
							Council Tax Base	90,094

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 2014/15 was £1,230.39 (2013/14 £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	6/9	820.26
27,001 – 35,000	B	7/9	956.97
35,001 – 45,000	C	8/9	1,093.68
45,001 – 58,000	D	9/9	1,230.39
58,001 – 80,000	E	11/9	1,503.81
80,001 – 106,000	F	13/9	1,777.23
106,001 – 212,000	G	15/9	2,050.65
Over 212,000	H	18/9	2,460.78

Common Good

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
Balance at 1 April 2013	**(78,097)**	**(68)**	**(78,165)**
Movement in Reserves during 2013/14			
(Surplus) or Deficit on provision of services	(21,177)	0	(21,177)
Total Comprehensive Expenditure and Income	**(21,177)**	**0**	**(21,177)**
Balance at 31 March 2014 carried forward	**(99,274)**	**(68)**	**(99,342)**
Movement in Reserves during 2014/15			
(Surplus) or Deficit on provision of services	(6,392)	0	(6,392)
Total Comprehensive Expenditure and Income	**(6,392)**	**0**	**(6,392)**
Balance at 31 March 2015	**(105,666)**	**(68)**	**(105,734)**

Comprehensive Income and Expenditure Statement

2013/14		2014/15		
Net (Income) Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
16	Official Catering	17	0	17
81	Administration Costs	108	0	108
1,216	Donations, Grants, Contributions etc.	1,293	0	1,293
373	Civic Hospitality	441	0	441
0	Civic Expenditure	0	0	0
84	Funding of International Budget	73	0	73
113	Christmas Illuminations & Festivities	104	0	104
218	Civic Administration Unit	216	0	216
83	Other Projects	82	0	82
304	Miscellaneous Expenditure	497	0	497
4	Greenfern Master plan	318	0	318
50	Youth Activity Funding	0	0	0
0	Exhibitions, Displays and Galas	0	0	0
68	Duthie Park HLF	102	0	102
2,610	**Cost Of Services**	**3,251**	**0**	**3,251**
	Other Operating Expenditure:			
(1,391)	Gains/losses on the disposal of non current assets			(4,554)
	Financing and Investment Income and Expenditure:			
(2,222)	Investment property income & expenditure			(2,897)
(159)	Interest receivable and other investment income			(160)
(1,162)	**(Surplus) or Deficit on Provision of Services**			**(4,360)**
(20,015)	(Surplus) or Deficit on revaluation of investment property			(2,032)
(21,177)	**Total Comprehensive Income and Expenditure**			**(6,392)**

Balance Sheet

31 March 2014 £'000		31 March 2015 £'000
88,526	Investment Property	90,558
88,526	**Long Term Assets**	**90,558**
10,693	Investments in Aberdeen City Council Loans Fund	15,021
136	Investment Property Held for Sale	136
472	Short Term Debtors	464
11,301	**Current Assets**	**15,621**
(485)	Short Term Creditors	(445)
(485)	**Current Liabilities**	**(445)**
99,342	**Net Assets**	**105,734**
(99,274)	Common Good Fund	(105,666)
(68)	Reserve Fund	(68)
(99,342)	**Total Reserves**	**(105,734)**

Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 26 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

The property portfolio was valued internally by Stephen Booth, 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 evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

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 2015 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. In recent years, the numbers of charities has reduced due to re-organisation in consultation with the Office of the Scottish Charity Regulator (OSCR), to rationalise the number of funds held and streamline their administration through a scheme of amalgamation. 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 Chris Anderson Trust and the Aberdeen International Youth Festival Trust.

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 (31%) and the Lands of Torry Trust (51%).

Reorganisation work is ongoing in relation to the John Murdoch Henderson Trust (part of SC025063, EEIF) through the adoption of a revised constitution as agreed by OSCR.

Movement in Funds

Charity	Balance as at 31 March 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
EEIF	(163)		(10)	(3)	1	(175)
Educational Trusts	0					0
Guildry	(2,535)	(135)	(8)	(14)	22	(2,670)
Bridge of Don	(1,360)		(6)	(5)	12	(1,359)
Bridge of Dee	(35)				1	(34)
Alexander MacDonald Bequest	(32)				1	(31)
Aberdeen Art Gallery Trust	(46)				1	(45)
Lands of Skene	(1,196)		(6)	(50)	50	(1,202)
Lands of Torry	(1,034)		(18)	(128)	128	(1,052)
McBey Trust	(832)			(8)	13	(827)
Charitable Trusts	0					0
Miscellaneous Trusts	0					0
Total - Charitable Trusts	**(7,233)**	**(135)**	**(48)**	**(208)**	**228**	**(7,396)**

Non Charity	Balance as at 31 March 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
Educational Trusts	(1,013)		(17)	(63)	63	(1,030)
Endowment Funds						
- Educational	(975)		(76)	(19)		(1,070)
- Social Work	0					0
Guildry	(136)	135				(1)
Arts & Heritage	(74)			(1)	1	(74)
Graveyards	(27)				2	(25)
Monuments	(7)					(7)
John Rickart	(55)			(1)	1	(55)
Lands of Elsick	(3)			0		(3)
Total - Non Charitable Trusts	**(2,290)**	**135**	**(93)**	**(84)**	**67**	**(2,265)**
Total	**(9,523)**	**0**	**(141)**	**(292)**	**295**	**(9,661)**

Investment of Funds

* Charitable Trusts 2013/14 £'000	* Non Charitable Trusts 2013/14	* Total 2013/14 £'000		Charitable Trusts 2014/15 £'000	Non Charitable Trusts 2014/15 £'000	Total 2014/15 £'000
			Invested in:			
4,563	0	4,563	Land & Buildings	4,617	0	4,617
106	771	877	Equities – Listed	115	844	959
5	36	41	Gilt Edged Securities	5	39	44
2,118	1,547	3,665	Council Loans Fund	2,249	1,451	3,700
400	0	400	Other Investments	400		400
55	(1)	54	Debtors	53		53
(14)	(64)	(78)	Creditors	(44)	(68)	(112)
7,233	**2,289**	**9,522**		**7,395**	**2,266**	**9,661**
(4,895)	(1,786)	(6,681)	Unrestricted Funds	(5,024)	(1,687)	(6,711)
	(501)	(501)	Endowment Funds	(118)	(577)	(695)
(2,338)	0	(2,338)	Designated Funds – Common Good Fund	(2,253)	0	(2,253)
0	(2)	(2)	Designated Funds – Grampian Health Board		(2)	(2)
(7,233)	**(2,289)**	**(9,522)**		**(7,395)**	**(2,266)**	**(9,661)**

* Figures have been restated to reflect the charities recognised by OSCR

Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 26 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

The property portfolio was valued internally by Stephen Booth, 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 34) £'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 2013	**(136,986)**	**(968,938)**	**(1,105,924)**	**(84,485)**	**(1,190,409)**
Movement in Reserves during 2013/14					
(Surplus) or deficit on provision of services *	21,865	0	21,865	28,125	49,990
Other Comprehensive Income and Expenditure *	0	(109,062)	(109,062)	(14,632)	(123,694)
Total Comprehensive Income and Expenditure	**21,865**	**(109,062)**	**(87,197)**	**13,493**	**(73,704)**
Adjustments between Group and Council accounts	28,200		28,200	(28,203)	(3)
Net Increase /Decrease before Transfers	**50,065**	**(109,062)**	**(58,997)**	**(14,710)**	**(73,707)**
Adjustments between accounting basis & funding basis under regulations	(29,909)	29,909	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	**20,156**	**(79,153)**	**(58,997)**	**(14,710)**	**(73,707)**
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0	0	0
Increase/Decrease in Year	**20,156**	**(79,153)**	**(58,997)**	**(14,710)**	**(73,707)**
Balance at 31 March 2014 carried forward	**(116,831)**	**(1,048,091)**	**(1,164,922)**	**(99,195)**	**(1,264,116)**
Movement in Reserves during 2014/15	9,236		9,236	(2,954)	6,282
(Surplus) or deficit on provision of services	0	(35,440)	(35,440)	847	(34,593)
Other Comprehensive Income and Expenditure	0	0	0	0	0
Total Comprehensive Income and Expenditure	**9,236**	**(35,440)**	**(26,203)**	**(2,107)**	**(28,311)**
Adjustments between Group & Council accounts			0	0	0
Net Increase/Decrease before Transfers	**9,236**	**(35,440)**	**(26,203)**	**(2,107)**	**(28,311)**
Adjustments between accounting basis & funding basis under regulations	(28,614)	28,614	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	**(19,378)**	**(6,826)**	**(26,203)**	**(2,107)**	**(28,311)**
Transfers to/from Earmarked Reserves & Statutory Reserves	8,183	(8,183)	0	0	0
Increase/Decrease in Year	**(11,195)**	**(15,009)**	**(26,203)**	**(2,107)**	**(28,311)**
Balance at 31 March 2015	**(128,026)**	**(1,063,101)**	**(1,191,127)**	**(101,300)**	**(1,292,427)**

Group Comprehensive Income and Expenditure Statement

2013/14			2014/15		
Net Expenditure 1 April 2013 £'000	Net Expenditure 31 March 2014 £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,705	(3,116)	Central Services to the Public	5,693	(3,533)	2,160
35,288	33,249	Cultural and Related Services	56,531	(21,690)	34,841
214,766	172,066	Education Services	192,054	(10,543)	181,511
27,842	30,372	Environmental Services	42,253	(11,529)	30,724
17,239	20,890	Housing Services	182,363	(155,375)	26,988
9,641	14,423	Planning and Development Services	16,787	(7,681)	9,106
16,617	18,705	Roads and Transport Services	34,355	(15,433)	18,922
136,498	135,570	Social Work Services	173,197	(37,600)	135,597
7,593	7,986	Corporate and Democratic Core	8,527	1,167	9,694
6,400	8,228	Non Distributed Costs	13,415	1,347	14,762
29,705	1,463	Joint Boards	1,433		1,433
0	0	Exceptional Items			0
503,294	**439,836**	**Cost Of Services**	**726,608**	**(260,870)**	**465,738**
(4,320)	23,591	Other Operating Expenditure			(11,486)
28,975	30,491	Financing and Investment Income and Expenditure (note vi)			21,187
(477,355)	(444,173)	Taxation and Non-Specific Grant Income			(469,496)
50,594	**49,745**	**(Surplus) or Deficit on Provision of Services**	**726,608**	**(260,870)**	**5,943**
404	246	Share of (Surplus) or Deficit on the provision of services by associates and joint ventures			343
50,998	**49,991**	**Group (Surplus) / Deficit (note 17)**			**6,286**
1,451	(37,973)	Surplus or deficit on revaluation of non current assets			(71,040)
213	62	Surplus or deficit on revaluation of available for sale financial assets			233
28,109	(84,771)	Actuarial gains / losses on pension assets / liabilities			36,277
(82)	(1,013)	Share of other comprehensive expenditure and income of associates and joint ventures			(63)
29,691	**(123,695)**	**Other Comprehensive Income and Expenditure**			**(34,593)**
80,689	**(73,704)**	**Total Comprehensive Income and Expenditure**			**(28,307)**

Group Balance Sheet

1 April 2013 £'000	31 March 2014 £'000		31 March 2015 £'000
1,825,865	1,791,359	Property, Plant and Equipment (note xi)	1,817,555
155,872	175,629	Investment Property (note xii)	177,792
388	180	Intangible Assets	80
20,038	12,344	Long Term Investments and/or Investments in Associates and Joint Ventures	20,288
150,715	151,881	Heritage Assets	171,370
9,416	13,987	Long Term Debtors	22,121
2,162,294	**2,145,380**	**Long Term Assets**	**2,209,206**
20,341	33,276	Short Term Investments	40,199
1,912	1,937	Inventories	2,323
66,543	59,379	Short Term Debtors	54,758
38,923	21,489	Cash and Cash Equivalents	47,683
5,867	2,342	Assets held for sale	3,548
133,586	**118,423**	**Current Assets**	**148,511**
(306)	0	Cash and Cash Equivalents	(107)
(118,499)	(109,266)	Short Term Borrowing	(77,217)
(66,453)	(65,417)	Short Term Creditors	(89,275)
(2,929)	(5,899)	Provisions	(3,698)
(2,728)	(2,488)	PPP Short Term Liabilities	(1,773)
(2,529)	(5,223)	Capital Grants Receipts in Advance	(752)
(1,054)	(1,540)	Revenue Grants Receipts in Advance	(1,120)
(8,682)	(8,009)	Other Short Term Liabilities	(7,508)
(203,180)	**(197,842)**	**Current Liabilities**	**(181,450)**
(59)	0	Long Term Creditors	(453)
(5,511)	(3,584)	Provisions	(3,371)
(460,805)	(435,192)	Long Term Borrowing	(469,812)
(1,969)	(1,201)	Liabilities in Associates and Joint Ventures	(1,481)
(110,230)	(107,836)	PPP Long Term Liabilities	(106,062)
0	0	Other Long Term Liabilities	0
(323,723)	(254,032)	Pension Liabilities	(302,661)
(902,297)	**(801,845)**	**Long Term Liabilities**	**(883,840)**
1,190,403	**1,264,116**	**Net Assets**	**1,292,427**

Group Balance Sheet

1 April 2013 £'000	31 March 2014 £'000		31 March 2015 £'000
(136,986)	(116,831)	Usable Reserves	(128,025)
(968,938)	(1,048,091)	Unusable Reserves	(1,063,102)
17,711	30,678	Group - Usable Reserves	33,129
(102,190)	(129,872)	Group - Unusable Reserves	(134,429)
(1,190,403)	**(1,264,116)**	**Total Reserves**	**(1,292,427)**

* 1 April 2013 figures represent the impact of the removal of Police and Fire following their transfer from local to central government on this date.

Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 24 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

Group Cash Flow

31 March 2014 £'000		31 March 2015 £'000
(49,991)	Net surplus or (deficit) on the provision of services	(6,286)
148,902	Adjust net surplus or deficit on the provision of services for non cash movements	137,464
(35,322)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(51,613)
63,589	Net cash flows from Operating Activities (Note vii)	**79,565**
(48,170)	Net cash flows from Investing Activities (note viii)	(60,410)
(32,548)	Net Cash flows from Financing Activities (note ix)	6,932
(17,129)	Net increase or decrease in cash and cash equivalents	**26,087**
38,618	Cash and cash equivalents at the beginning of the reporting period	21,489
21,489	**Cash and cash equivalents at the end of the reporting period (note x)**	**47,576**

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 2015, 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, Mountwest 343 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 2014 to 31 March 2015, with the exception of ASV Ltd, whose accounting year end is 31 July, in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the annual accounts produced at 31 March 2014, 31 July 2014 and 31 March 2015. 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%, Mountwest 343 Limited 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. The Joint Venture with the University of Aberdeen is in Aberdeen Sports Village Limited 50%.

Subsidiaries

<u>Aberdeen Exhibition and Conference Centre Limited (AECC)</u>

AECC is wholly owned and controlled by Aberdeen City Council who are represented on the board of directors. The Council holds a 100% shareholding, comprising 28,065,000 £1 ordinary shares fully paid up, in Aberdeen Exhibition and Conference Centre Limited (AECC) to conduct of exhibitions, conferences and other events.

<u>Common Good</u>

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.

<u>Trust Funds</u>

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

<u>Sport Aberdeen</u>

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 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.

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 Sportscotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £101.3 million (increase of £99.2 million in 2013/14).

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 2013/14	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	152	(26,719)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	0	(1,210)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	99,344	21,178	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,292	264	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	527	844	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(8,195)	(8,195)	Archibald Simpson House,King Street,Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(426)	(426)	Archibald Simpson House,King Street,Aberdeen, AB24 5AA
Joint Ventures					
Aberdeen Sports Village Limited	50	50	21,670	(201)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Valuation Joint Board	39	39	(3,080)	1,969	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

For the financial year 2014/15	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	1,648	(201)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	0	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	105,736	6,392	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,408	113	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(1,380)	(1,906)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(10,219)	(2,024)	Archibald Simpson House,King Street,Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(411)	14	Archibald Simpson House,King Street,Aberdeen, AB24 5AA
Joint Ventures					
Aberdeen Sports Village Limited	50	50	21,204	(467)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Valuation Joint Board	39	39	(3,798)	(718)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

Note v Non-Material Interest in Other Entities

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

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole guarantor. Control of the Company rests with the Board of Directors which is independent from Aberdeen City Council. The Council is entitled to appoint 2 out of 10 directors i.e. 20% of the Board. In the event that AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2015, AH&P Ltd made a profit of £437,047 (a profit of £207,472 in 2013/14) and the net assets of the company were £1,467,088 (£1,030,041 in 2013/14). Turnover was £2,940,346 (£2,467,086 in 2013/14). The accounts for 2014/15 are subject to audit. Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2014/15, Aberdeen City Council contributed £122,000 (£122,000 in 2013/14) 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 2014/15 show a deficit of £2,000 (surplus of £2,000 2013/14) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2014, net assets amounted to £316,395 (£316,812 in 2012/13) with a loss for the year of £417(surplus of £1,028 in 2012/13). The accounts for 2014/15 are being prepared. It is anticipated that there will be no significant changes as at March 2015. 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 SPDA prevents it from retaining a surplus and reserves. In 2014/15, Aberdeen City Council contributed £60,237 (£67,121 in 2013/14) towards the costs of the organisations.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2014/15, Aberdeen City Council contributed £224,308 (£124,108 2013/14) towards the cost of these services. This represents Aberdeen City Council's share at 3.90%.

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

2013/14 £'000		2014/15 £'000
35,248	Interest payable and similar charges	31,202
12,785	Pensions interest cost and expected return on pensions assets	10,129
(875)	Interest receivable and similar income	(1,133)
(8,494)	Income and expenditure in relation to investment properties and changes in their fair value	(10,615)
(8,173)	Other investment income	(8,396)
30,491	**Total**	**21,187**

Note vii Cash Flow Statement – Group Operating Activities

2013/14 £'000		2014/15 £'000
(49,991)	Net surplus or (deficit) on the provision of services	(6,286)
(49,991)		**(6,286)**
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
70,408	Depreciation	69,052
24,570	Impairment, downward revaluations & non sale derecognitions	32,723
(25)	(Increase)/Decrease in Stock	(386)
352	(Increase)/Decrease in Debtors	(4,676)
0	Increase/(Decrease) in impairment provision for bad debts	0
8,319	Increase/(Decrease) in Creditors	16,729
7,373	Payments to Pension fund	11,407
38,397	Carrying amount of non current assets sold	20,447
0	Carrying amount of written off assets	0
1,817	Contributions to Other Reserves / Provisions	(1,720)
(2,081)	Movement in value of investment properties	(3,069)
0	Assets held for sale movement	0
208	Amortisation of intangible assets	100
(436)	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(3,143)
148,902		**137,464**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(22,763)	Receipt of Capital Grants and Contributions	(35,124)
(12,559)	Proceeds from the sale of PP&E, investment property and intangible assets	(16,489)
(35,322)		**(51,613)**
63,589	**Net cash flows from operating activities**	**79,565**

Note viii Cash Flow Statement – Group Investing Activities

(78,665)	Purchase of property, plant and equipment, investment property and intangible assets	(97,250)
(4,831)	Purchase of short term and long term investments	(14,731)
0	Other payments for investing activities	
12,981	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,985
(422)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(497)
0	Proceeds from short term and long term investments	(34)
22,763	Capital grants and contributions received	35,124
4	Other receipts from investing activities	(7)
(48,170)	**Net cash flows from investing activities**	**(60,410)**

Note ix Cash Flow Statement – Group Financing Activities

2013/14 £'000		2014/15 £'000
0	Cash receipts of short term and long term borrowing	0
(25)	Other receipts from financing activities	(25)
(29,661)	Repayments of short term and long term borrowing	9,503
(2,862)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet	(2,546)
0	Other payments for financing activities	0
(32,548)	**Net cash flows from investing activities**	**6,932**

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 2014 £'000		31 March 2015 £'000
42	Cash held by officers	42
21,447	Bank current accounts	47,534
21,489	**Total cash and cash equivalents**	**47,576**

Note xi Group Property, Plant and Equipment

Movements on Balances

Comparative Movements in 2013/14:

	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 2013	**808,870**	**900,854**	**72,131**	**191,110**	**21,359**	**39,316**	**16,161**	**2,049,801**	**156,074**
Additions	35,941	10,280	7,915	7,895	1,010	181	15,215	**78,437**	0
Revaluations	(23,078)	6,795	0	0	0	(2,685)	0	**(18,968)**	0
Derecognition / Disposals	(4,340)	(41,769)	(3,336)	0	0	(600)	0	**(50,045)**	0
Transfers	(1,354)	1,523	0	0	0		(1,523)	**(1,354)**	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**	0
At 31 March 2014	**816,039**	**877,683**	**76,710**	**199,005**	**22,369**	**36,212**	**29,853**	**2,057,871**	**156,074**
Accumulated Depreciation and Impairment									
At 1 April 2013	**(77,644)**	**(35,111)**	**(42,632)**	**(66,300)**	**0**	**(2,248)**	**0**	**(223,935)**	**(11,480)**
Depreciation charge	(29,071)	(24,583)	(9,871)	(6,344)	0	(539)	0	**(70,407)**	(4,318)
Depreciation & Impairment written out	112	10,279	0	0	0	159	0	**10,550**	0
Derecognition / Disposals	548	13,905	2,821	0	0	6	0	**17,281**	0
Transfers	0	0	0	0	0	0	0	**0**	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2014	**(106,055)**	**(35,510)**	**(49,682)**	**(72,644)**	**0**	**(2,622)**	**0**	**(266,511)**	**(15,798)**
Net Book Value									
At 31 March 2014	**709,984**	**842,173**	**27,028**	**126,361**	**22,369**	**33,590**	**29,853**	**1,791,360**	**140,276**
At 31 March 2013	**731,226**	**865,743**	**29,499**	**124,810**	**21,359**	**37,068**	**16,161**	**1,825,866**	**144,594**

Group Property, Plant and Equipment

Movements in 2014/15:

	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 2014	**816,039**	**877,685**	**76,709**	**199,005**	**22,369**	**36,212**	**29,853**	**2,057,872**	**156,074**
Additions	36,755	8,165	10,770	11,738	936	246	28,621	**97,231**	0
Revaluations	(22,914)	20,771				(2,132)		**(4,275)**	33,513
Derecognition / Disposals	(5,474)	(1,023)	(19,743)			(10,836)	(435)	**(37,511)**	(2,643)
Transfers	826	3,526				(2,730)	(3,525)	**(1,903)**	0
Other movements in Cost or Valuation								**0**	0
At 31 March 2015	**825,232**	**909,124**	**67,736**	**210,743**	**23,305**	**20,760**	**54,514**	**2,111,414**	**186,944**
Accumulated Depreciation and Impairment									
At 1 April 2014	**(106,055)**	**(35,510)**	**(49,682)**	**(72,644)**	**0**	**(2,623)**	**0**	**(266,514)**	**(15,798)**
Depreciation charge	(30,569)	(24,296)	(6,958)	(6,720)		(506)		**(69,049)**	(4,318)
Depreciation & Impairment written out	130	17,907				2,933		**20,970**	12,057
Derecognition / Disposals	918	110	19,701			6		**20,735**	0
Transfers								**0**	0
Other movements in Depreciation and Impairment								**0**	0
At 31 March 2015	**(135,576)**	**(41,789)**	**(36,939)**	**(79,364)**	**0**	**(190)**	**0**	**(293,858)**	**(8,059)**
Net Book Value									
At 31 March 2015	**689,656**	**867,335**	**30,797**	**131,379**	**23,305**	**20,570**	**54,514**	**1,817,555**	**178,885**
At 31 March 2014	**709,984**	**842,173**	**27,028**	**126,361**	**22,369**	**33,590**	**29,853**	**1,791,360**	**140,276**

Note xii Investment Properties

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

	2013/14 £'000	2014/15 £'000
Rental and interest income from investment property	(10,303)	(10,619)
Expenses arising from investment property	3,542	2,936
Revaluation (gains)/losses	(2,322)	(3,123)
Net (gain)/loss	**(9,083)**	**(10,806)**

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

	2013/14 £'000	2014/15 £'000
Balance at start of the year	155,872	175,629
Additions:		
• Purchases	124	2
• Construction	0	
• Subsequent expenditure	0	
Disposals	(2,159)	(2,971)
Net gains/losses from fair value adjustments	21,792	5,131
Transfers:	0	
• to/from Inventories	0	
• to/from Property, Plant and Equipment	0	
Other changes		
Balance at end of the year	**175,629**	**177,792**

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2014 and 2015 are as follows:

	Loans		Debtors		Creditors	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
AECC	0	0	0	23	(348)	0
Mountwest 343 Limited	0	0	109	0	0	0
Bon Accord Care Ltd	(1,387)	(1,558)	0	0	0	(23)
Bon Accord Support Services Ltd	(830)	(475)	0	0	0	(1,974)
Sport Aberdeen	(2,800)	(2,970)	0	13	0	(192)
Common Good	(2,653)	(6,980)	0	0	0	0
Trust Funds	(3,472)	(3,458)	0	0	0	0
	(11,142)	**(15,441)**	**109**	**36**	**(348)**	**(2,189)**

Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Education, Cultural and Related, Planning and Development, Housing and Social Work Services, and Corporate & Democratic Core.

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

2013/14				
Associates	**Share of Operating (surplus)/deficit £'000**	**Total Assets £'000**	**Total Liabilities £'000**	**Net Assets /Liabilities £'000**
Grampian Valuation Joint Board	145	591	(1,792)	(1,201)
Associates Total	**145**	**591**	**(1,792)**	**(1,201)**
Joint Venture				
Aberdeen Sports Village Limited	101	24,063	(13,228)	10,835
Joint Ventures Total	**101**	**24,063**	**(13,228)**	**10,835**
2014/15				
Associates	**Share of Operating (surplus)/deficit £'000**	**Total Assets £'000**	**Total Liabilities £'000**	**Net Assets /Liabilities £'000**
Grampian Valuation Joint Board	110	661	(2,142)	(1,481)
Associates Total	**110**	**661**	**(2,142)**	**(1,481)**
Joint Venture				
Aberdeen Sports Village Limited	234	26,120	(15,518)	10,602
Joint Ventures Total	**234**	**26,120**	**(15,518)**	**10,602**

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

Aberdeen Exhibition and Conference Centre Limited (AECC) operate a defined contribution pension scheme for employees where assets of the scheme are held separately from those of the Group. Contributions are charged to the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The pension costs for the year are £230,893 (£169,780 in 2013/14).

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £1,946,000 (£1,266,000 in 2013/14).

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. The pension deficit for the year is £2,024,000 and £33,000 respectively (£8,195,000 and £42,000 respectively in 2013/14).

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 are £75,927 (£36,794 in 2013/14).

Associates

Grampian Valuation Joint Board participates in the Local Government Pension Scheme administered by ACC.

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

	2013/14 £'000	**2014/15 £'000**
Grampian Valuation Joint Board	97	65
Total	**97**	**65**

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'.

	2013/14 £'000	**2014/15 £'000**
ACC	(244,529)	(289,155)
Share of Associates		
Grampian Valuation Joint Board	(1,563)	(1,836)
Total	**(246,092)**	**(290,991)**

Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeen City Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Loans Fund, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, National Non-domestic Rates Accounts, Council Tax Income Accounts, Common Good, the Trust Funds and Endowments and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of Aberdeen City Council as at 31 March 2015 and of the income and expenditure of the group and the council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Stephen Boyle
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

29 September 2015

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 finance 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 2014/15.*

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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ABERDEEN
CITY COUNCIL

Aberdeen City Council
Charitable Trusts

Annual Report and Financial Statements

For the year ended
31 March 2015

Registered Numbers:

Guildry - SC011857
Bridge of Don Fund - SC018551
Alexander MacDonald's Bequest - SC018568
Bridge of Dee Fund - SC021297
Aberdeen Art Gallery Trusts - SC018575
Lands of Skene – SC018533
Lands of Torry – SC021299
Education Endowment Investment Funds (EEIF) – SC025063

Aberdeen City Council Charitable Trusts
Trustees Annual Report 2014/15

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

Aberdeen City Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet, although under s222 of the Local Government (Scotland) Act 1973, the property of the Charitable Trusts "vest(s) in" the relevant local authority. However they are included in the Annual Accounts of the Council and its group.

Reference and administration details

At the end of the year the Council acts as sole trustee for 8 trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The charity names, charity numbers, purposes of the charities, and where available details of governing document for the charities covered by this report are given in Appendix 1 of this document.

Principal Address

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

Auditor

Stephen Boyle,
Assistant Director,
Audit Scotland,
4th Floor South Suite,
8 Nelson Mandela Place,
Glasgow
G2 1BT

Secretary
Jane MacEachran (resigned April 2015),
Craig Innes (appointed April 2015, resigned August 2015),
Fraser Bell (appointed August 2015)
Head of Legal & Democratic Services,
Aberdeen City Council

Treasurer
Steven Whyte, CPFA
Head of Finance,
Aberdeen City Council.

Trustees

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

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

Lord Provost George Adam (Chairperson)
Councillor Yvonne Allan
Councillor Kirsty Blackman
Councillor Marie Boulton
Councillor David Cameron
Councillor Scott Carle
Councillor Neil Cooney
Councillor John Corall
Councillor Bill Cormie
Councillor Barney Crockett
Councillor Steve Delaney
Councillor Graham Dickson
Councillor Alan Donnelly
Councillor Jackie Dunbar
Councillor Lesley Dunbar
Councillor Andrew Finlayson
Councillor Fraser Forsyth
Councillor Gordon Graham
Councillor Ross Grant
Councillor Martin Greig
Councillor Len Ironside CBE
Councillor Muriel Jaffrey
Councillor James Kiddie
Councillor Jenny Laing
Councillor Graeme Lawrence
Councillor Neil MacGregor
Councillor M. Tauqeer Malik
Councillor Aileen Malone
Councillor Andrew May
Councillor Callum McCaig
Councillor Ramsay Milne
Councillor Jean Morrison MBE
Councillor Nathan Morrison
Councillor Jim Noble
Councillor John Reynolds
Councillor Gill Samarai
Councillor Jennifer Stewart
Councillor Sandy Stuart
Councillor Angela Taylor
Councillor Ross Thomson
Councillor Gordon Townson
Councillor Willie Young
Councillor Ian Yuill

All Trustees have served for the whole of the financial year to 31 March 2015.

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

It should be noted that Councillors Kirsty Blackman and Callum McCaig resigned as local Councillors in May 2015.

Structure, governance and management

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

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

Risk

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

Objectives and activities

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

Bridge of Don Fund

The Fund, more properly known as the Brig O' Balgownie Trust Fund, was set up in 1605 and its original purpose was for the "repair and upholding of the Brig O' Balgownie". The most recent counsel opinion obtained in 1970 stated that the Council must, in the first instance, retain sufficient funds to discharge the primary objects of the trust, that is the repair and maintenance of the bridge itself, but thereafter they would be free to apply any surplus monies for certain other purposes.

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

Bridge of Dee Fund

This fund was established in the 16th Century for the support, maintenance, reparation and when it is necessary the re-building of the new stone bridge over the River Dee.

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

Alexander MacDonald's Bequest

This fund was established in 1884 for the purchase of works of art for the Aberdeen Art Gallery and Museum collection following the death of Mr MacDonald.

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

Aberdeen Art Gallery Trusts

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

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

Guildry

The Guildry was formed 800 years ago, giving merchants of Aberdeen considerable powers within the town of Aberdeen. Over time that power has diminished and the membership is no longer restricted to merchants. Today the Guildry exists for the promotion of the City of Aberdeen. The governance of the Guildry was last updated by a Court of Session decision in 1996 and the Guildry is currently working on drafting a revised constitution to enable participation in a wider range of charitable activities.

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

Lands of Skene

The Lands of Skene goes back to 1710 when the east half of the Lands of Skene was purchased on behalf of certain accounts. This was followed in 1712 by the purchase of the west half. Two feuing schemes were carried out in 1789 and 1816 and the land now remaining is known as the Lands of Easter Carnie.

The free revenue from the Lands of Skene is split between the following:
Guildry Funds – 40%
Bridge of Don Trust – 30%
Common Good Fund – 30%

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

Lands of Torry

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

The free revenue from the Lands of Torry is split between the following:
Duncan Liddel's Mortification – Professor of Mathematics – 25%
Duncan Liddel's Mortification – Library of College – 2%
James Cargill's Mortification – Bursary Fund – 10%
Patrick Copland's Mortification – Professor of Divinity – 12%
Common Good Fund – 51%

Education Endowment Investment Funds (EEIF)

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

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

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

While reviewing records as part of the Council's reorganisation of charitable trusts, OSCR advised that only a small number of trusts previously reported as part of the EEIF were actually registered as charities. Only accounts in relation to these registered charities are contained in this document. A review will take place of all trusts that were previously reported as part of the EEIF to consider a reorganisation in consultation with OSCR.

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

Future plans

A revised constitution for the Guildry is currently being drafted to enable the trust funds to be used for a wider range of charitable purposes. The EEIF is currently being reviewed in anticipation of a reorganisation by the adoption of a revised constitution which will enable trust funds to be used for a wider range of purposes than currently allowed by existing governance documentation. A request to reorganise the John Murdoch Henderson Bequest by the adoption of a revised constitution has been approved by OSCR in April 2015 and approved by Trustees in a Full Council meeting on 13th May 2015. Discussions are ongoing with OSCR in relation to a potential reorganisation of the Bridge of Don and the Bridge of Dee trusts.

Financial Review

The following financial statements for all of the Charitable Trusts have been prepared using the connected charities provision.

They show the income and expenditure for the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

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

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

Reserves Policy

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

STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Trustees are responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 and the provisions of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed on behalf of the Trustees on 29th September 2015

……………………………………………

Appendix 1

Charity Name, Number and Purpose

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

APPENDIX 2

EEIF Charitable Trusts

EEIF charitable Trusts

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

Aberdeen City Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2015

	Note	Unrestricted Funds 2014/15 £'000s	Restricted Funds 2014/15 £'000s	Endowment Funds 2014/15 £'000s	Total Funds 2014/15 £'000s	Total Funds 2013/14 £'000s
Incoming resources						
Incoming resources from generated funds						
Voluntary income	2	135	-	-	135	50
Investment Income	3	28	-	-	28	22
Rent from Land & Buildings	4	164	-	-	164	153
Total incoming resources		327	-	-	327	224
Resources expended						
Charitable activities	5	137	-	-	137	140
Governance costs	6	50	-	-	50	29
Property Costs	5	20	-	-	20	9
Total resources expended		207	-	-	207	177
Net incoming/(outgoing) resources before other recognised gains and losses		121	-	-	121	47
Other recognised gains/(losses)						
Gains/(losses) on investment assets		54	-	10	64	1,005
Net movement in funds		175	-	10	185	1,052
Reconciliation of funds						
Total funds brought forward		7,288	-	108	7,396	6,344
Total funds carried forward		**7,463**	**-**	**118**	**7,581**	**7,396**

Aberdeen City Council Charitable Trusts
Balance Sheet as at 31 March 2015

	Note	2015 £'000s	2014 £'000s
Fixed assets			
Gilts		5	5
Equities		115	106
Tangible Assets	7	4,617	4,563
Total fixed assets		4,737	4,674
Current assets			
Stocks and work-in-progress		1	1
Debtors	8	52	54
Investments - City of Aberdeen Loans Fund	9	2,439	2,291
Cash at bank - Guildry Investment Account		400	400
Total current assets		2,892	2,747
Liabilities			
Creditors: Amounts falling due within one year	10	(48)	(25)
Net current assets/(liabilities)		2,844	2,722
Net asset/(liabilities)		**7,581**	**7,396**
The funds of the charity			
Endowment funds		118	108
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,253	2,230
Dr Duncan Liddel's Mortification - Professor of Mathematics		520	511
Dr Duncan Liddel's Mortification - Library of College		26	26
James Cargill Mortification - Bursary Fund		212	208
Patrick Copland's Mortification - Professor of Divinity		254	250
Unrestricted funds		4,197	4,063
Total unrestricted funds		**7,463**	**7,288**
Total charity funds		**7,581**	**7,396**

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the Trustees on 29th September 2015 and signed on their behalf by:

…………………………………………

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

1 - Accounting policies

Accounting convention

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

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) issued in March 2005, and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

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

Going concern

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

Recognition of revenue and expenditure

All income and expenditure due to be paid or received in respect of the year ended 31 March 2015 has been provided for within these accounts.

Incoming resources

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

1 - Accounting policies (continued)

Resources expended

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis on the basis of the size of the fund.

Governance costs include those costs incurred in the governance of the charity and its assets, and are primarily associated with constitutional and statutory requirements.

Funds

Unrestricted funds include incoming resources receivable or generated for the objectives of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustees.

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

Endowment funds represent those Assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objectives of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. These funds are to be used in accordance with the specific restrictions imposed by donors.

Taxation

The Trusts are recognised by HM Revenue and Customs as charities and as a consequence of the tax reliefs available, income is not liable to taxation.

1 - Accounting policies (continued)

Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

Trustee Remuneration and Staff Costs

The Trusts have no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

Interest & Management Charges

Interest & Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charities during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

Stock Policy

Stock consists of goods purchased for distribution to new members on their entry to the Guildry. Stocks are valued at the lower of cost or net realisable value.

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

	2015 £'000s	2014 £'000s
2 VOLUNTARY INCOME		
Donations and gifts	135	50
3 INVESTMENT INCOME		
Interest receivable	28	22
4 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES		
Rent from Land and Buildings	164	153
5 CHARITABLE ACTIVITIES		
Donations and expenditures	6	9
Payments to Beneficiaries:		
Common Good Fund	69	69
Dr Duncan Liddel's Mortification - Professor of Mathematics	32	32
Dr Duncan Liddel's Mortification - Library of College	2	2
James Cargill Mortification - Bursary Fund	13	13
Patrick Copland's Mortification - Professor of Divinity	16	16
Property costs	20	9
	157	148
6 GOVERNANCE COSTS		
Administration costs	40	23
Audit Fee	10	6
	50	29

	2015 £'000s	2014 £'000s
7 TANGIBLE FIXED ASSETS		
Market Value at 1 April	4,563	4,321
Net investment gains	54	241
Market Value at 31 March	4,617	4,563
8 DEBTORS		
Prepayments & accrued income	51	54
9 INVESTMENTS HELD AS CURRENT ASSETS		
Aberdeen City Council Loan Funds	2,439	2,291
10 CREDITORS: Amounts falling due within one year		
Accruals and deferred income	36	13
Short Term Loan - Aberdeen City Council	12	11
	48	25

11 ANALYSIS OF NET ASSETS IN FUNDS

	Tangible fixed assets £'000s	Net assets/ (liabilities) £'000s	Total 2015 £'000s	Total 2014 £'000s
Unrestricted funds	4,737	2,844	7,581	7,396

12 CONTROLLING INTEREST

Each charity is under the control of its trustees.

	2015 £'000s	2014 £'000s
13 RELATED PARTY TRANSACTIONS	29	19

The trusts also have funds deposited with Aberdeen City Council Loans Fund as detailed in note 9.

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2015

14 Analysis of Charitable Trusts

Individual Trust Balances

	Charity Number	Balance as at 1 April 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
EEIF	SC025063	(163)	-	(10)	(3)	1	(175)
Guildry	SC011857	(2,535)		(8)	(149)	22	(2,670)
Bridge of Don	SC018551	(1,360)	-	(6)	(5)	12	(1,359)
Bridge of Dee	SC021297	(35)	-	-	-	1	(34)
Alexander MacDonald Bequest	SC018568	(32)	-	-	-	1	(31)
Aberdeen Art Gallery Trust	SC018575	(46)	-	-	-	1	(45)
Lands of Skene	SC018533	(3,986)	-	(19)	(50)	50	(4,005)
Lands of Torry	SC021299	(2,029)	-	(35)	(128)	128	(2,064)
Total - Charitable Trusts		**(10,186)**	**-**	**(78)**	**(335)**	**215**	**(10,384)**

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

Individual Trust Balances after adjusting for intra trust transactions

	Charity Number	Balance as at 1 April 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
EEIF	SC025063	(163)	-	(10)	(3)	1	(175)
Guildry	SC011857	(941)			(144)	22	(1,063)
Bridge of Don	SC018551	(164)	-		(2)	12	(154)
Bridge of Dee	SC021297	(35)	-	-	-	1	(34)
Alexander MacDonald Bequest	SC018568	(32)	-	-	-	1	(31)
Aberdeen Art Gallery Trust	SC018575	(46)	-	-	-	1	(45)
Lands of Skene	SC018533	(3,986)	-	(19)	(50)	41	(4,014)
Lands of Torry	SC021299	(2,029)	-	(35)	(128)	128	(2,064)
Total - Charitable Trusts		**(7,396)**	**-**	**(64)**	**(327)**	**207**	**(7,580)**

Independent auditor's report to the trustees of Aberdeen City Council Charitable Trusts and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeen City Council Charitable Trusts for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of the Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

As explained more fully in the Statement of the Trustees' Responsibilities in Respect of the Accounts, the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charities' affairs as at 31 March 2015 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Stephen Boyle
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT
29 September 2015

Stephen Boyle is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	29th September 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Audit Scotland National Reports
REPORT NUMBER:	CG/15/0

1. PURPOSE OF REPORT

The purpose of this report is to present a summary of Audit Scotland national studies published in the last cycle together with any actions taken or agreed to be taken by the Council in response to these.

2. RECOMMENDATION(S)

that the Committee:-

(a) note the detail of the reports:-

- "Scotland's Public Sector Workforce - Impact report"; and

(b) give consideration to officers comments made in respect of the priorities identified within the report.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. OTHER IMPLICATIONS

Every national Audit Scotland review is likely to have implications for this Council. The nature of the implications will vary depending on the subject matter. Officers are required to assess these and report to committees.

5. BACKGROUND/MAIN ISSUES

Audit Scotland has an annual programme of national reviews it undertakes. Some of these are specific to individual councils and Community Panning Partnerships, others are intended for local government and other public sector bodies more broadly.

Since the last meeting, other than the Audit of Best Value and Community Planning, which is being reported separately, there has been one report with direct significance for Aberdeen City Council.

- “Scotland’s public sector workforce - Impact report”

The report is a follow up on a previous report published in November 2013 which looked at how the devolved public sector - councils, the NHS, the Scottish Government and other central government bodies - managed changes to its workforce to ensure that it continued to deliver service priorities, whilst dealing with financial pressures and making savings.

The follow up report advises on progress with implementing recommendations as follows:-

Recommendation	***Progress***
The Scottish Government and the Convention of Scottish Local Authorities (COSLA) should:	
work with public bodies to improve the consistency and accessibility of the data they collect on public sector employment and staff costs. This would provide more clarity on the relationship between staff numbers and costs and the impact of changes in employment levels on disposable income and workforce availability	*We are not aware of any developments suggesting that published data has become more comprehensive, consistent or available.*
provide strategic guidance on how bodies can redesign services and work better together to jointly plan and deliver services.	*The Improvement Service offers various services including e-learning packages on workforce planning, checklists and advice on generating workforce data and measuring impacts on the local economy.*
improve strategic planning of public sector workforces to identify and plan for future skills needs, gaps and challenges across the public sector	*This theme has also been highlighted in Accounts Commission reports on self-directed support and school education, and in the Auditor General’s report on accident and emergency services, all of which commented on recruitment and retention difficulties in filling vacancies.* *Individual bodies have taken steps to help attract staff, but we are aware of only one new national initiative to address skills gaps - the*

	Digital Transformation Service, launched by the Scottish Government to ensure that central government bodies have access to the IT skills they need.
Where they have not already done so, councils, the NHS, the Scottish Government and central government bodies should:	
develop and use organisation-wide workforce plans, informed by a series of service or departmental plans that are consistent in their structure and content. Senior managers and boards or elected members should scrutinise and monitor these plans	*A number of councils have begun to put organisation-wide workforce planning in place. Six councils provided copies of an organisation-wide plan although none of these fully complied with the content we suggested in our good practice guide. In particular, plans did not contain details on future staffing numbers. The East Renfrewshire, Fife, North Ayrshire, Stirling and West Dunbartonshire Council plans contained details on the current workforce structure and the* ***Aberdeen City****, East Renfrewshire Fife and Moray plans contained information on strategies the council would employ to help meet future workforce needs.* *North Ayrshire operated with service –level workforce plans, but had collated information from these for council-wide monitoring.* *Five councils provided examples of service level plans that were consistent in their structure and content across service areas, in line with our recommendation to make it easier to compare them and subject them to central analysis and scrutiny.* *East Ayrshire Council provided access to the scrutiny questions suggested in our good practice guide to elected members through its members' portal.* *Ten councils did not respond to our request for information and so we are not sure what actions they have taken. Ten provided materials that did not demonstrate that the councils had plans in a format that met our recommendation.*
assess the impact of different terms and conditions on the likely costs and uptake of their schemes before they put a scheme in place	*This recommendation was addressed in our early departures impact report. It found that some bodies had taken action, retrospectively, to review terms in their schemes, such as added*

	years and payback periods, to help assess value for money. The early departures impact report also found: • *an absence of clear business plans to demonstrate that early departure packages represented value for money.* • *lack of scrutiny of the overall terms of packages being offered to all staff.* • *lack of scrutiny of the specific packages relating to senior staff.*
collect information on the costs and net savings from their workforce programmes and report these details to boards and elected members	*There is some evidence that councils are collecting information on savings from workforce programmes and reporting this to elected members. East Ayrshire Council reviewed the voluntary severance programme it completed, which contributed to a 4.7 per cent headcount reduction in non-teaching staff numbers and met the Council's objective to reduce employee costs. The council provided elected members with regular reports on numbers.* *East Lothian Council reported details of the savings made from its voluntary early release scheme (£2.8 million (whole year) savings against a target of £3 million) to its audit and governance committee. However, the 2014 best value report on East Dunbartonshire Council found that the council did not report net savings from its voluntary redundancy programme.*
make better use of existing mechanisms, such as community planning partnerships, to identify opportunities to share resources, including workforces	*There are a number of joint working initiatives in place with an impact on workforces, for example, integration of health and social care services. As part of the guidance introduced by the Scottish Government to help bodies integrate these services, councils and NHS boards are required to produce workforce and organisational development strategies to support the new arrangements.* *East Ayrshire Council is undertaking a mapping exercise to identify options for shared service working with neighbouring authorities and assess the impact on workforces. This will apply initially to the Ayrshire Roads Alliance, East*

	Ayrshire Leisure and the three health and social care integration partnerships.
forecast expected staff numbers, skill needs and costs on a rolling three-year basis, using scenario planning where necessary	*NHS Scotland has developed a template that NHS boards can now use to plan workforces over a three-year period. At the time of our audit, NHS workforce plans were for a 12-month period only.* *East Renfrewshire Council has proposed to elected members that it will adopt our recommendation to develop longer-term workforce planning, on a three-year rolling basis. Moray Council has adopted a three-year planning cycle for its organisational development plan.*

Officer Response:-

To be completed

6. IMPACT

The Audit Scotland report states that the impact of governance in local authorities is a key determinant of its effectiveness. Members and officers have a responsibility to ensure good governance positively impacts on the performance of Aberdeen City Council.

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report. The actions and recommendations contained in the report are a response to identified risks and are designed to mitigate these.

8. BACKGROUND PAPERS

Audit Scotland report

- “Scotland’s public sector workforce - Impact report”

9. REPORT AUTHOR DETAILS

Martin Murchie, Office of Chief Executive
mmurchie@aberdeencity.gov.uk
(01224) 522008

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	29th September 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Audit Scotland National Reports
REPORT NUMBER:	CG/15/125
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to present a summary of Audit Scotland national studies published in the last cycle together with any actions taken or agreed to be taken by the Council in response to these.

2. RECOMMENDATION(S)

that the Committee:-

(a) note the detail of the reports:-

- "Scotland's Public Sector Workforce - Impact report"; and

(b) give consideration to officers comments made in respect of the priorities identified within the report.

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5. BACKGROUND/MAIN ISSUES

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- “Scotland’s public sector workforce - Impact report”

The report is a follow up on a previous report published in November 2013 which looked at how the devolved public sector - councils, the NHS, the Scottish Government and other central government bodies - managed changes to its workforce to ensure that it continued to deliver service priorities, whilst dealing with financial pressures and making savings.

The follow up report advises on progress with implementing recommendations as follows:-

Recommendation	***Progress***
The Scottish Government and the Convention of Scottish Local Authorities (COSLA) should:	
work with public bodies to improve the consistency and accessibility of the data they collect on public sector employment and staff costs. This would provide more clarity on the relationship between staff numbers and costs and the impact of changes in employment levels on disposable income and workforce availability	*We are not aware of any developments suggesting that published data has become more comprehensive, consistent or available.*
provide strategic guidance on how bodies can redesign services and work better together to jointly plan and deliver services.	*The Improvement Service offers various services including e-learning packages on workforce planning, checklists and advice on generating workforce data and measuring impacts on the local economy.*
improve strategic planning of public sector workforces to identify and plan for future skills needs, gaps and challenges across the public sector	*This theme has also been highlighted in Accounts Commission reports on self-directed support and school education, and in the Auditor General’s report on accident and emergency services, all of which commented on recruitment and retention difficulties in filling vacancies.* *Individual bodies have taken steps to help attract staff, but we are aware of only one new national initiative to address skills gaps - the*

	Digital Transformation Service, launched by the Scottish Government to ensure that central government bodies have access to the IT skills they need.
Where they have not already done so, councils, the NHS, the Scottish Government and central government bodies should:	
<u>Recommendation 1</u> - develop and use organisation-wide workforce plans, informed by a series of service or departmental plans that are consistent in their structure and content. Senior managers and boards or elected members should scrutinise and monitor these plans	*A number of councils have begun to put organisation-wide workforce planning in place. Six councils provided copies of an organisation-wide plan although none of these fully complied with the content we suggested in our good practice guide. In particular, plans did not contain details on future staffing numbers. The East Renfrewshire, Fife, North Ayrshire, Stirling and West Dunbartonshire Council plans contained details on the current workforce structure and the* ***Aberdeen City****, East Renfrewshire Fife and Moray plans contained information on strategies the council would employ to help meet future workforce needs.* *North Ayrshire operated with service –level workforce plans, but had collated information from these for council-wide monitoring.* *Five councils provided examples of service level plans that were consistent in their structure and content across service areas, in line with our recommendation to make it easier to compare them and subject them to central analysis and scrutiny.* *East Ayrshire Council provided access to the scrutiny questions suggested in our good practice guide to elected members through its members' portal.* *Ten councils did not respond to our request for information and so we are not sure what actions they have taken. Ten provided materials that did not demonstrate that the councils had plans in a format that met our recommendation.*
<u>Recommendation 2</u> - assess the impact of different terms and conditions on the likely costs and uptake of their schemes before they put a scheme in place	*This recommendation was addressed in our early departures impact report. It found that some bodies had taken action, retrospectively, to review terms in their schemes, such as added*

	years and payback periods, to help assess value for money. The early departures impact report also found: • *an absence of clear business plans to demonstrate that early departure packages represented value for money.* • *lack of scrutiny of the overall terms of packages being offered to all staff.* • *lack of scrutiny of the specific packages relating to senior staff.*
Recommendation 3 - collect information on the costs and net savings from their workforce programmes and report these details to boards and elected members	*There is some evidence that councils are collecting information on savings from workforce programmes and reporting this to elected members. East Ayrshire Council reviewed the voluntary severance programme it completed, which contributed to a 4.7 per cent headcount reduction in non-teaching staff numbers and met the Council's objective to reduce employee costs. The council provided elected members with regular reports on numbers.* *East Lothian Council reported details of the savings made from its voluntary early release scheme (£2.8 million (whole year) savings against a target of £3 million) to its audit and governance committee. However, the 2014 best value report on East Dunbartonshire Council found that the council did not report net savings from its voluntary redundancy programme.*
Recommendation 4 - make better use of existing mechanisms, such as community planning partnerships, to identify opportunities to share resources, including workforces	*There are a number of joint working initiatives in place with an impact on workforces, for example, integration of health and social care services. As part of the guidance introduced by the Scottish Government to help bodies integrate these services, councils and NHS boards are required to produce workforce and organisational development strategies to support the new arrangements.* *East Ayrshire Council is undertaking a mapping exercise to identify options for shared service working with neighbouring authorities and assess the impact on workforces. This will apply initially to the Ayrshire Roads Alliance, East*

	Ayrshire Leisure and the three health and social care integration partnerships.
<u>Recommendation 5</u> - forecast expected staff numbers, skill needs and costs on a rolling three-year basis, using scenario planning where necessary	*NHS Scotland has developed a template that NHS boards can now use to plan workforces over a three-year period. At the time of our audit, NHS workforce plans were for a 12-month period only.* *East Renfrewshire Council has proposed to elected members that it will adopt our recommendation to develop longer-term workforce planning, on a three-year rolling basis. Moray Council has adopted a three-year planning cycle for its organisational development plan.*

Officer Response:-

With respect to the 5 recommendations for Councils included in the above report, officers' comments are as follows:

<u>Recommendation 1</u> – Aberdeen City Council already has a strategic organisation-wide workforce plan that reflects and summarises the workforce planning strategies being implemented or planned at both directorate level and corporately. The need for Directorates to submit their directorate plans to their parent committee for scrutiny and monitor their plans at SMT level requires to be reinforced;

<u>Recommendation 2</u> - the cost of applying ACC's various employee terms and conditions are accounted for when determining the annual budget and any proposed changes to terms and conditions are fully costed before implementation;

<u>Recommendation 3</u> - the costs and net savings from workforce programmes are normally reported to Committee;

<u>Recommendation 4</u> - Aberdeen City Council's corporate and directorate plans are determined on a five-year rolling basis (as opposed to the recommended three-year rolling basis). Presently plans focus on plugging skills and recruitment gaps but going forward it is expected that Directorates will, as recommended, forecast expected staff numbers and costs and use scenario planning where necessary. This, to date, has proved a very difficult challenge for directorates so additional support to assist directorates with this task is being considered;

<u>Recommendation 5</u> - in terms of Aberdeen City Council's commitment to improving the use of resources under the Shaping Aberdeen agenda,

directorates are expected to identify opportunities to share resources, including workforces. There already examples of where this is happening.

On a general note, it is surprising with Audit Scotland's opening statement in para 18 that "When we completed the audit in 2013, none of Scotland's council's had a workforce plan that covered the whole organisation". Aberdeen City Council introduced a 5 year rolling organisation-wide workforce plan in February 2013.

On a further general note, the Committee should be aware that The Improvement Service, who are cited within the report as being able to support organisations with their workforce planning, have been complementary about the quality of Aberdeen City Council's current corporate workforce plan, describing it as an exemplar.

6. IMPACT

Improving Customer Experience –
The actions which flow from national reports will have varying impact on customers. From an internal customer perspective, these reports allow the members of the Audit, Risk and Scrutiny Committee to undertake their role on behalf of the Council.

Improving Staff Experience –
The impact of governance in local authorities is a key determinant of its effectiveness. The regular and consistent reporting of national level reports with implications for Aberdeen City Council strengthen governance. Depending on the subject matter of national reports the potential impact can be relevant for staff, customers and use of resources. In this case, the national report relates to workforce planning which has a very direct impact on staff and, by association, customers. The specific impact of any proposals relating to Workforce Planning will be fully set out when proposed.

Improving our use of Resources –
The actions which flow from national reports will have varying impact on resources. These will be stated depending on the subject matter.

Corporate -
With regards to the national report referred to in this report, workforce planning is an integral part of corporate and service planning, underpinning the Council’s to deliver quality services.

Public –
Whilst no direct implications arise from this “scrutiny” report, the Council’s workforce planning arrangements must take account of the equality duty.

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report. The actions and recommendations contained in the report are a response to identified risks and are designed to mitigate these.

8. BACKGROUND PAPERS

Audit Scotland report

- “Scotland’s public sector workforce - Impact report”

9. REPORT AUTHOR DETAILS

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