

# Public Document Pack



To: Councillor Alex Nicoll, Convener; Councillor Yuill, Vice Convener; and Councillors Jackie Dunbar, Duncan, Graham, Lumsden, MacKenzie, Mennie and Reynolds.

Town House,  
ABERDEEN 5 May 2021

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet remotely on **WEDNESDAY, 12 MAY 2021 at 2.00 pm.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

In accordance with UK and Scottish Government guidance, meetings of this Committee will be held remotely as required. In these circumstances the meetings will be recorded and available on the Committee page on the website.

### **BUSINESS**

#### **NOTIFICATION OF URGENT BUSINESS**

- 1.1 There are no items of urgent business at this time

#### **DETERMINATION OF EXEMPT BUSINESS**

- 2.1 Members are requested to determine that any exempt business be considered with the Press and Public excluded

#### **DECLARATIONS OF INTEREST**

- 3.1 Members are requested to intimate any declarations of interest (Pages 5 - 6)

#### **DEPUTATIONS**

4.1 There are no requests at this time

### **MINUTE OF PREVIOUS MEETING**

5.1 Minute of Previous Meeting of 24 February 2021 (Pages 7 - 12)

### **COMMITTEE PLANNER**

6.1 Committee Business Planner (Pages 13 - 24)

### **NOTICES OF MOTION**

7.1 There are none at this time

### **COMMITTEE BUSINESS**

#### **Risk Management**

8.1 ALEO Assurance Hub - GOV/21/105 (Pages 25 - 46)

#### **Internal Audit**

8.2 Internal Audit Annual Report 2020/21 - AC/21/001 (Pages 47 - 60)

8.3 Internal Audit Progress Report - AC/21/002 (Pages 61 - 72)

8.4 Internal Audit - Follow-up on Audit Recommendations - AC/21/003 (Pages 73 - 108)

8.5 HR/Payroll System - IA/AC2025 (Pages 109 - 120)

8.6 Vehicle Usage - IA/AC2105 (Pages 121 - 132)

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

8.7 Unaudited Annual Accounts 2020/21 - RES/21/120 (Pages 133 - 340)

#### **Legal Obligations**

8.8 RIPSA Quarter 1 - COM/21/098 (Pages 341 - 346)

**EXEMPT/CONFIDENTIAL BUSINESS**

EHRIAs related to reports on this agenda can be viewed [here](#)  
To access the Service Updates for this Committee please click [here](#)  
Website Address: [aberdeencity.gov.uk](http://aberdeencity.gov.uk)

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

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## **DECLARATIONS OF INTEREST**

You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether reports for meetings raise any issue of declaration of interest. Your declaration of interest must be made under the standing item on the agenda, however if you do identify the need for a declaration of interest only when a particular matter is being discussed then you must declare the interest as soon as you realise it is necessary. The following wording may be helpful for you in making your declaration.

I declare an interest in item (x) for the following reasons .....

*For example, I know the applicant / I am a member of the Board of X / I am employed by...* and I will therefore withdraw from the meeting room during any discussion and voting on that item.

### **OR**

I have considered whether I require to declare an interest in item (x) for the following reasons ..... however, having applied the objective test, I consider that my interest is so remote / insignificant that it does not require me to remove myself from consideration of the item.

### **OR**

I declare an interest in item (x) for the following reasons ..... however I consider that a specific exclusion applies as my interest is as a member of xxxx, which is

- (a) a devolved public body as defined in Schedule 3 to the Act;
- (b) a public body established by enactment or in pursuance of statutory powers or by the authority of statute or a statutory scheme;
- (c) a body with whom there is in force an agreement which has been made in pursuance of Section 19 of the Enterprise and New Towns (Scotland) Act 1990 by Scottish Enterprise or Highlands and Islands Enterprise for the discharge by that body of any of the functions of Scottish Enterprise or, as the case may be, Highlands and Islands Enterprise; or
- (d) a body being a company:-
  - i. established wholly or mainly for the purpose of providing services to the Councillor's local authority; and
  - ii. which has entered into a contractual arrangement with that local authority for the supply of goods and/or services to that local authority.

### **OR**

I declare an interest in item (x) for the following reasons.....and although the body is covered by a specific exclusion, the matter before the Committee is one that is quasi-judicial / regulatory in nature where the body I am a member of:

- is applying for a licence, a consent or an approval
- is making an objection or representation
- has a material interest concerning a licence consent or approval
- is the subject of a statutory order of a regulatory nature made or proposed to be made by the local authority.... and I will therefore withdraw from the meeting room during any discussion and voting on that item.

## AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 24 February 2021. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Alex Nicoll, Convener; Councillor Yuill, Vice-Convener; and Councillors Jackie Dunbar, Duncan, Graham, Lumsden, MacKenzie, Mennie and Reynolds.

The agenda and reports associated with this minute can be found [here](#)

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

### DECLARATIONS OF INTEREST

1. Members were requested to intimate any declarations of interest in respect of the items on the agenda.

#### The Committee resolved:-

to note that Councillors Duncan and MacKenzie declared an interest in item 8.1 (ALEO Assurance Hub) by virtue of their position as Board Members of Aberdeen Performing Arts; and Councillor Graham declared an interest in the same item by virtue of his position as a Board Member of Sport Aberdeen and they all considered that the nature of their interests did not require them to leave the meeting at that item on the agenda.

### MINUTE OF PREVIOUS MEETING OF 9 DECEMBER 2020

2. The Committee had before it the minute of its previous meeting of 9 December 2020.

#### The Committee resolved:-

to approve the minute as a correct record.

### COMMITTEE BUSINESS PLANNER

3. The Committee had before it the Committee Business Planner as prepared by the Chief Officer – Governance.

#### The Committee resolved:-

- (i) to note that items 11 (Financial Sustainability), 16 (Vehicle Usage), 17 (Climate Change) and 18 (Consilium System - HRA Building Maintenance System) had been deferred until May 2021 due to staff sickness within Internal Audit and the availability of officers to respond to the audits;
- (ii) to note that item 13 (School/Pupil Security) had been delayed until May 2021 due to the cluster not having capacity to assist with the Internal Audit review at this time due to revised Covid measures applicable between December 2020 and February 2021;

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- (iii) to note that in relation to items 12 (Vehicle Replacement Policy and Procurement) and 15 (HR/Payroll System) that the draft reports had been issued to the clusters for their comment and that the reports were expected in May 2021;
- (v) to note that if approved, the items from the Internal Audit Plan, item 8.6 on the agenda would be added to the business planner;
- (vi) to otherwise note the content of the business planner.

**ALEO ASSURANCE HUB - COM/21/048**

4. The Committee had before it a report by the Chief Officer – Governance which presented the revised Terms of Reference for the ALEO Assurance Hub and the workplan for the year 2021.

**The report recommended:-**

That the Committee approve the revised ALEO Assurance Hub Terms of Reference and note the work plan for the ALEO Assurance Hub in 2021 which had been reviewed by the Risk Board and consulted upon with the ALEOs and the relevant Conveners.

**The Committee resolved:-**

- (i) to note that the Assurance Manager would amend the wording in relation to the membership of the ALEO Assurance Hub to clarify the Committee Lead role as being that of an officer; and
- (ii) to otherwise approve the recommendation contained in the report.

**CLUSTER ASSURANCE MAPS AND INSPECTIONS PLANNER - COM/21/045**

5. The Committee had before it a report by the Chief Officer – Governance which presented the Cluster Assurance Maps and an Inspections Planner in accordance with Committee Terms of Reference and to provide assurance on the Council's system of risk management.

**The report recommended:-**

That the Committee -

- (a) note the Cluster Assurance Maps provided at Appendices A to N;
- (b) note the Inspections Planner provided at Appendix O; and
- (c) note the comment in paragraph 3.5 of the report.

**The Committee resolved:-**

to approve the recommendations contained in the report.



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**INTERNAL AUDIT PROGRESS REPORT - IA/AC/013**

6. With reference to article 7 of the minute of its meeting of 9 December 2020, the Committee had before it a report by the Interim Chief Internal Auditor which advised on progress against the 2019/20 and 2020/21 Internal Audit Plans.

**The report recommended:-**

That the Committee reviews, discusses and comments on the issues raised within this report and Appendices A & B.

**The Committee resolved:-**

- (i) to note that the draft HR/Payroll System and Vehicle Usage audit reports had been issued and were expected to be completed and submitted to the May meeting of this Committee; and
- (ii) to otherwise note the content of the report.

**INTERNAL AUDIT - FOLLOW UP ON AGREED RECOMMENDATIONS - IA/AC/014**

7. With reference to article 8 of the minute of its meeting of 9 December 2020, the Committee had before it a report by the Interim Chief Internal Auditor which advised on the progress made by Functions/Clusters with implementing recommendations that had been agreed in Internal Audit reports.

**The report recommended:-**

That the Committee review, discuss and comment on the issues raised within the report and the attached appendices.

In response to a question relating to audit AC1817 (Vehicle Usage) and when the outstanding actions would be complete, the Fleet Manager advised that he was confident that the remaining vehicles would be fitted with the telematics system by the end of March 2021.

In response to a question relating to audit AC1903 (Devolved School Management) and whether the outstanding actions had been completed, the Chief Officer – Corporate Landlord advised that the work had been undertaken and had been reported to the Education Operational Delivery Committee and that he would ensure Internal Audit were provided with the information.

In response to a question relating to audit AC2013 (School Catering Income and Expenditure) and why the agreed actions had been delayed, the Facilities and Transportation Manager advised that the actions had been included in a wider review of all online school payments and that the new system would be live for the start of the new school year in August 2021.

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**The Committee resolved:-**

- (i) in relation to Audit AC2019 (Procurement Compliance) to note that the Chief Officer - Finance would request the Head of Commercial and Procurement to circulate by email a response relating to why the recommendations had not been completed by the original date;
- (ii) in relation to Audit AC2008 (Ring-Fenced Funding) to note that recommendations would not be completed by February 2021 and that the Chief Officer – Finance would provide the Interim Chief Internal Auditor with revised completion dates; and
- (iii) to otherwise note the content of the report.

**INTERNAL AUDIT CHARTER - IA/21/016**

8. The Committee had before it a report by the Interim Chief Internal Auditor which sought agreement to continuing use of the current Internal Audit Charter.

**The report recommended:-**

That the Committee approve the Internal Audit Charter as attached to the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**INTERNAL AUDIT PLAN 2021/22 - IA/AC/015**

9. The Committee had before it a report by the Interim Chief Internal Auditor which presented the Internal Audit Plan for 2021/22.

**The report recommended:-**

That the Committee approve the Internal Audit Plan for 2021/22.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**INDUSTRIAL AND COMMERCIAL PROPERTY RENTAL INCOME AND VOID CONTROL - IA/AC2017**

10. The Committee had before it a report by the Interim Chief Internal Auditor which presented an audit in relation to Industrial and Commercial Property - Rental Income and Void Control which was undertaken to provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises.

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**The report recommended:-**

That the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

In response to a question relating to where to find the vacant properties that were available for sale or to let, the Chief Officer – Corporate Landlord advised that the majority of the properties were advertised via external searches and that he would circulate a link to the Committee.

**The Committee resolved:-**

- (i) to note that the Chief Officer – Corporate Landlord would circulate the link from the Council website for accessing the properties for sale or let; and
- (ii) to otherwise endorse the recommendations for improvement as agreed by the relevant cluster.

**EXTERNAL AUDIT STRATEGY**

11. The Committee had before it a report by the External Auditor which presented the planned external audit work for 2020/21.

In response to a question relating to how grants allocated would be audited, the External Auditor advised that auditors would be looking to see how they were accounted for and whether the funding was filtered through specific budgets and whether the Council were acting on instruction from Government or making decisions on where the funds were spent.

**The Committee resolved:-**

to note the content of the External Audit Strategy.

**RIPSA ANNUAL REPORT - COM/21/040**

12. The Committee had before it a report by the Chief Officer – Governance which (1) advised that it was recommended as good practice, under paragraph 4.43 of the Scottish Government's Code of Practice for Covert Surveillance and Property interference, that elected members consider a statement on the Council's Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) policy and statistical information on relevant activity on an annual basis; and (2) provided an overview of RIPSA compliance, progress made in 2020 and set the workplan for 2021.

**The report recommended:-**

That the Committee note the content of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

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**COUNTER FRAUD POLICY - COM/21/050**

13. The Committee had before it a report by the Director of Resources which presented the revised Counter Fraud Policy and Counter Fraud Policy Guidance.

**The report recommended:-**

That the Committee approve the Counter Fraud Policy attached at Appendix A and note the associated Counter Fraud Policy Guidance attached at Appendix B.

**The Committee resolved:-**

- (i) to congratulate the report author for the work undertaken in relation to Counter Fraud; and
- (ii) to otherwise approve the recommendation contained in the report.

**SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATIONS COMPLAINT DECISIONS - CUS/21/136**

14. With reference to article 14 of the minute of its meeting of 8 October 2020, the Committee had before it a report by the Director of Customer Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations decisions made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

**The report recommended:-**

That the Committee note the deytail of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

- **ALEX NICOLL, Convener**

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
3	<b>12 May 2021</b>								
4	Financial Sustainability	To provide assurance that the controls and assurance actions detailed in the Corporate Risk Register are operating as expected in ensuring that the identified risk is adequately mitigated.		Colin Harvey	Governance	Governance	2.2	D	The draft report remains under discussion with the Service (Finance). Reported expected in June 2021.
5	Vehicle Replacement Policy and Procurement	to provide assurance that the Council has an appropriate vehicle replacement policy and that procurement complies with policy and procurement regulations/governance.		Colin Harvey	Governance	Governance	2.2	D	Commencement was delayed pending conclusion of other work. Report expected September 2021.
6	School/Pupil Security	to provide assurance that the Council has adequate arrangements regarding school security.		Colin Harvey	Governance	Governance	2.2	D	Due to revised covid measures between December 2020 and February 2021, the Service did not have capacity to assist Internal Audit's review. The Service have been asked to provide a revised date for work to commence.
7	HR / Payroll System	To provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to previous system have been addressed.	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
8	Vehicle Usage	To provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet and to include a review of non-business use, including the business case for such use and authorisation thereof.	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		

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9	Climate Change	To provide assurance that the Council is taking appropriate measures to comply with its statutory obligations in addressing climate change and that progress is being monitored.		Colin Harvey	Governance	Governance	2.2	D	Assigned Auditor had periods of sickness absence which delayed progress with the audit. Report expected June 2021.
10	Consilium System - HRA Building Maintenance System	to provide assurance over the system controls - to include access controls, system security and backups. Interfaces, business continuity and contingency plans.		Colin Harvey	Governance	Governance	2.2	D	Assigned Auditor had periods of sickness absence which delayed progress with the audit. Report expected September 2021.
11	Internal Audit Progress Report	To provide an update on progress for the 2019/20 audits	a report is on the agenda	Colin Harvey	Governance	Governance	2.2		
12	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations	a report is on the agenda	Colin Harvey	Governance	Governance	2.3		
13	Internal Audit Annual Report	To present the Internal Audit Annual Report	a report is on the agenda. This has been brought forward from June 2021.	Colin Harvey	Governance	Governance	2.3		
14	Unaudited Accounts 2019/20	To present the unaudited accounts	a report is on the agenda	Lesley Fullerton	Finance	Resources	4.1, 4.2		
15	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.	This is a standing item on the business planner.	Lucy McKenzie	Customer Experience	Customer	6.4	R	There are no items to report this cycle.

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16	ALEO Assurance Hub	To provide assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEOs) within the ALEO Assurance Hub's terms of reference.	A report is on the agenda	Vikki Cuthbert	Governance	Governance	1.2		
17	RIPSA Quarterly Report	to present the quarterly Ripsa report	a report is on the agenda	Jess Anderson	Governance	Governance	5.2		
18	Timesheets and Allowances	To provide assurance that payments are accurate and justified and that improvements recommended in previous reviews have been fully implemented.		Colin Harvey	Governance	Governance	2.2	D	Audit has commenced. There were delays in commencing this audit due to Internal Audit resource issues. Report expected 29 September 2021.
19	Housing - Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently and allocations are made in accordance with policy.		Colin Harvey	Governance	Governance	2.2	D	Audit has commenced. There were delays in commencing this audit due to Internal Audit resource issues. Report expected 29 September 2021.
20	Health and Safety - Operations and Protective Services	to provide assurance that appropriate processes are being employed in managing health and safety within the Cluster.		Colin Harvey	Governance	Governance	2.2	D	Audit has commenced. There were delays in commencing this audit due to Internal Audit resource issues. Report expected 29 September 2021.
21	Teachers Payroll	to provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees.		Colin Harvey	Governance	Governance	2.2	D	Audit has commenced. There were delays in commencing this audit due to Internal Audit resource issues. Report expected 30 June 2021.
22	Bon Accord Care - Budget Monitoring	to provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.		Colin Harvey	Governance	Governance	2.2	D	Assigned Auditor had periods of sickness absence which delayed progress with the audit. Report expected 30 June 2021.

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23	Mental Health and Substance Abuse	to provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled, including approval/management of discretionary support		Colin Harvey	Governance	Governance	2.2	D	Assigned Auditor had periods of sickness absence which delayed progress with the audit. Report expected September 2021.
24	Capital Project Management	to provide assurance tha the management and reporting of on-going capital projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.		Colin Harvey	Governance	Governance	2.2	D	Not yet commenced. Pending conclusion of other work. Report expected September 2021.
25	Audit Scotland Housing Benefit Annual Review 2019/20	To present the Audit Scotland Housing Benefit Annual Review and responses to improvement actions.		Wayne Connell	Customer Experience	Customer	6.4	R	This is a generic annual report from The Accounts Commission detailing the work they have carried out with individual local authorities. Aberdeen City Council was not one of the authorities audited and therefore there are no recommendations for to implement. The report also detailed a Housing Benefit Improvement Tool which the Council already utilises the recovery options within the Improvement Tool and therefore there is no further action to take.
26	<b>30 June 2021</b>								
27	Internal Audit Progress Report	To provide an update on progress for the 2019/20 and 2020/21 audits		Colin Harvey	Governance	Governance	2.2		
28	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
29	Best Value Audit	To present an update on the best value audit that has recently taken place.		Vikki Cuthbert	Governance	Governance			
30	RIPSA Quarterly Report	to present the quarterly Ripsa report		Jess Anderson	Governance	Governance	5.2		



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31	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
32	Audited Accounts 2019/20	To present the audited accounts		Lesley Fullerton	Finance	Resources	4.1, 4.2		
33	External Audit Annual Report	To present the annual report		Michael Wilkie	Governance	Governance	3.1		
34	IT Infrastructure Systems	To obtain assurance over the procurement and adequacy of the Council's IT infrastructure Systems		Colin Harvey	Governance	Governance	2.2		
35	Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications		Colin Harvey	Governance	Governance	2.2		
36	<b>29 September 2021</b>								
37	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
38	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
39	Internal Audit - Update on the 2021/22 Internal Audit Plan	To reaffirm the plan for the remainder of the year or to consider any proposals to amend the plan based on the risk to the organisation at that point.		Colin Harvey	Governance	Governance	2.2		
40	RIPSA Quarterly Report	to present the quarterly Ripisa report		Jess Anderson	Governance	Governance	5.2		

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41	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
42	ALEO Assurance Hub			Vikki Cuthbert	Governance	Governance	1.2		
43	Corporate Risk Register and Assurance Maps	to present the Corporate Risk Register and the Assurance Maps		Ronnie McKean	Governance	Governance	1.1		
44	Information Governance Annual Report	to present the annual report for the Council's Information Governance		Caroline Anderson	Business Intelligence and Performance Management	Commissioning	1.3		
45	Commissioning	Review of plans and progress with implementation of the Council's Strategic Commissioning Approach set out in the Council Delivery Plan		Colin Harvey	Governance	Governance	2.2		
46	Children with Disabilities - Contracts and Direct Payments	To obtain assurance that care is being arranged and paid for in accordance with procedure to secure best value outcomes.		Colin Harvey	Governance	Governance	2.2		
47	Financial System Interfaces and Reconciliations	To obtain assurance that appropriate checks and balances are in place to confirm the accuracy of information transferred into the financial system.		Colin Harvey	Governance	Governance	2.2		
48	<b>2 December 2021</b>								

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49	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
50	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
51	RIPSA Quarterly Report	to present the quarterly Ripsa report		Jess Anderson	Governance	Governance	5.2		
52	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
53	Annual Accounts Key Dates	to advise on the key reporting dates for the annual accounts for 2021/22.		Lesley Fullerton	Finance	Resources	4.1		
54	The Recruitment Process	To obtain assurance over adherence to the recruitment process, including pre-employment checks and document retention.		Colin Harvey	Governance	Governance	2.2		
55	Attendance Management	To obtain assurance over compliance with corporate policy and determine whether the Council's absence improvement plan is having a positive impact on attendance.		Colin Harvey	Governance	Governance	2.2		
56	Revenue Budget Monitoring	To ensure that robust procedures are in place for monitoring the revenue budget.		Colin Harvey	Governance	Governance	2.2		

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
57	Care Establishments Financial Administration	To obtain Assurance over financial administration including payroll, timesheets and purchasing.		Colin Harvey	Governance	Governance	2.2		
58	<b>February 2022</b>								
59	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
60	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
61	Internal Audit Plan 2022/23	to present the Internal Audit Plan for 2022/23		Colin Harvey	Governance	Governance			
62	External Audit Strategy	to present the external audit strategy		Michael Wilkie	Governance	Governance			
63	RIPSA Annual Report	to present the annual RipSA report		Jess Anderson	Governance	Governance	5.2		
64	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
65	Recovery Arrangements for Sundry Debt	To ensure that procedures for recovering debts are adequate, efficient and consistently applied		Colin Harvey	Governance	Governance	2.2		
66	Transport Arrangements for Education and Social Care	To obtain assurance over procurement, provision and management of transport for educational and social care needs.		Colin Harvey	Governance	Governance	2.2		

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
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67	Grant Funding to External Organisation	To obtain assurance that grant payments to external organisations during financial year 2021/22 comply with the Council's policy and procedure, including the Following the Public Pound Code of Practice		Colin Harvey	Governance	Governance	2.2		
68	Council Owned Land and Property	To review systems and procedures in place for ensuring that the Council has surety over the Land and Buildings it owns, including title.		Colin Harvey	Governance	Governance	2.2		
69	Health and Social Care Transformation	To provide assurance that the JB is continuing to make progress with delivery of its transformation agenda.		Colin Harvey	Governance	Governance	2.2		
70	Pensions System	To consider whether appropriate control is being exercised over the system used to administer the Fund, including access, contingency planning and disaster recovery, data input and that interfaces to and from other systems are accurate and properly controlled.		Colin Harvey	Governance	Governance	2.2		
71	<b>May 2022</b>								
72	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
73	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
74	RIPSA Quarterly Report	to present the quarterly RipSA report		Jess Anderson	Governance	Governance	5.2		

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
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75	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
76	Payroll and HR System Amendments	To obtain assurance over the accuracy and completeness of the payroll as a result of changes to the workforce		Colin Harvey	Governance	Governance	2.2		
77	Internal Movement of Staff, relief staff and agency workers	To obtain assurance over adherence to procedures for internal movement of staff, use of relief pool staff and agency worker engagement procedures.		Colin Harvey	Governance	Governance	2.2		
78	Inspections, Aids and Adaptiones	To ensure that adequate control is being exercised over income and expenditure		Colin Harvey	Governance	Governance	2.2		
79	Financial Administration - Waste	To obtain assurance over financial administration including payroll, timesheets and purchasing.		Colin Harvey	Governance	Governance	2.2		
80	Planning and Building Standards Fee Income	To provide assurance that there are adequate systems in place to control fee income and that they are being complied with.		Colin Harvey	Governance	Governance	2.2		
81	Care Management Recording and Transactions	To obtain assurance over coordination, recording and payment for care services.		Colin Harvey	Governance	Governance	2.2		
82	<b>September 2022</b>								

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
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83	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
84	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
85	RIPSA Quarterly Report	to present the quarterly Ripasa report		Jess Anderson	Governance	Governance	5.2		
86	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
87	Information Governance Annual Report	to present the annual report for the Council's Information Governance		Caroline Anderson	Business Intelligence and Performance Management	Commissioning	1.3		
88	<b>December 2022</b>								
89	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Colin Harvey	Governance	Governance	2.2		
90	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Colin Harvey	Governance	Governance	2.3		
91	RIPSA Quarterly Report	to present the quarterly Ripasa report		Jess Anderson	Governance	Governance	5.2		

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1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
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92	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
93	<b>TBC</b>								
94	Marchburn Park	Operational Delivery Committee 19 April 2018 that in regards to Marchburn Park, "to instruct the Chief Officer (Early Intervention and Community Empowerment) to bring a report to Audit following conclusion of all matters detailed within this report."	Audit, Risk and Scrutiny Committee 30 April There has been progress at Marchburn Park however not all of the issues have been completed therefore a report will be submitted at the conclusion of the issues. In the Interim, where there have been significant developments in the project, Service Updates will be submitted.	Neil Carnegie	Early Intervention and Community Empowerment	Customer	6.2		



## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny
<b>DATE</b>	12 May 2021
<b>REPORT TITLE</b>	ALEO Assurance Hub
<b>REPORT NUMBER</b>	GOV-21-105
<b>CHIEF OFFICER</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Vikki Cuthbert
<b>TERMS OF REFERENCE</b>	Remit - 1.2

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### 1. PURPOSE OF REPORT

To provide assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEOs) within the ALEO Assurance Hub's terms of reference.

### 2. RECOMMENDATIONS

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on risk management, financial management and governance;
- 2.2 Notes that Assurance Hub officers and ALEO Service Leads will discuss any outstanding issues identified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, with a view to further improving the assessment ratings at the next Hub meeting; and
- 2.3 Notes the intention to incorporate each ALEO into training on emergency response and recovery and PREVENT, to enable ALEOs to support the Council in meeting its statutory obligations.

### 3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's most recent cycle of scrutiny following the Committee's endorsement of an oversight approach which balanced the Council's need for assurance with an ALEO's right to govern itself as an independent entity.
- 3.2 The Hub continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council. The reporting is based on the

degree of assurance provided on each ALEO's financial management; risk management and governance arrangements.

- 3.3 The Hub met in March and identified the following key assurance areas, in accordance with the workplan previously reported to the Committee:-

#### **Governance**

1. Governance Documentation – copies of Constitution, Standing Orders and Procurement Regulations, Delegated Powers and evidence that these have been reviewed as part of ALEO Board structures (e.g. through minutes)
2. Staff Welfare and Performance Appraisal during COVID-19 - assurance around staff welfare arrangements during COVID and confirmation that performance appraisal has continued to operate during the pandemic, particularly how this has been applied to furloughed staff.
3. Data Protection - assurance that the following are in place:
  - Policy and procedures which cover Data Protection (including breach handling and data protection rights requests) – in place (y/n) and date when last reviewed
  - Appropriate Privacy Notices – in place (y/n) and date when last reviewed
  - Appropriate Training for staff which covers DP – y/n and date(s) when last delivered

#### **Finance**

1. Copies of any papers provided to each ALEO's Board on their quarterly financial position
2. Any financial resilience papers that were prepared to support decisions made to manage each ALEO's financial position.

#### **Risk and Resilience**

1. Risk register and evidence that it has been reviewed and updated. If EU Exit risks have been closed off, evidence of this. Reference to recruitment of EU nationals (process) and any risks remaining.
2. Internal and external audit plans and evidence of the process for monitoring and completing internal and external audit recommendations.
3. Confirmation that provision is made for the testing of business continuity plans and confirm the process for doing this; confirmation of any lessons learned from the activation of business continuity plans over the last 12 months; evidence that business continuity plans have been updated in the last 12 months i.e. to reflect lessons learned, changes in working/operational processes.
4. Details of any arrangements in place to support the Council with meeting its obligations as a Category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy (preventing people becoming terrorists or supporting terrorism).

- 3.4 The Hub's assessment of each ALEO, based on the information returned, has been attached within the summary report at **Appendix B**. The Assurance Standards and Risk Ratings are set out at **Appendix A**. **Appendices C-G**

provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings.

- 3.5 ALEOs have provided some assurance in respect of their awareness of the Council's civil contingencies duties under the Civil Contingencies Act and associated guidance. Both Aberdeen Sports Village and Sport Aberdeen have supported the Council over the winter period by making their venues available for use as reception centres. A recent development session arranged for the Board of Bon Accord Care (BAC) included a presentation on civil contingencies, particularly the Council's obligations and ways in which BAC could support the Council and also be sufficiently prepared for their own emergency response. The participation of all ALEOs in the Council's COVID-19 Incident Management Team provided further evidence of the benefits of close working to both the Council and the ALEOs. It is intended to build on this by including ALEOs in training and exercising sessions planned internally on resilience arrangements and processed. This will include content on PREVENT as part of the Delivery Framework for the CONTEST Strategy which vests responsibilities in local authorities to reduce the risks of threat of terrorism to the UK. ALEOs will continue to keep under review their arrangements for emergency decision-making and business continuity.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report.
- 4.2 The role of the Hub is to ensure that ALEOs provide assurance that risks, including financial ones are identified and managed. One of the Hub's primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

#### **5. LEGAL IMPLICATIONS**

- 5.1 Legal officers within Commercial and Procurement Services have reviewed ALEO Service Level Agreements which aim, amongst other things, to facilitate the ALEO Assurance Framework. These have been modified to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.
- 5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council's credit rating and ensure that the appropriate governance is put in place. This adds to the Council's existing Bond governance arrangements.

#### **6. MANAGEMENT OF RISK**

<b>Category</b>	<b>Risk</b>	<b>Low (L) Medium (M) High (H)</b>	<b>Mitigation</b>
<b>Strategic</b>	Ability of ALEOs to	(M)	The Assurance Hub

<b>Risk</b>	support the Council in meeting its strategic outcomes.		process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers.
<b>Compliance</b>	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.  GDPR Compliance.	(L)	<p>Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose.</p> <p>The Strategic Commissioning Committee has oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements.</p> <p>The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk of governance failure.</p> <p>The Legal Regulatory and Compliance Team provide support and advice to the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to</p>

			Committee on ALEOs' management of this risk.
<b>Operational</b>	Failure of ALEOs to deliver services according to agreed Service Level Agreements	M	Monitored by Strategic Commissioning Committee which has oversight of ALEO strategic business plans.
<b>Financial</b>	Financial failure of ALEOs impacting on the Council and its credit rating.	M	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor. One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.
<b>Reputational</b>	Impact of performance or financial risk on reputation of ACC.	L	Regular reporting to this Committee from the Hub provides adequate control.
<b>Environment / Climate</b>	No direct risks arising from the report's recommendations.		

## 7. OUTCOMES

- 7.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Impact Assessment</b>	Full impact assessment not required.
<b>Data Protection Impact Assessment</b>	Not required.

## 9. BACKGROUND PAPERS

None.

## **10. APPENDICES**

**Appendix A** – Assurance Standards and Ratings

**Appendix B** – Summary of ALEO Risk Ratings

**Appendix C** – Aberdeen Heat and Power

**Appendix D** – Aberdeen Performing Arts

**Appendix E** – Aberdeen Sports Village

**Appendix F** – Bon Accord Care

**Appendix G** – Sport Aberdeen

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

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Assurance Manager

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**Appendix A**

<b>Assurance Standard</b>	<b>Risk Rating</b>
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	<b>Very Low</b>
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	<b>Low</b>
Responses provide some indication of understanding and compliance	<b>Medium</b>
Minimal or poor responses providing little evidence of understanding or compliance.	<b>High</b>
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	<b>Very High</b>

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Appendix B

	Overall Risk Rating													
	Mar-18		Sep-18		Feb-19		June-19		Dec-19		Oct-20		May-21	
<b>Aberdeen Heat and Power</b>	Low/	Medium	Low/	Medium	Low		Very Low/	Low	Very Low/	Low	Low/	Medium	Very Low/	Low
<b>Aberdeen Performing Arts</b>	Low/	Medium	Low		Low/	Medium	Low/	Medium	Low/	Medium	High		Medium	
<b>Aberdeen Sport Village</b>	Low/	Medium	Low/	Medium	Low/	Medium	Low		Very Low/	Low	Low/	Medium	Very Low/	Low
<b>Bon Accord Care</b>	Low/	Medium	Low/	Medium	Low/	Medium	Very Low/	Low	Very Low/	Low	Low/	Medium	Low/	Medium
<b>Sport Aberdeen</b>	Low/	Medium	Low		Low		Very Low		Very Low/	Low	Medium		Very Low/	Low

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Aberdeen Heat and Power - Appendix C

	Assurance Request	ALEO Response	Risk Rating
Governance	<p><b>Governance Documentation - Please provide copies of Constitution, Standing Orders and Procurement Regs, Delegated Powers and evidence that these have been reviewed as part of your Board structures (eg through minutes)</b></p> <p><b>Specifically, do delegated powers make provision for emergency structures and decision making to be initiated if your Board is unable to meet (eg pandemic-related)? If not, do you plan to make such provision?</b></p> <p><b>Do you have anything to report by exception in relation to codes of conduct for Board members?</b></p>	<p>The Hub noted that copies of the various governance documents had been provided, with most of them having been reviewed recently or due for review, and was assured accordingly.</p> <p>Regarding delegated powers, the Hub noted that the Delegated Authority document (AHP-PR-FR21) was a relatively new document, having been introduced in June 2019. This is due to be reviewed internally in June 2021. This will form part of the on Governance External Audit, which has been planned for 2021 that shall be carried out by Wylie and Bisset.</p> <p>The Hub was advised that due to the voluntary nature of the AHP board, delegated powers were given to the CEO who had full authority to act and make decisions on behalf of the board. The Hub sought assurance with regard to frequency of such decisions being made and how these were communicated to the board, and whether these needed to be homologated at future board meetings. AH&amp;P confirmed that the requirement for the Delegation of decisions to the CEO happens infrequently and are mainly of an emergency operational status. In practice, any decisions required are unable to wait until for a Sub group or Board meetings are discussed with the Chairman or the Sub Group Chairman and a decision made. Information about this is distributed to all board or sub group members, via email or phone call. All decisions made are included on the agenda of the next planned board or relevant sub group meeting and discussed in detail guided by a paper produced on the decisions made. This provided the required assurance for the risk rating.</p>	Very Low
	<p><b>Staff Welfare and Performance Appraisal during COVID-19 - Please provide assurance around staff welfare arrangements during COVID - eg working from home procedures and guidance, including health, safety and wellbeing, updates to procedures to reflect flexible working arrangements, communications to staff on wellbeing matters. Please also provide confirmation that your performance appraisal system has continued to operate during the pandemic and how this has been applied to furloughed staff.</b></p>	<p>The Hub noted good evidence regarding staff welfare immediately prior to and during the pandemic, with examples including:-</p> <ul style="list-style-type: none"> <li>Identifying at risk and vulnerable personnel and the production of company specific guidance to complement government advice and guidance</li> <li>COVID measures being put in place at the company premises, with restricted access to the office and a cleaning regime in place etc.</li> <li>Staff rotation where staff were required to be in the office for operational purposes to maintain physical distancing, with staff identified as vulnerable continuing to work from home in line with government guidance</li> <li>Staff working from home in regular contact with the main office and connected to Microsoft Teams throughout their working day</li> </ul> <p>The Hub was assured that staff wellbeing was a priority for the organisation and was advised that the CEO had an “open door” policy regardless of whether staff were in the office or working from home.</p> <p>The Hub was advised that throughout the pandemic, continuous appraisal and performance review had been carried out, with staff appraisals having been completed in March 2021, and additional conversations had taken place about the issues and welfare around COVID, which was reviewed and reported to a recent Board meeting.</p>	Very Low
	<p><b>Data Protection - Please provide written assurance that the following are in place (there is no need to send documentation, just confirmation that these are in place:</b></p> <ul style="list-style-type: none"> <li>Policy and procedures which cover Data Protection (including breach handling and data protection rights requests) – in place (y/n) and date when last reviewed</li> <li>Appropriate Privacy Notices – in place (y/n) and date when last reviewed</li> <li>Appropriate Training for staff which covers DP – y/n and date(s) when last delivered</li> </ul>	<p>The Hub noted strong evidence with regard to data protection with assurance provided that the relevant policies, procedures and notices were in place and regularly updated. The Hub noted that the GDPR statement was last reviewed in June 2020 and was due to be reviewed in July 2021. The Hub was advised that to support AHP’s data policies, they were in the process of obtaining Cyber essentials accreditation which was to be commended.</p> <p>In terms of staff training, the Hub was advised that all staff had undertaken online cyber security training within the past 6 months. Specifically, in relation to data protection training, the Hub noted that all staff had an awareness of data protection, although formal training had not taken place in the current year due to COVID-19, however the importance of data protection was clearly understood, and suitable refresher training would be identified once staff returned to the office. The Hub agreed that should the pandemic result in staff not being able to return to the office by the end of 2021 then alternative arrangements should be made (e.g. online training) and an update provided to a future Hub meeting.</p>	Very Low
	<p><b>Please provide a copy of your risk register and evidence that it has been reviewed and updated? If EU Exit risks have been closed off, please provide evidence of this. Please also include reference to recruitment of EU nationals (process) and any risks remaining.</b></p>	<p>The Hub reviewed the risk register and accompanying risk policy, which were comprehensive in their method of, and description of, risk assessment. Risks are categorised in accordance with the policy, and managed by the Board and two of its sub-groups, which provides a strong framework. There is consistency in the way risks are assessed and controlled.</p> <p>EU Exit risks are separately recorded in a Brexit risk register. AH&amp;P advise that the risks for them pertain to materials upon which a number of their projects are dependent, rather than employment issues. AH&amp;P advise that they are actively managing the risk around network pipes. EU Exit risks were reviewed internally in January 2021 and shall be presented to the Policy and Operations Sub group for discussion, approval and recommendation to AHP Board on 22nd June 2021, and shall be forwarded to the Hub following final wording. Risks were reviewed at the Board meeting on 10th August, 2020. Some risks that have been identified as part of this process are impacts on cost and impacts on delivery processes of main pipework supplies. Mitigation strategies proposed to lessening the impact are being tested at present.</p>	Very Low

Risk	<p>Please provide copies of internal and external audit plans and evidence of your organisation's process for monitoring and completing internal and external audit recommendations.</p>	<p>The Hub reviewed AH&amp;P's internal audit plan for 2021/22 which was agreed by the Board in May 2020. This was developed by Wyllie &amp; Bisset who are the appointed internal auditors until 31st March 2022. There are a total of 45 audit days allocated over the three year period 2019-2022, with 19 audit days scheduled for 2021/22. The IAP covers Strategic Planning, Maintenance Management, Succession Planning and IT Systems. AH&amp;P provided a copy of the internal audit completed in July 2020 on Business Continuity and Disaster Recovery. This tested the adequacy of systems, focusing specifically on the arrangements in place with regards to Covid-19, so as to analyse the impact this had on the organisation's operations. The audit report concluded that there was a substantial level of assurance over the business continuity and disaster recovery arrangements in place at AH&amp;P, and substantial assurance that there is sufficient contingency planning in place to address the possibility of an unforeseen event. A total of 7 recommendations were made, to further improve the business continuity and disaster recovery arrangements. Four of these were graded "medium" and three were graded "low".</p> <p>The Hub sought clarification as to whether the audits scheduled for completion in 2020 were impacted by COVID-19 and, if so, of the plans to ensure these are completed and noted the following response which provided the required assurance: Audits during COVID-19 were undertaken remotely, with all required information being provided to the Auditors via a secure email transmission. The 2020 audits were able to commence effectively this way. Discussion with staff members was through MS Teams, and one member of staff was made available throughout the scheduled audit period to answer queries, locate further supporting documents and to discuss the process with the Auditors. The external auditors on commencement of the audit discussed with the CEO and support staff prior to audit the required documentation, and this was collated prior to the audit process. An audit close out was given by the auditor summarising their findings over MS Teams, and a date was given by the Auditor for issue of a formal report. All audit reports present findings, shortcomings and improvement recommendations, and required a response to formally close out with the auditor. The Audit reports were presented to the P&amp;O group as part of the next scheduled meeting along with suggested responses prepared by AHP Staff. The response were finalised by the P&amp;O group and returned to the Auditor who was able to close out, or require further evidence prior to close out.</p>	Very Low
	<p>Please confirm that your organisation makes provision for the testing of business continuity plans and confirm the process for doing this. Please confirm any lessons learned from the activation of business continuity plans over the last 12 months. Please provide evidence that business continuity plans have been updated in the last 12 months i.e. to reflect lessons learned, changes in working/operational processes.</p>	<p>The Hub reviewed the BCP which showed evidence of learning from the pandemic and from the internal audit of Business Continuity and Disaster Recovery. The plan had also been updated to reflect lessons learned during two energy centre failures in the past year. Further revisions are scheduled. This demonstrates that the BCP is very much a "live" document and provides substantial assurance.</p> <p>AHP was successful in achieving Cyber Essential accreditation since the last reporting period and provided the Hub with a copy of the certification and accreditation criteria. This provides additional assurance that AHP's I.T. policies and procedures are compliant and meet the standards required for the accreditation.</p>	Very Low
	<p>Please advise of any arrangements in place to support the Council with meeting its obligations as a Category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy (preventing people becoming terrorists or supporting terrorism). This would include risk assessments to put in place contingency plans for emergencies, business continuity planning, emergency plans etc. Please advise if your organisation has received any training in this area, and if not, whether you would welcome a collaborative session with Council officers and all ALEOs.</p>	<p>The Hub noted that AHP currently do not participate as part of the PREVENT strategy. AHP would however welcome training in this area, particularly in relation to the credible threat of terrorism attacks on their energy delivery infrastructure. AHP has welcomed the opportunity to participate in training with the Council and other ALEOs in respect of Civil Contingencies, specifically how they can support the Council to meet its statutory obligations under the Act.</p>	Low
Finance	<p>Please provide copies of any papers provided to your Board on your quarterly financial position along with any financial resilience papers that were prepared to support decisions made to manage your organisation's financial position.</p>	<p>The Hub reviewed the financial accounts and documents submitted by AHP and agreed in respect of the audited accounts for 2019/20 that the risk rating was low as no concerns were raised and the auditors were satisfied. In respect of forecast figures for 2020/21, it is likely that AHP's final figures will be in line with budget. The Covid pandemic has not had any material adverse effect on operations although it was noted that the closure of Hazlehead School did reduce income arising from lower energy use. There is reference to a budget error in the paper submitted for one of the sites (Stockethill) This has been examined but as Stockethill is a small site, this has no material effect on the financial performance overall. AHP has a Reserves Policy in place requiring reserves equivalent to 3 months sales (£1.074m). This has been achieved as at the end of January 2021. AHP have provided cashflow figure to year end (year to date plus estimate for March) which indicate that the organisation has sufficient unreserved working capital of approx. £1.1m and is therefore in a sound financial position.</p>	Low

Aberdeen Performing Arts - Appendix D

	Assurance Request	ALEO Assurance Hub Review	Risk Rating
Governance	<p>Governance Documentation - Please provide copies of Constitution, Standing Orders and Procurement Regs, Delegated Powers and evidence that these have been reviewed as part of your Board structures (eg through minutes)</p> <p>Specifically, do delegated powers make provision for emergency structures and decision making to be initiated if your Board is unable to meet (eg pandemic-related)? If not, do you plan to make such provision?</p> <p>Do you have anything to report by exception in relation to codes of conduct for Board members?</p>	<p>The Hub noted that the Financial Regulations (including delegated powers and procurement regulations) had last been updated in February 2020 and this had been considered at meetings of the Finance, Audit and Property Sub Committee on behalf of the Board, with a review undertaken every two years.</p> <p>The Hub noted that the delegated powers made provision for emergency structures and decision making to be initiated if the Board was unable to meet. With regard to the Memorandum and Articles of Association, the Hub noted evidence of these being reviewed in July 2019, with Stronachs involved in the review to ensure compliance with current legislation and to ensure consistency throughout, and the documentation had been sent to OSCR.</p>	Very Low
	<p>Staff Welfare and Performance Appraisal during COVID-19 - Please provide assurance around staff welfare arrangements during COVID - eg working from home procedures and guidance, including health, safety and wellbeing, updates to procedures to reflect flexible working arrangements, communications to staff on wellbeing matters. Please also provide confirmation that your performance appraisal system has continued to operate during the pandemic and how this has been applied to furloughed staff.</p>	<p>The Hub noted strong evidence regarding staff welfare and the efforts that had been made in terms of staff, whether working from home or furloughed. With regard to performance appraisal, the Hub was advised that the full formal appraisal system had not been operational for the past year as 96% of staff had been furloughed since March 2020, therefore there was no work to appraise.</p> <p>The Hub noted that although the formal appraisal system had not been operational, APA had ensured continuity of support and development of the workforce during this time. The Hub are assured that this activity will resume once the organisation is fully re-opened.</p>	Very Low
	<p>Data Protection - Please provide written assurance that the following are in place (there is no need to send documentation, just confirmation that these are in place:</p> <ul style="list-style-type: none"> <li>• Policy and procedures which cover Data Protection (including breach handling and data protection rights requests) – in place (y/n) and date when last reviewed</li> <li>• Appropriate Privacy Notices – in place (y/n) and date when last reviewed</li> <li>• Appropriate Training for staff which covers DP – y/n and date(s) when last delivered</li> </ul>	<p>The Hub noted that the relevant data protection policies, procedures and notices were in place and home working staff were refreshed on data protection and information security requirements in March 2020. Prior to that, GDPR training took place in the summer of 2019.</p>	Very Low
Risk	<p>Please provide a copy of your risk register and evidence that it has been reviewed and updated? If EU Exit risks have been closed off, please provide evidence of this. Please also include reference to recruitment of EU nationals (process) and any risks remaining.</p>	<p>The Hub noted that the General Risk Register grouped risks by the following categories: Financial, Operational, Management &amp; Governance. The actions being undertaken to mitigate the risk were listed against each risk and each risk has a date specified as to when it is next due for review. The change column indicates where the level is risk has either increased, decreased or remained unchanged since the previous review according to the scores allocated using a risk matrix.</p> <p>As would be expected, the highest scoring risks on this register relate to the APA's current operating environment i.e. financial risk around external factors outwith APA's control, such as those associated with EU Exit and COVID.</p> <p>The Covid Risk Register follows the same format as the General Risk Register with risks grouped by the following categories: Leadership &amp; Governance, Financial, People, Creative Programme, Marketing &amp; Communications, Property, Information &amp; Communications Technology.</p> <p>The Hub noted that APA has been unable to close the risk related to EU Exit due to the current operating environment and concurrency with COVID. This does not affect the level of assurance gained as this demonstrates the risk is still being monitored and considered.</p>	Very Low
	<p>Please provide copies of internal and external audit plans and evidence of your organisation's process for monitoring and completing internal and external audit recommendations.</p>	<p>The Hub noted that the external audit service provided to APA was recently reviewed via a tendering exercise and has resulted in the appointment of new auditors. The Hub was advised that regular meetings have been arranged with the new auditors to ensure a smooth transition. Progress in this area will be requested for the next Hub cycle and if further assurance is taken, the rating will become very low. The Hub also noted that the audit management report was provided to the Board on 31/03/20 and that this report contained no auditor recommendations.</p> <p>The Hub was advised that internal audit activities have been suspended due to the current operating environment but were assured that this activity will resume with the business re-opens. Scheduling of this audit work will also help to lower the risk rating further.</p>	Low
	<p>Please confirm that your organisation makes provision for the testing of business continuity plans and confirm the process for doing this. Please confirm any lessons learned from the activation of business continuity plans over the last 12 months. Please provide evidence that business continuity plans have been updated in the last 12 months i.e. to reflect lessons learned, changes in working/operational processes.</p>	<p>The Hub has been advised that APA's current operating environment has resulted in Business Continuity Plans being updated 3 times during the last 12 months, with a specific plan in relation to COVID being created and reviewed during the pandemic.</p> <p>The Hub was also advised that the COVID Business Continuity Plan has been subjected to a "live" test which has provided APA with the confidence to confirm that the plans are robust and support the business to respond to a variety of situations.</p>	Very Low

	<p>Please advise of any arrangements in place to support the Council with meeting its obligations as a Category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy (preventing people becoming terrorists or supporting terrorism). This would include risk assessments to put in place contingency plans for emergencies, business continuity planning, emergency plans etc. Please advise if your organisation has received any training in this area, and if not, whether you would welcome a collaborative session with Council officers and all ALEOs.</p>	<p>The Hub has been advised that APA has appropriate measures in place to manage the risks around PREVENT, including BCPs, training for staff and liaison with Police Scotland. APA has welcomed the opportunity to participate in training with the Council and other ALEOs in respect of Civil Contingencies, specifically how they can support the Council to meet its statutory obligations under the Act.</p>	<p>Low</p>
<p>Finance</p>	<p>Please provide copies of any papers provided to your Board on your quarterly financial position along with any financial resilience papers that were prepared to support decisions made to manage your organisation's financial position.</p>	<p>The Hub reviewed the documents submitted by APA in relation to the financial aspects of their operations. The entertainment sector which APA operates within has been significantly affected by the Covid lockdowns and is still subject to a high degree of uncertainty around when restrictions will be lifted and when shows will be able to restart and what restrictions may still be in place. There is still no road map to reopening for performing arts venues in Scotland. APA have produced a budget and cashflow statements which recognise the uncertainty around re-opening and have wisely attempted to look at possible scenarios while awaiting clarity. These are based on a hybrid of activity – on stage from September/October and online until then. The current draft budget is a deficit of £571k which will be offset from within current funds. APA has produced financial forecasts for 2021/22 based upon 4 differing re-opening dates including phased recovery of audience levels from an initial 50% uptake in September 2021 rising to 80% in March 2022. The budget for 2021/22 continues to take into account staging of digital events. APS have had to cancel or reschedule 595 performances across all their venues equating to more than £4,000,000 in ticket sales. A total of 31 weeks of programming have been lost from 2021 to date, and 2 from 2022, however many shows have been rescheduled to 2022 and 2023 which are looking to be very busy years. The organisation has taken advantage of the additional funding opportunities offered to organisations during the Covid outbreak. In addition to confirmation of core funding from the Council and Creative Scotland, APA has secured £2,605,000 in external funding since March 2020 which is made up of the £1,400,000 stabilisation funding, Heritage Emergency Funding, Pivotal Arts Venues Relief Funding, Third Sector Relief Funding, Pivotal Enterprise Relief Funding, Event Scotland and Strategic Framework Business Funding (£9k a week until June 2021). It includes £140,000 in public donations received. It excludes the £150,000 loan and the £1,500,000 drawn down from the job retention scheme. In addition, APA have secured a 48-month repayment loan of £150k from Firstport to support the organisation as it recovers from the effects of the Covid shutdown. Expenditure has been reviewed and we note that these are in line with both historical costs plus reflect the potential costs associated with differing re-opening dates and income levels. In addition to cash flow forecasting linked to differing reopening scenarios during the financial year, provision has been made for staff to receive the National Living Wage with a small staffing contingency. The Hub noted the Council approved (10 March 2021) to guarantee up to £356k additional funding during 2021/22 if needed. The risk rating remains high purely due to sector and uncertainty over opening. Financial stewardship arrangements are considered by the Hub to be strong, with access to financial support grants and loans having all been pursued and secured and this has gone a considerable way towards supporting APA during the uncertain course of the pandemic. APA plan to update their financial forecasts once they have more clarity on future opening scenarios which may reduce the risk rating to medium.</p>	<p>Medium</p>

Aberdeen Sports Village - Appendix E

	Assurance Request	ALEO Response	Risk Rating
Governance	<p><b>Governance Documentation</b> - Please provide copies of Constitution, Standing Orders and Procurement Regs, Delegated Powers and evidence that these have been reviewed as part of your Board structures (eg through minutes)</p> <p>Specifically, do delegated powers make provision for emergency structures and decision making to be initiated if your Board is unable to meet (eg pandemic-related)? If not, do you plan to make such provision?</p> <p>Do you have anything to report by exception in relation to codes of conduct for Board members?</p>	<p>The Hub noted that copies of the amended Articles of Association and Procurement Regulations had been provided which included delegated spending powers. The Hub noted the Joint Venture Agreement had also been provided which detailed a list of Shareholder Matters which covered various delegations. The Hub acknowledged that the ASV Board structure had been considered at the Board meeting on 19 March 2021 with regard to term and tenure. The submission also included the ASV Operating Agreement which explained, under policies and procedures, when various governance documents were due for review and the Hub was assured accordingly.</p> <p>The Hub was advised that throughout the past year, ASV had increased the frequency of its Board meetings, and that as a result the decision making powers of the Board had been very effective and swift. The Hub was assured in that regard, however, the Hub noted that there is no written or specific delegated powers to make provisions for emergency structures and decision making to be initiated should the Board be unable to meet. ASV will raise this at the next Board meeting scheduled for the 14th May 2021 and look to make such a provision. Assurance will be sought in the next cycle in this regard.</p>	Low
	<p><b>Staff Welfare and Performance Appraisal during COVID-19</b> - Please provide assurance around staff welfare arrangements during COVID - eg working from home procedures and guidance, including health, safety and wellbeing, updates to procedures to reflect flexible working arrangements, communications to staff on wellbeing matters. Please also provide confirmation that your performance appraisal system has continued to operate during the pandemic and how this has been applied to furloughed staff.</p>	<p>The Hub noted good evidence regarding staff welfare and the various efforts that had been made, including:-</p> <ul style="list-style-type: none"> <li>• The development of working from home procedures and guidance</li> <li>• The provision of information regarding furlough and the Government's job retention scheme</li> <li>• Extensive communication with staff via a wide range of methods, with the staff intranet heavily used which contained a lot of information around mental health, including the availability of a counselling support service</li> </ul> <p>The Hub noted that at the start of each Board meeting, the Chairperson asked the Chief Executive to provide an update on staff welfare matters and to provide assurances that appropriate support was being offered to staff; and this was evidenced from the minutes of the Board meetings which had been submitted.</p> <p>The Hub was advised that ASV's performance appraisal system had continued to operate during the pandemic, however appraisals were only conducted for staff who continued to work throughout the periods of lockdown and did not include staff who were furloughed, which represented the vast majority of ASV staff.</p>	Very Low
	<p><b>Data Protection</b> - Please provide written assurance that the following are in place (there is no need to send documentation, just confirmation that these are in place:</p> <ul style="list-style-type: none"> <li>• Policy and procedures which cover Data Protection (including breach handling and data protection rights requests) – in place (y/n) and date when last reviewed</li> <li>• Appropriate Privacy Notices – in place (y/n) and date when last reviewed</li> <li>• Appropriate Training for staff which covers DP – y/n and date(s) when last delivered</li> </ul>	<p>The Hub noted strong evidence with regard to data protection, with assurance provided that the relevant policies, procedures and notices were in place and regularly updated. In terms of staff training, the Hub was advised that appropriate training had been delivered on various dates in 2020 and 2021, which included GDPR, DPIA, Data Breaches, Individual's Data Rights and Subject Access Requests.</p>	Very Low
	<p>Please provide a copy of your risk register and evidence that it has been reviewed and updated? If EU Exit risks have been closed off, please provide evidence of this. Please also include reference to recruitment of EU nationals (process) and any risks remaining.</p>	<p>The Hub reviewed the risk register where risks are categorised as follows:- political, technological, economic, organisational, financial, life and limb (employees), life and limb (customer). The risk register is reviewed by the Board twice per year and was last reviewed in December 2020. Whilst it is normal practice for the Board to review the top 5 risks, on this occasion it reviewed 7 – an additional risk with a residual score of 16 (Legislative closure of ASV or operating restrictions) and 6 risks with scores of 12. There was also an additional risk - failure to support staff with mental health issues, support wellbeing needs and adverse effect on staff morale. The minutes of the Board meeting demonstrated good levels of scrutiny of the risk register, with a particular focus on the continuing impacts of the pandemic.</p> <p>The risk register demonstrates sound and current risk management, taking account of the impact of the pandemic and horizon scanning effectively for future risks particularly those caused by the obvious effects of COVID on ASV operations.</p> <p>The risk register presented in December (and reviewed by the Board) took account of the impact of a No Deal EU Exit with the main control in place being to monitor. As the UK ultimately left the EU with a deal, this did not materialise.</p> <p>ASV clarify that there were no other mitigations in place for a No Deal EU Exit other than to monitor. The risk mitigation was one of acceptance as due to the nature of our sector, customer base and supply chain, impact was considered to be minimal.</p>	Very Low

Risk	<p>Please provide copies of internal and external audit plans and evidence of your organisation's process for monitoring and completing internal and external audit recommendations.</p>	<p>The Hub reviewed evidence of the key planning document for ASV's annual external financial audit and noted that ASV's external audit Director reports and makes recommendations to the Board at its December meeting each year. This includes evidence of the monitoring and completion of actions.</p> <p>Findings from the 2019/20 internal audits were also included. The ASV Service Development and Improvement Plan tracks actions identified in the internal auditing process (Quest Plus Audit). This plan tracks the improvement actions in areas including:</p> <ul style="list-style-type: none"> <li>• Internal audits and other audit activity</li> <li>• Policy reviews</li> <li>• Risk Assessments</li> <li>• Customer feedback</li> <li>• Routine inspections</li> <li>• Mystery shoppers</li> </ul> <p>The Hub noted that an internal audit is planned in 2021/22. The scope of this is quite broad and involves topics such as legislative compliance, customer experience, cleaning &amp; housekeeping, maintenance &amp; equipment, Team &amp; skills development, community impact &amp; engagement, environment, safeguarding and improvement planning process.</p>	Very Low
	<p>Please confirm that your organisation makes provision for the testing of business continuity plans and confirm the process for doing this. Please confirm any lessons learned from the activation of business continuity plans over the last 12 months. Please provide evidence that business continuity plans have been updated in the last 12 months i.e. to reflect lessons learned, changes in working/operational processes.</p>	<p>The Hub reviewed copies of ASV's COVID Response Plan and COVID Strategy which provided clear evidence of business continuity arrangements during the pandemic, a staff communication strategy, and a response plan to manage the loss of staff to symptoms or illness. A safety operating procedure was also provided as strong evidence of the ways in which ASV has adapted its operations safely for both staff and returning customers. This was amended in accordance with Government guidance.</p>	Very Low
	<p>Please advise of any arrangements in place to support the Council with meeting its obligations as a Category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy (preventing people becoming terrorists or supporting terrorism). This would include risk assessments to put in place contingency plans for emergencies, business continuity planning, emergency plans etc. Please advise if your organisation has received any training in this area, and if not, whether you would welcome a collaborative session with Council officers and all ALEOs.</p>	<p>The Hub noted that ASV currently do not participate as part of the PREVENT strategy but understand the requirements and are very keen learn how it can evidence support to ACC's obligations as a category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy.</p> <p>ASV has received ACT training at management team level and liaises with Police Scotland in this regard. ASV would welcome input and direction from Aberdeen City Council in this matter. ASV has not received nor delivered PREVENT training and would welcome a collaborative session with Council officers and all ALEOs.</p> <p>ASV has previously agreed to support the Council's resilience arrangements by providing access to ASV in the event that the Council is required to activate a reception centre. This could be at the request of the Grampian Local Resilience Partnership, or if the Council identifies a pressing accommodation need for city residents such as an act of terrorism or a critical/major incident.</p> <p>The level of assurance gained in respect to ASV's Civil Contingencies is medium as there is further work to be done in respect of PREVENT and to provide training on the Council's responsibilities as a Category 1 responder.</p>	Low
Finance	<p>Please provide copies of any papers provided to your Board on your quarterly financial position along with any financial resilience papers that were prepared to support decisions made to manage your organisation's financial position.</p>	<p>Aberdeen Sports Village is a jointly and equally owned subsidiary of Aberdeen University and Aberdeen City Council with each providing equal annual funding and ultimately sharing any financial risk. Aberdeen Sports Village (ASV) financial year is to 31 July and therefore audited accounts were not available to review as part of the previous ALEO hub review process in October 2020.</p> <p>2019/20 Audited Accounts - The Hub noted that the 2019/20 financial audit did not raise any matters of concern and made no comment in relation to the Going Concern Principle. The risk rating is Low. The effect of the Covid shutdown during 2019-20 was a reduction of approx £600k by comparison against 2018-19 before depreciation and Pension fund valuation adjustments were taken into account. This should however be set against a background of significant liquid reserves available to the organisation. During financial year 2020/21, ASV operations continued to be affected by the Covid pandemic and the Hub noted that ASV have worked to mitigate the effect of the shutdown through cost reduction measures and accessing appropriate Government furlough grants.</p> <p>In terms of cash flow forecasting, the organisation worked through different re-opening scenarios and at the time of writing are currently working towards re-opening at the end of April 2021.</p> <p>It is noted that the ASV board took the decision, as approved by ACC and AU, to not charge the Lifecycle Reserves Provision during the current financial year. These are funds set aside to renew assets at a future date. In addition to a Lifecycle Reserve provision break in the current year (2020/21), a break in 2021/22 was approved by ASV's board at its 18 December 2020 meeting. This request was included within ASV's 3 Year Plan. The 3 Year Plan was approved by ASV's board in December and by the shareholders at their 13 April 2021 meeting. It is planned and expected for ASV to make a full Lifecycle Reserve provisions in subsequent years.</p>	Low/Medium



Bon Accord Care - Appendix F

	Assurance Request	ALEO Response	Risk Rating
Governance	<p><b>Governance Documentation - Please provide copies of Constitution, Standing Orders and Procurement Regs, Delegated Powers and evidence that these have been reviewed as part of your Board structures (eg through minutes)</b></p> <p><b>Specifically, do delegated powers make provision for emergency structures and decision making to be initiated if your Board is unable to meet (eg pandemic-related)? If not, do you plan to make such provision?</b></p> <p><b>Do you have anything to report by exception in relation to codes of conduct for Board members?</b></p>	<p>The Hub noted that copies of the various governance documents had been provided and that on 10 February 2021, BAC's Audit Committee considered a paper relating to a recent governance audit carried out by Aberdeenshire Council as BAC's internal auditors. The Hub noted that the objective of the audit was to review the adequacy of Bon Accord Care's Scheme of Governance and its application in relation to the engagement of Board Members, and the commissioning arrangement for internal reviews. The Hub noted that the audit made a number of recommendations which were now being taken forward by BAC following the development of an action plan which had been provided and was considered by the BAC Board in March 2021.</p> <p>The Hub was assured that BAC was progressing the action plan following the internal audit, however the action plan was still in its infancy and had only just been considered by the Board, therefore the Hub agreed that an update on progress should be sought for a future Hub meeting and the risk rating reviewed accordingly. The Hub noted BAC's Delegation of Authority Matrix which had been approved, along with other governance documentation, at its Board meeting in March 2021, and that the Scheme of Delegation Policy was due to be submitted to the Board in May 2021. The Hub further noted that BAC planned to commission work for the Improvement Service to support the Board to develop, which contribute to the review of committees, and that more detail was due to be submitted to the next Board meeting. The Hub agreed that an update on this work would be beneficial alongside an update on progress on the action plan in response to the governance audit.</p> <p>The Hub was advised that the delegated powers included authority for crisis response, media and potential reputational damage, and noted that the BAC Board had formally delegated responsibility in that regard to the BAC Managing Director in consultation with the Chair of the BAC Board.</p>	Low
	<p><b>Staff Welfare and Performance Appraisal during COVID-19 - Please provide assurance around staff welfare arrangements during COVID - eg working from home procedures and guidance, including health, safety and wellbeing, updates to procedures to reflect flexible working arrangements, communications to staff on wellbeing matters. Please also provide confirmation that your performance appraisal system has continued to operate during the pandemic and how this has been applied to furloughed staff.</b></p>	<p>The Hub noted good evidence regarding staff welfare and the efforts that had been made in terms of (1) keeping in touch with staff, for example those who had been required to shield or who were on long term leave, such as sickness absence (Covid or non-Covid) or maternity/paternity leave; (2) PPE risk assessments being completed for every employee in 2020 and being kept up to date thereafter; (3) support for staff who had been required to be tested for Covid (or members of their direct household), and particularly those who received a positive test result; (4) support for those returning to work, with an agreed plan put in place, e.g. phased return; and (5) those staff who were working from home and a DSE assessment being required for their workstation, with appropriate equipment provided where there was an identified need.</p> <p>The Hub was advised that BAC's performance appraisal system had continued during the pandemic, although modifications had been made – for example more informal performance feedback had been happening on a more regular basis which had been a positive from an intense period. The Hub noted that BAC had not furloughed any staff therefore there was no impact in that regard.</p>	Very Low
	<p><b>Data Protection - Please provide written assurance that the following are in place (there is no need to send documentation, just confirmation that these are in place:</b></p> <ul style="list-style-type: none"> <li>• Policy and procedures which cover Data Protection (including breach handling and data protection rights requests) – in place (y/n) and date when last reviewed.</li> </ul>	<p>The Hub noted strong evidence with regard to data protection with assurance provided that the relevant policies, procedures and notices were in place and regularly updated. In terms of staff training, the Hub was advised that BAC had launched a new Learning Management System, and all staff were required to complete a mandatory eLearning module on data protection which included a test to evidence understanding, and this was subject to an annual refresher, having been changed from a 3 year refresher at the end of 2020.</p>	Very Low
	<p><b>Please provide a copy of your risk register and evidence that it has been reviewed and updated? If EU Exit risks have been closed off, please provide evidence of this. Please also include reference to recruitment of EU nationals (process) and any risks remaining.</b></p>	<p>The Hub reviewed the risk register which is updated every two months by BAC's Risk Management Committee. This was most recently reviewed in March 2021 and there are two risks which remain serious/significant - Failure to measure, monitor or control quality within the organisation and Marketing &amp; Communication strategy is not effective in promoting and protecting the brand. Both will be reviewed again in July 2021. The risk register includes risks being managed in relation to COVID-19. BAC have put in place a significant number of controls since the onset on the pandemic in March 2020 and the risk score has reduced from 15 to 10 which is manageable. This is due to be reviewed again in May 2021. BAC are also actively managing the risk around Brexit, particularly as this relates to workforce planning, and mitigations are proving effective.</p>	Very Low

Risk	<p>Please provide copies of internal and external audit plans and evidence of your organisation's process for monitoring and completing internal and external audit recommendations.</p>	<p>BAC provided details of internal audits completed during 2020, including the audit of the Scheme of Governance. The other audit was on financial policies and procedures, with findings yet to be provided to BAC. The audit on the SOG was included in the paperwork reviewed by the Hub, and this showed a number of recommendations proposed by Aberdeenshire Council as internal auditors. There was evidence that these had been reviewed by the Board in March, including status updates.</p> <p>The Hub will request sight of the financial audit report to next cycle.</p> <p>It also advised that its Audit Committee would be considering an internal audit plan.</p> <p>The Hub was also advised as follows:</p> <p>The external financial audit is governed by Companies Act requirements for annual audit of the statutory accounts. No additional items for audit have been requested. The Audit Committee will review the findings of the external audit at a clearance meeting (currently scheduled for May 2021) and can speak with the external auditor in private, i.e. without executive staff present. The findings will normally be written, in the form of a Letter to Management and also in a Letter of Representations, the latter of which the Board is asked to approve. The Audit Committee then reports back to main Board on the findings of the audit.</p> <p>In addition to the above, BAC also has its own internal audit quality function that reviews our compliance against our own Quality Management System (QMS). A schedule is in place to ensure all services are audited. BAC also undertake our own Health and Safety and Facilities audits for both our services and support functions. From these reviews, internal audit reports are produced that highlight any non-compliance issues and areas for improvement. Reports also highlight any best practice so this can be shared across other services.</p> <p>Details were also provided on the following external inspections/audits:</p> <ul style="list-style-type: none"> <li>- Care Inspectorate</li> <li>- Environmental Health</li> <li>- ISO 9001:2015</li> <li>- Fire Service/Fire Safety</li> </ul>	Very Low
	<p>Please confirm that your organisation makes provision for the testing of business continuity plans and confirm the process for doing this. Please confirm any lessons learned from the activation of business continuity plans over the last 12 months. Please provide evidence that business continuity plans have been updated in the last 12 months i.e. to reflect lessons learned, changes in working/operational processes.</p>	<p>The Hub reviewed BAC's business continuity policy (reviewed in November 2020) and also noted that the Business Continuity Plan had been reviewed in June and tested in July. Substantial amendments were made on the back of the pandemic and a further review is to take place in June 2021, with a scenario planning test scheduled for April 2021, based on the "provider of last resort" for a Care Home.</p> <p>The level of assurance gained in respect to BAC's business continuity planning is high primarily due to the documentation having been recently refreshed but also due to the live tests conducted during the lifetime of COVID. Impacts from this have included for example, temporary loss of staff and reduced mobility between our services. The lessons learnt from this impact highlighted the need for sufficient staff capacity. This has now been actioned. Other impacts have been around the increased requirement for infection prevention/control and cleaning during the pandemic. This has led BAC to revise their operating procedures in relation to Infection Prevention and Control as they have faced dealing with the Covid Pandemic.</p> <p>There has been collaborative working with ACC and Partnership with regards to the supply of staff.</p> <p>BAC has supported other providers during the winter period through the supply of staff, evidencing our ability to respond as a provider of last resort to support the wider care system.</p>	Very Low
	<p>Please advise of any arrangements in place to support the Council with meeting its obligations as a Category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy (preventing people becoming terrorists or supporting terrorism). This would include risk assessments to put in place contingency plans for emergencies, business continuity planning, emergency plans etc. Please advise if your organisation has received any training in this area, and if not, whether you would welcome a collaborative session with Council officers and all ALEOs.</p>	<p>The Hub noted that BAC had supported the Council in meeting its obligations as a Category 1 responder by allowing their Rosewell facility to be used by NHSG – this formed part of a mutual aid request. BAC advise that they are working on developing policies/procedures in relation to their role in supporting ACC (and ACHSCP) in their role as category 1 responders. This is being built into the Board Development plan that we are currently implementing.</p> <p>With regards to the PREVENT strategy work, this had commenced pre Covid however this has had to be placed on hold during the pandemic. To be rescheduled in the next financial year and will be helped by the BAC Cultural Review exercise we commenced from 29 March 2021.</p> <p>The risk rating in respect to BAC's Civil Contingencies is low however there is further work to be done in respect of PREVENT and in developing policies and procedures to support the Council's in meeting its responsibilities as a Category 1 responder.</p>	Low
Finance	<p>Please provide copies of any papers provided to your Board on your quarterly financial position along with any financial resilience papers that were prepared to support decisions made to manage your organisation's financial position.</p>	<p>The Hub reviewed the papers/documents provided and noted the following.</p> <p>2019/20 Audited Accounts - There were no issues raised during the audit of the 2019/20 accounts.</p> <p>Current Year 2020/21 - forecast figures for 2020/21 indicate BAC financial performance is in line or slightly better than budget. There were no other issues arising from the papers submitted.</p> <p>Financial Year 2021/22 - The BAC Board were presented with a budget for approval in March 2021. This included the identification of savings measures to meet financial targets. The level of financial information provided and assumption upon which the budget was considered by the Hub to be reasonable. It was noted within the papers that a large element of the budget is staff related and the annual pay increases have not yet been confirmed. As there are savings required to be made in 2021-22 these need to be monitored.</p>	Low



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Sport Aberdeen - Appendix G

	Assurance Request	ALEO Response	Risk Rating
Governance	<p>Governance Documentation - Please provide copies of Constitution, Standing Orders and Procurement Regs, Delegated Powers and evidence that these have been reviewed as part of your Board structures (eg through minutes)</p> <p>Specifically, do delegated powers make provision for emergency structures and decision making to be initiated if your Board is unable to meet (eg pandemic-related)? If not, do you plan to make such provision?</p> <p>Do you have anything to report by exception in relation to codes of conduct for Board members?</p>	<p>The Hub noted that copies of the various governance documents had been provided, i.e. Articles of Association, Financial Procedures, Financial Regulations and Procurement Strategy, with the latter three having been updated within the past year and due for review on a planned and regular basis with oversight maintained by the Board. The Hub agreed that this provided the required level of assurance.</p> <p>The Hub was advised that the Financial Regulations and Procedures had been amended during 2020 to take account of exceptional expenditure arising from potential emergency situations. The Hub noted that the Board and its committees had maintained their established meeting schedule throughout the pandemic, and that Additional Corporate Governance and Special Business Committees were added to the schedule, with the latter having delegated powers from the Board to deal with emergency business. The Hub agreed that this provided adequate assurance in this regard.</p>	Very Low
	<p>Staff Welfare and Performance Appraisal during COVID-19 - Please provide assurance around staff welfare arrangements during COVID - eg working from home procedures and guidance, including health, safety and wellbeing, updates to procedures to reflect flexible working arrangements, communications to staff on wellbeing matters. Please also provide confirmation that your performance appraisal system has continued to operate during the pandemic and how this has been applied to furloughed staff.</p>	<p>The Hub noted good evidence regarding staff welfare and the various efforts that had been made, including:</p> <ul style="list-style-type: none"> <li>Remote working guidance put in place</li> <li>Guidance for homeworking adapted from the Scottish Government</li> <li>Monthly staff briefings by the Managing Director</li> <li>Regular communication briefings sent to furloughed staff and all managers engaged in group chats and welfare checks with staff within their area of responsibility</li> </ul> <p>The Hub was advised that the performance appraisal system for non-furloughed staff had been deferred and replaced with a more appropriate arrangement; and that furloughed staff had not been subject to performance appraisal and the Hub acknowledged that it was not feasible to do this under the terms of the Government Job Retention Scheme (JRS). The Hub noted that several reports had been submitted to the Board and its committees on furlough arrangements and the JRS, as well as an organisational restructure.</p>	Very Low
	<p>Data Protection - Please provide written assurance that the following are in place (there is no need to send documentation, just confirmation that these are in place:</p> <ul style="list-style-type: none"> <li>Policy and procedures which cover Data Protection (including breach handling and data protection rights requests) - in place (y/n) and date when last reviewed</li> <li>Appropriate Privacy Notices - in place (y/n) and date when last reviewed</li> <li>Appropriate Training for staff which covers DP - y/n and date(s) when last delivered</li> </ul>	<p>The Hub noted good evidence with regard to data protection, with assurance provided that the relevant policies, procedures and notices were in place and regularly updated. In terms of staff training, the Hub was advised that updated training had been delivered in 2020 to take account of new ways of working and part of the re-induction training for staff returning from furlough.</p>	Very Low
Risk	<p>Please provide a copy of your risk register and evidence that it has been reviewed and updated? If EU Exit risks have been closed off, please provide evidence of this. Please also include reference to recruitment of EU nationals (process) and any risks remaining.</p>	<p>SA provided its Strategic Risk Register which been regularly reviewed throughout the pandemic and reported to Corporate Governance Committee or the Board.</p> <p>A separate linked COVID-19 risk register has also been running throughout the pandemic.</p> <p>A specific Brexit action plan was developed by Sport Aberdeen and this had been reviewed and updated at the end of the Brexit Transition Period. SA reported that there are no significant outstanding risks for the company (for operations currently operating under level 4 restrictions) relating to recruitment of European nationals or importing of goods.</p> <p>EU Nationals - now incorporated into recruitment process for any future appointments. Where this applies to the current workforce, all necessary checks have been undertaken and where applicable share codes have been provided by the individuals.</p> <p>The level of assurance gained in respect to SA's Risk Management activities is high due to the levels of scrutiny by the Board on their risk registers, with particular focus on COVID and EU Exit. Within the SRR, mitigations are in place for all risks, and those scored highest are being tolerated. The COVID risk register is extremely comprehensive and details a broad range of risks and controls around the impact of the pandemic. EU Exit action plan evidences all but one action complete, with the remaining action being an on-going piece of work.</p>	Very Low
	<p>Please provide copies of internal and external audit plans and evidence of your organisation's process for monitoring and completing internal and external audit recommendations.</p>	<p>SA provided their Audit Strategy and Annual Internal Audit Plan for 2020/21 and advised that this had been deferred due to COVID however the auditors had now scheduled a resumption of the audit plan, commencing in March 2021 and running to June. The areas of audit have been carried forward to 2021/22. This provides adequate assurance that there is a process in place which, read alongside the comprehensive risk registers, confirms that the system of checks and balances is sound.</p> <p>The level of assurance gained in respect to SA's audit activities is high. The deferral of the scheduled audit programme for 2020/21 was due to both organisations having key staff on furlough, and the diversion to survival priorities, making it unfeasible to undertake any audits. Sport Aberdeen confirmed that there were no internal failures in internal control, and no unintended consequences, as a result of the deferral. Risks are being closely monitored through active review of risk registers. This decision to defer the audit plan was also approved by the company's Corporate Governance Committee.</p>	Very Low
	<p>Please confirm that your organisation makes provision for the testing of business continuity plans and confirm the process for doing this. Please confirm any lessons learned from the activation of business continuity plans over the last 12 months. Please provide evidence that business continuity plans have been updated in the last 12 months i.e. to reflect lessons learned, changes in working/operational processes.</p>	<p>The Hub noted that SA had activated (and therefore tested) business continuity plans over the past year, both in respect of loss of staff and buildings due to the pandemic, and in respect of systems when an IT server had failed causing online bookings to be disrupted. These activations identified a number of gaps/lessons, and SA provided evidence that these had been addressed, mostly during the lifetime of the pandemic in order to allow business to continue whilst staff worked remotely. An updated and simplified BCP was reviewed by the Hub, as well as an updated Remote Working Policy and newly introduced remote working guidance specific to the pandemic. These were extremely comprehensive and demonstrated a robust approach and best practice.</p> <p>The level of assurance gained in respect to SA's business continuity planning is "high" due to the detail of the rigorous standards applied to remote working and the operational agility of the organisation.</p>	Very Low
Finance	<p>Please advise of any arrangements in place to support the Council with meeting its obligations as a Category 1 responder under the Civil Contingencies Act and in pursuit of the PREVENT strategy (preventing people becoming terrorists or supporting terrorism). This would include risk assessments to put in place contingency plans for emergencies, business continuity planning, emergency plans etc. Please advise if your organisation has received any training in this area, and if not, whether you would welcome a collaborative session with Council officers and all ALEOs.</p>	<p>The Hub noted a number of supports which Sport Aberdeen has put in place to assist the Council in meeting its obligations, including the provision of rest centres, transport and personnel. Sport Aberdeen have advised that they have not completed work around the PREVENT at present and would welcome further opportunity to be involved with ACC in this area of work, including training, to support it in meeting its statutory obligations.</p> <p>The level of assurance gained in respect to SA's Civil Contingencies is "medium" as there is further work to be done in respect of PREVENT and to provide training on the Council's responsibilities as a Category 1 responder.</p>	Low
	<p>Please provide copies of any papers provided to your Board on your quarterly financial position along with any financial resilience papers that were prepared to support decisions made to manage your organisation's financial position.</p>	<p>The Hub reviewed the financial papers provided and noted the following. There were no matters of concern raised within the audit of the 2019/20 annual accounts although it was noted the challenges facing such organisations arising from Covid. Whilst Covid was identified as a risk in 2020/21, given the nature of the organisations activity (Worst Case Scenario) the organisations year to date/forecasts position appeared reasonable. The current forecast position is showing a surplus on unrestricted funds, with forecasts exhibiting a cautious approach at this time. The organisation had net current assets of £1.6m at year end (March 2020) to support their position. The organisation has understandably taken full advantage of the furlough scheme and has accessed approximately £1.9m to support staff salaries. There has been re-opening of elements of the organisation's operations as lockdown has changed.</p>	Low/Medium

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Annual Report 2020/21
<b>REPORT NUMBER</b>	IA/21/001
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.3

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with Internal Audit's Annual Report for 2020/21.

### 2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the Annual Report for 2020/21;
- 2.2 Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- 2.3 Note that there has been no limitation to the scope of Internal Audit work during 2020/21; and
- 2.4 Note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards.
- 2.5 Note the content of Internal Audit's Quality Assurance and Improvement Plan.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including its annual work programme. Internal Audit reports interim progress at each meeting of the Committee.
- 3.2 The Internal Audit plan for 2020/21 was agreed by the Audit, Risk and Scrutiny Committee on 12 February 2020, and following the advent of

the Coronavirus pandemic was amended as agreed by the Urgent Business Committee on 6 May 2020. Each of the audits contained in the plan was allocated a certain number of days determined by the perceived complexity of the work, level of testing envisaged and expected outcome of the audit. The plan also included an allocation of time for dealing with additional work requests, providing advice to Services, and for investigations into suspected financial irregularities.

- 3.3 Appendices A and B to this report detail the position with those audits carried forward from 2019/20, along with details relating to audits contained in the original 2020/21 plan.
- 3.4 The 2020/21 Internal Audit plan was based on the Internal Audit Section being fully staffed during the year. However, Internal Audit's resources have been constrained due to the direct and indirect impacts of Covid 19 on team absences, a vacant Assistant Auditor post, and a temporary vacancy arising following the retirement of the former Chief Internal Auditor. It is estimated that around 20% of the Section's capacity during the year was lost for these staffing reasons.
- 3.5 Delays with providing required information and responses to draft reports impact on the level of assurance that can be provided. During the year, Internal Audit reported regularly to the Audit, Risk and Scrutiny Committee regarding these matters. It is acknowledged that where necessary, responses will have been delayed where resources have been prioritised to support the Council's response to the Covid 19 pandemic.
- 3.6 During 2020/21, the majority of recommendations made by Internal Audit in completed audits were accepted which, if taken to full implementation, will improve the Council's internal control environment and, in some cases, result in more efficient and effective processes, and financial savings for the Council. Any failure to implement the more significant recommendations can have an impact on the overall Internal Audit opinion expressed in the annual Internal Audit Report and the level of assurance that can be provided to those charged with governance. Internal Audit monitors the implementation of agreed recommendations on a regular basis with the results reported to each meeting of the Audit, Risk and Scrutiny Committee. There have been delays with implementing some recommendations, and progress is being monitored by the Performance Board and Risk Board, by exception, using data provided by Internal Audit on a regular basis.
- 3.7 It is considered that sufficient work was completed during the year, or was sufficiently advanced by the year-end, on which to base the conclusion drawn in the annual Internal Audit Report. The volume of work completed during 2020/21 is less than previous years, due to the impact of Covid 19 on the resources and capacity of the Internal Audit team and of audited Services. Whilst this leads to a reduction in the sources of assurance available on which to form an opinion, reliance has been placed on the previous body of work completed by Internal Audit, and reported progress with management implementation of agreed Internal Audit recommendations. Consideration has been given as to whether this amounts to a limitation of the scope of Internal Audit's activities, and it is considered that for 2020/21 a one-off reduction in the number of completed



audits will not have a material impact. Should the situation extend to significantly impact work planned in 2021/22 and beyond, further consideration will be given to the level of assurance which Internal Audit can provide.

- 3.8 The annual Internal Audit Report is attached as Appendix C and concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control system in the year to 31 March 2021.
- 3.9 However, as with previous years, Internal Audit has highlighted some concerns throughout the year relating to compliance with Council policies and procedures, and with regard to delays in the implementation of recommendations agreed in Internal Audit reports.
- 3.10 Different areas of the organisation are audited each year, and there has been a decrease in the number of audits completed, there has therefore been a decrease in the number of recommendations made in 2020/21 (83) compared with 2019/20 (218), which had increased from 159 in 2018/19. The number of reports containing recommendations graded as "major" increased from 1 to 2.
- 3.11 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor report to Senior Management and the Board (the Audit, Risk and Scrutiny Committee) on the outcome of Internal Audit's Quality Assurance and Improvement Plan (QAIP). Previous years' QAIP actions have been fully concluded.
- 3.12 As part of reporting on the QAIP, there is a requirement to provide the Board with performance data. As reported to Committee previously, this has been a matter of great debate amongst practitioners in Scotland with little consensus reached on what should be measured. However, Internal Audit's performance data as it stands, and as agreed when approving the shared Internal Audit Service, is attached as Appendix D for discussion.
- 3.13 For 2020/21, a checklist developed by the Scottish Local Authorities Chief Internal Auditors Group for undertaking external peer reviews was used to undertake the required self-assessment in assessing conformance with the PSIAS and the associated Local Government Application Note. The checklist is a lengthy document, comprising a range of detailed questions, which leads to an assessment of 13 key areas of the PSIAS.
- 3.14 Following completion of the self-assessment, the outcome was that Internal Audit considers it Fully Conforms with 12 of the 13 key areas examined, and Generally Conforms in respect of 'Managing the Internal Audit Activity'. Development of the Internal Audit Service, audit prioritisation and assurance mapping, and more regular meetings with External Auditors would further enhance compliance. In respect of these, and in further areas where it is considered improvements could add value, actions have been added to a new QAIP for 2021/22, which is set out in Appendix E.
- 3.15 The Standards also require that Internal Audit confirms to the Board, at least annually, that it is organisationally independent. The organisational independence of Internal Audit is established through Financial Regulations

(approved by full Council) and the Internal Audit Charter (approved by the Audit, Risk and Scrutiny Committee). Other factors which help ensure Internal Audit's independence are that: the Internal Audit plan is approved by the Audit, Risk and Scrutiny Committee; and, Internal Audit reports its outputs to Committee in the name of the Chief Internal Auditor. The Chief Internal Auditor considers that Internal Audit is organisationally independent.

- 3.16 There is also a requirement to report any instances where the scope of Internal Audit's work has been limited. During 2020/21, except to the extent discussed at 3.7 above, there have been no such limitations.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

**6. MANAGEMENT OF RISK**

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

**7. OUTCOMES**

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

**8. IMPACT ASSESSMENTS**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.

<b>Data Protection Impact Assessment</b>	Not required
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**9. APPENDICES**

- 9.1 Appendix A – 2019/20 Audit Work carried forward into 2020/21.
- 9.2 Appendix B – 2020/21 Audit Work.
- 9.3 Appendix C – Internal Audit Annual Report for the year ended 31 March 2021.
- 9.4 Appendix D – Internal Audit Performance Measures
- 9.5 Appendix E – Internal Audit Quality Assurance and Improvement Programme.

**10. REPORT AUTHOR DETAILS**

Colin Harvey, Chief Internal Auditor (Interim)  
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(01467) 530701

## APPENDIX A

### 2019/20 Audit Work carried forward into 2020/21:

Function	Audit Topic	Position
Cross Service	Workforce Planning	Complete August 2020
	Civil Contingencies	Complete September 2020
	Compliance with procurement related legislation and internal governance arrangements	Complete September 2020
	Transformation	Complete September 2020
Customer	Performance Management	Complete November 2020
Operations	Car Parking and Bus Lane Enforcement	Complete September 2020
	Fostering and Adoption Payments	Complete July 2020
Resources	Industrial and Commercial Property Rental Income and Void Control	Complete February 2021
	Gas Servicing Contract	Complete September 2020
	HR / Payroll System	Complete March 2021
Health and Social Care Partnership	Commissioned Services – Contract Monitoring	Complete June 2020

## APPENDIX B

## 2020/21 Audit Work:

Function	Audit Topic	Position
Cross Service	Financial Sustainability	Draft report issued February 2021
	Climate Change	Work in progress
	Vehicle Usage	Complete April 2021
	Agency Staff	Deferred to 2021/22 as approved by AR&S December 2020
	Timesheets and Allowances	Work in progress
Customer	Housing Waiting List	Work in progress
	Revenues and Benefits System	Complete November 2020
	Teachers' Payroll	Work in progress
	Housing Benefit and Council Tax Reduction	Removed as approved by AR&S December 2020
Operations	Health & Safety (Operations)	Work in progress
	Teachers Recruitment	Deferred to 2021/22 as approved by AR&S December 2020
	Vehicle Replacement	Work in progress
	School Security	Work in progress
	Garden Waste Income	Removed as approved by AR&S December 2020

Resources	Treasury Management	Complete November 2020
	Bank Reconciliations	Complete August 2020
	Sale of Land and Property	Deferred to 2021/22 as approved by AR&S December 2020
	Capital Projects	To be commenced
	Consilium System	Work in progress
Governance	Licensing	Deferred to 2021/22 as approved by AR&S December 2020
Place	Planning and Building Standards Income	Deferred to 2021/22 as approved by AR&S December 2020
Health and Social Care Partnership	Contributing to your care policy	Deferred to 2021/22 as approved by AR&S December 2020
	Housing / IJB Information Exchange	Removed as approved by AR&S December 2020
	Mental Health and Substance Abuse	Work in progress
	Bon Accord Care Budget Monitoring	Work in progress

## **Appendix C**

### **Internal Audit Annual Report for the year ended 31 March 2021**

As Chief Internal Auditor of Aberdeen City Council, I am pleased to present my annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2021. The purpose of this statement is to assist the Chief Officer – Finance in forming the required opinion in relation to the Annual Governance Statement to be included in the Annual Accounts.

#### **Opinion**

It is my opinion, based on the following, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2021.

On balance, most of the audited areas were operating as anticipated. Areas of good practice, improvement, and procedural compliance have been identified and these have been detailed in individual assignment reports. Most recommendations made by Internal Audit during 2020/21 related to general improvements to procedures, and the requirement to evidence adherence to them.

However, as in previous years, some significant issues have been identified throughout the year. These included data protection compliance risks, ensuring segregation of duties is being applied where appropriate, updating business continuity plans, and completing reconciliations. Breaches of the Council's financial regulations were also identified – largely in respect of raising purchase orders in advance where required.

Six recommendations graded as "major" were made in two reports concluded in the year (compared with one in 2019/20, and two in 2018/19). These related to demonstrating compliance with the Council's and national procurement regulations. This remains under review, with the Commercial and Procurement Shared Service developing training programmes, and ongoing monitoring by the Risk Board. Resource has been allocated as part of the 2021/22 Internal Audit Plan to provide further support for improvements in this area.

The overall number of recommendations made fell from 218 in 2019/20 to 83 in 2020/21, in line with a reduction in the number of reports concluded during the year. Although most recommendations have been agreed by management there have been delays with implementing a number of these as reported on a regular basis to the Audit, Risk and Scrutiny Committee and the Risk Board. Management has highlighted in these reports that, where necessary, progress with implementing actions has been delayed where resources have been prioritised to support the Council's response to the Covid 19 pandemic. I consider this an appropriate and proportionate response to the management of the relative risks. The year commenced with 39 overdue actions, and closed with 37 remaining to be

implemented. However, during the year 134 actions have been implemented, demonstrating positive progress.

### **Basis of Opinion**

My evaluation of the control environment is informed by a number of sources:

- The audit work completed by Internal Audit during the year to 31 March 2021;
- Previous years' Internal Audit work and annual reports;
- Progress made by Services with implementing agreed Internal Audit recommendations;
- The assessment of risk completed during the updating of the audit plan;
- Reports issued by the Council's external auditors; and
- Internal Audit's knowledge of the Council's governance, risk management and performance monitoring arrangements.

### **Respective responsibilities of management and internal auditors in relation to internal control**

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal control system.

### **Sound internal controls**

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

### **The Work of Internal Audit**

Internal Audit is an independent appraisal function established by the Council for the review of the Council's framework of governance, risk management and control as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.



The section undertakes an annual programme of work agreed with the Corporate Management Team and the Audit, Risk and Scrutiny Committee. The audit plan is based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council.

All Internal Audit reports identifying system weaknesses, non-compliance with expected controls, and / or assurance of satisfactory operation are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The Internal Auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action.

**Colin Harvey, Chief Internal Auditor, Aberdeen City Council. 6 April 2021**

Appendix D

INTERNAL AUDIT PERFORMANCE MEASURES

PI	Description	Target	Actual 2020/21	Actual 2019/20
1	Percentage of planned audits commenced where the Service was given advance notice of commencement of field work.	100%	100.00%	100.00%
2	Percentage of current year audits (as adjusted through consideration of subsequent year's plan, see Note (1)) where draft report issued by deadline.	90%	20%	57.14%
3	Percentage of current year audits (as adjusted) completed by end of current year.	65%	18.75%	57.12%
4	Percentage of previous year audits (as adjusted) completed by end of current year.	100%	100.00%	100.00%
5	Percentage of current year audits (as adjusted) that were completed in the year within 110% of planned time allocated.	90%	100.00%	75.00%
6	Percentage of previous year audits (as adjusted) that were completed within 110% of planned time allocated.	90%	36.36%	68.75%
7	Percentage of planned time taken for current year audits that were completed in the year.	90 - 110%	120.00%	107.50%
8	Percentage of planned time taken for all previous year audits completed by end of current year.	90 - 110%	148.78%	113.71%

PI	Description	Target	Actual 2020/21	Actual 2019/20
9	Percentage of recommendations accepted by management (See Note (2)).	95%	97%	100.00%
10	Where management has not agreed recommendation, percentage who accept risk.	100%	100.00%	100.00%

Notes:

- (1) The adjusted number of audits in the plan for 2019/20 was 29, and for 2020/21 was 16. 5 had passed the draft report stage by 31 March 2021.
- (2) The number of recommendations made by Internal Audit in 2018/19 for 2019/20 was 208, and for 2020/21 was 83. 82 were accepted by management.

Commentary

The main changes compared with the previous financial year is that fewer audits were completed by the end of the financial year and the percentage of those that were completed within target against budgeted time decreased.

The time spent on each individual audit, compared to that originally budgeted, varied in most cases with some being completed more quickly but with the majority taking longer than anticipated, particularly in respect of audits carried forward from 2019/20. This has had an impact on capacity to progress with current year work.

Whilst reported performance has deteriorated, this should be considered against the backdrop of the Coronavirus pandemic, which has had a significant impact on the resources and capacity of the Internal Audit team, and of audited Services to facilitate and respond promptly to audit enquiries and reports.

Efforts are being made within Internal Audit to improve performance against these measures in future, and proposed actions are set out in the Quality Assurance and Improvement Programme (QAIP) at Appendix E.

## Appendix E

**INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)**

Action	Timescale	Commentary
Internal Audit Service Development Planning	May 2021	PSIAS recommends that the Internal Audit Plan detail how the Service will be developed in accordance with the Internal Audit Charter. The QAIP will fulfil this recommendation.
Resourcing	May 2021	Recruitment for the Chief Internal Auditor post is ongoing, anticipated conclusion in May 2021; Recruitment for the Senior Auditor post will commence thereafter; Recruitment for an Assistant Auditor post is nearing completion.
Management Engagement	June 2021	Consultation and engagement with Directors and Chief Officers will be sought, to provide progress updates and identify any potential resource impacts within Services which could impact on Internal Audit progress with planned work.
External Auditor Engagement	June 2021	Consultation and engagement with External Audit will be required to ensure efforts are aligned and avoid duplication / overlap of assurance. This is a recommendation of PSIAS.
Performance Management	July 2021	More regular performance monitoring will be implemented following rationalisation of the Internal Audit performance management process.
Improvement Activity	September 2021	Corporate improvement and consulting activities have been included in the Internal Audit Plan for 2021/22. Progress will be monitored, outcomes and lessons learned recorded and acted on to inform future years' planning.
Assurance Mapping and Prioritisation	March 2022	Wider sources of Internal Audit assurance will be given formal consideration as part of the planning process for the 2022/23 Internal Audit Plan, and priority levels determined for each audit. This is a recommendation of PSIAS.

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Progress
<b>REPORT NUMBER</b>	IA/21/002
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2 and 2.4

### 1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2019/20 and 2020/21 Internal Audit plans.

### 2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Reviews, discusses and comments on the issues raised within this report and Appendices A & B;

### 3. BACKGROUND / MAIN ISSUES

- 3.1 The Internal Audit plan for 2019/20 was approved by the Audit, Risk and Scrutiny Committee on 14 February 2019. The plan included an indicative date by when it was planned to report each audit to Committee and progress against the plan has been reported to each subsequent meeting of the Committee.
- 3.2 Appendix A to this report shows progress with the remaining audits contained in the 2019/20 plan. Due to the advent of Covid-19 and the delays that caused in relation to a number of audits, the appendix has been simplified to remove some of the data regarding meetings and reminders and state only relevant dates. All 2019/20 audits have now been concluded.

2019/20 Planned Audit Status	As at 30 April 2021 by Original Target Committee Date						%age
	Jun 19	Sep 19	Dec 19	Feb 20	May 20	Total	
Complete	2	8	7	5	4	26	96.3
Removal	0	0	0	0	1	1	3.7

Agreed							
Total	2	8	7	5	5	27	100.0

3.3 The Internal Audit plan for 2020/21 was originally approved by the Audit, Risk and Scrutiny Committee on 12 February 2020. However, due to the advent of the Covid-19 Pandemic, and changes to the Council's risk profile as a result, the plan was revisited by Internal Audit and, through consultation with management, a revised plan was approved by the Urgent Business Committee on 6 May 2020. The revised plan included an indicative date by when it was planned to report each audit to Committee. It also contained details of audits that had been placed in a reserve list which would be undertaken should time allow.

3.4 Appendix B to this report shows progress with the audits contained in the 2020/21 plan, where these have not yet been reported to the Committee. A summary is shown in the following table.

2020/21 Planned Audit Status	As at 30 April 2021						%age
	by Original Target Committee Date						
	Oct-20	Dec-20	Feb-21	May-21	Reserve	Total	
Complete	4	0	0	0	0	4	17%
Draft Report Issued	0	0	1	0	0	1	4%
Work in Progress	2	2	2	4	0	10	42%
To Start	0	0	0	1	0	1	4%
Removal Agreed	0	0	0	0	8	8	33%
<b>Total</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>24</b>	<b>100</b>

3.5 Internal Audit's resources have been constrained due to the direct and indirect impacts of Covid 19 on team absence statistics, a vacant Assistant Auditor post, and a temporary vacancy arising following the retirement of the former Chief Internal Auditor. This has had an impact on the capacity of the service to complete audits in line with the target committee reporting dates originally set out in the Internal Audit Plan. The temporary vacant Senior Auditor position was filled in January 2021, however the secondment was ended early.

3.6 It is anticipated that the ongoing permanent Chief Internal Auditor recruitment process will be concluded in May 2021. In the interim, acting-up arrangements have been put in place within the team, recruitment of an Assistant Auditor is nearing conclusion, and resources have been allocated in the 2021/22 Internal Audit Plan to conclude the remaining 2020/21 work.

**4. FINANCIAL IMPLICATIONS**

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

**5. LEGAL IMPLICATIONS**

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

**6. MANAGEMENT OF RISK**

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Where planned progress is not maintained, there is a risk that sufficient work will not have been completed by the end of the financial year for Internal Audit to complete its annual opinion on the Council's control environment.

**7. OUTCOMES**

7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

**8. IMPACT ASSESSMENTS**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not required

**9. APPENDICES**

9.1 Appendix A – Progress with 2019/20 Internal Audit Plan.

9.2 Appendix B – Progress with 2020/21 Internal Audit Plan

**10. REPORT AUTHOR DETAILS**

Colin Harvey, Chief Internal Auditor

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(01467) 530701



**APPENDIX A**

**PROGRESS WITH 2019/20 INTERNAL AUDIT PLAN**

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021
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**Originally Planned for December 2019 Committee**

HR / Payroll System	To provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to previous system have been addressed.	Draft report issued	15.02.21
		Management response received	26.02.21
		Final report issued	26.03.21
		Actual submission to Committee	12.05.21

## APPENDIX B

### PROGRESS WITH 2020/21 INTERNAL AUDIT PLAN

*(Note – text in italics represents updates provided to Committee previously)*

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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#### Originally Planned for October 2020 Committee

<i>Bank Reconciliations</i>	<i>To provide assurance that the Council's main bank accounts are reconciled on a regular and timely basis and that the methodology is robust.</i>	<i>Complete</i>	<i>08.10.20</i>	<i>Green</i>	<i>Complete</i>
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Vehicle Usage	To provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet. To include a review of non-business use, including the business case for such use and authorisation thereof. The review will also review procedures, and vehicle and driver records to ensure that appropriate arrangements are in place to safeguard the Council's goods vehicle operator's licence. This will include procedures relating to driver self-declarations and management controls relating to fitness to drive.	Draft report due to be issued	18.10.20	Amber	Complete
		Draft report issued	19.02.21		
		Management response received	05.03.21		
		Final draft issued	31.03.21		
		Final report agreed	19.04.21		
		Original Target Committee date	08.10.20	Red	<i>Audit commenced 5/6/2020; the assigned auditor has had sickness absences which have delayed progress. Now complete.</i>
		Revised Target Committee Date	12.05.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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### Originally Planned for October 2020 Committee (continued)

<i>Academy System (Revenues and Benefits System)</i>	<i>To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).</i>	<i>Original Target Committee date Actual submission to Committee</i>	<i>08.10.20 09.12.20</i>	<i>Amber</i>	<i>Complete.</i>
<i>Treasury Management</i>	<i>To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with.</i>	<i>Original Target Committee date Actual submission to Committee</i>	<i>08.10.20 09.12.20</i>	<i>Amber</i>	<i>Complete.</i>
Consilium System	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).	Audit Commenced Draft report due to be issued Draft report issued	14.01.21 08.03.21	Amber	<i>The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date Revised Target Committee Date	08.10.20 29.09.21	Red	Work in progress.
Bon Accord Care Budget Monitoring	To provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.	Audit Commenced Draft report due to be issued Draft report issued	03.12.20 18.02.21	Amber	<i>The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date Revised Target Committee Date	08.10.20 30.06.21	Amber	Draft report will be issued shortly, the report will need to be considered by BAC before AR&S.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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### Originally Planned for December 2020 Committee

Climate Change	To provide assurance that the Council is taking appropriate measures to comply with its statutory obligations in addressing climate change and that progress is being monitored.	Audit Commenced Draft report due to be issued Draft report issued	18.11.20 28.01.21 tbc	Amber	Commenced November 2020; <i>the assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date Revised Target Committee Date	09.12.20 30.06.21	Amber	Draft report will be issued shortly
Mental Health and Substance Abuse	To provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled, including approval / management of discretionary support.	Audit Commenced Draft report due to be issued Draft report issued	19.01.21 31.03.21 Tbc	Amber	<i>The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date Revised Target Committee Date	09.12.20 29.09.21	Amber	Work in progress.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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### Planned for February 2021 Committee

Financial Sustainability	To provide assurance that the Controls and Assurance Actions detailed in the Corporate Risk Register are operating as expected in ensuring that the identified risk is adequately mitigated. Where controls have been examined by Internal Audit recently, assurance will be taken from that previous work.	Audit Commenced	16.07.20	Amber	<i>Commenced in July 2020. The assigned auditor has had sickness absences which have delayed progress.</i>
		Draft report due to be issued	15.09.20		
		Draft report issued	16.03.21		
		Draft report discussed with management	01.04.21		
		Original Target Committee date	24.02.21	Amber	The draft report is being reviewed with the Service.
		Revised Target Committee date	30.06.21		
Vehicle Replacement	To provide assurance that the Council has an appropriate vehicle replacement policy, and that procurement complies with policy and procurement regulations / governance.	Audit Commenced	21.01.21	Amber	<i>Commencement was delayed pending conclusion of other work.</i>
		Original Target Committee date	24.02.21		
		Revised Target Committee date	29.09.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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### Planned for February 2021 Committee (continued)

School / Pupil Security	To provide assurance that the Council has adequate arrangements regarding school security to include those in place to: <ul style="list-style-type: none"> <li>•Control access to schools</li> <li>•Ensure that knives / weapons are not brought into schools</li> <li>•Know where pupils are during the school day</li> <li>• Escort vulnerable young people</li> </ul>	Audit Commenced	02.11.20	Amber	<i>Commenced November 2020, access and Service availability is restricted due to Covid 19.</i>
		Draft report due to be issued	31.12.20		
		Draft report issued			
		Original Target Committee date	24.02.21	Amber	
		Revised Target Committee date	29.09.21		
					Due to revised Covid measures applicable between December 2020 and February 2021, the Service did not have capacity to assist Internal Audit's review.
					The Service has been asked to provide a revised date for work to commence.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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### Planned for May 2021 Committee

Capital Project Management	To provide assurance that the management and reporting of on-going capital projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.	Original Target Committee date Revised Target Committee date	12.05.21 29.09.21	Amber	Not yet commenced pending conclusion of other work.
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Teachers Payroll	To provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees. To cover new starts, change of circumstance, and leavers along with the payment of additional hours and allowances.	Audit Commenced Draft report issued  Original Target Committee date Revised Target Committee date	08.02.21 26.04.21  12.05.21 30.06.21	Amber	The draft report has been issued to the Service for comment.
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Housing Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy.	Audit Commenced  Original Target Committee date Revised Target Committee date	17.03.21  12.05.21 29.09.21	Amber	Work in progress.
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 30 April 2021	Red Amber Green	Comment where applicable
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**Planned for May 2021 Committee (continued)**

Health & Safety Arrangements in Operations and Protective Services	<p>To provide assurance that appropriate processes are being employed in managing health and safety within the Cluster. This follows on from a corporate review and is intended to provide assurance that corporate processes are being employed in managing the risks.</p> <p>This review will also cover two aspects of public safety – water safety and cemetery headstones – to provide assurance that the Council has appropriate arrangements in place to manage these areas.</p>	<p>Audit Commenced Draft report due to be issued Original Target Committee date Revised Target Committee date</p>	<p>19.01.21 31.03.21 12.05.21 29.09.21</p>	Amber	Work in progress.
Timesheets and Allowances	To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.	<p>Audit Commenced Original Target Committee date Revised Target Committee date</p>	<p>29.01.21 12.05.21 29.09.21</p>	Amber	Work in progress.



## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Reports – Follow-up of Agreed Recommendations
<b>REPORT NUMBER</b>	IA/21/003
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.3

### 1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress made by Services with implementing recommendations that have been agreed in Internal Audit reports.

### 2. RECOMMENDATIONS

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

### 3. BACKGROUND / MAIN ISSUES

- 3.1 The Public Sector Internal Audit Standards require that Internal Audit monitors the implementation of agreed recommendations until they are implemented by management. The Corporate Management Team and the Audit, Risk and Scrutiny Committee receive a report from Internal Audit at each of their meetings which shows progress made.
- 3.2 However, circumstances may change following completion of an Internal Audit. Having investigated implementation more fully, a recommendation may, for example, take longer to implement, or the cost of implementation may be higher, than originally anticipated. In these circumstances either more time may be required, or management may conclude, based on the risk to the organisation, that the recommendation should no longer be implemented. Where this is the case, management will make recommendations regarding how the agreed recommendation should be treated.
- 3.3 The attached appendices 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. Where all recommendations contained in individual reports issued before 1 April 2020 have been completed, these are no longer shown in the appendices.

3.4 Where recommendations have not been completed by their original due date, reasons are provided along with recommendations from management (where appropriate) regarding how and when the agreed Internal Audit recommendation will be concluded or whether it should no longer be implemented.

3.5 Management has noted that implementation of several recommendations has been delayed due to the impact of the Covid-19 pandemic. This is to be anticipated. It is appropriate for the organisation to reallocate resource to address risks posed by the pandemic where those risks outweigh the risks of not completing some outstanding recommendations.

#### 4. FINANCIAL IMPLICATIONS

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

#### 5. LEGAL IMPLICATIONS

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

#### 6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

#### 7. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result,

	there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not required

**9. APPENDICES**

- 9.1 Appendix A – Position with Agreed Recommendations – Summary.
- 9.2 Appendix B – Position with Agreed Recommendations – Cross Service.
- 9.3 Appendix C – Position with Agreed Recommendations – Commissioning.
- 9.4 Appendix D – Position with Agreed Recommendations – Customer.
- 9.5 Appendix E – Position with Agreed Recommendations – Operations.
- 9.6 Appendix F – Position with Agreed Recommendations – Resources.
- 9.7 Appendix G – Position with Agreed Recommendations – Health and Social Care Partnership.
- 9.8 Appendix H – Position with Agreed Recommendations – Governance.

**10. REPORT AUTHOR DETAILS**

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# APPENDIX A – SUMMARY

## POSITION WITH AGREED RECOMMENDATIONS AS AT 29 APRIL 2021

The following table provides a summary of progress being made by Services with completing agreed recommendations.

On 9 December 2020, the Committee was advised that, as at 12 February, there were 36 recommendations which were due to have been completed by 31 December 2020 which were not fully complete. This has now reduced to 24.

The total not fully complete, which had an original due date of before 31 March 2021, is shown in the following table. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

FUNCTION	Agreed in reports shown in Appendices B to G	Due for completion by December 2020	Confirmed complete by Service	New in January to March 2021	Confirmed complete by Service	<b>Not fully complete by original due date</b>	Major	Significant	Important
<b>Cross Service</b>	16	15	10	0	0	<b>5</b>	2	3	0
<b>Commissioning</b>	5	5	5	0	0	<b>0</b>	0	0	0
<b>Customer</b>	35	33	30	2	2	<b>3</b>	0	2	1
<b>Operations</b>	99	84	78	0	0	<b>6</b>	0	6	0
<b>Resources</b>	48	30	21	10	8	<b>12</b>	0	7	5
<b>Health &amp; Social Care</b>	17	11	11	6	6	<b>0</b>	0	0	0
<b>Governance</b>	7	6	5	0	0	<b>1</b>	0	0	1
<b>Total</b>	<b>227</b>	<b>184</b>	<b>160</b>	<b>18</b>	<b>16</b>	<b>27</b>	<b>2</b>	<b>18</b>	<b>7</b>

# KEY TO COLOURING USED IN FOLLOWING APPENDICES

## Recommendation Grading:

Grading	Definition
Major	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. Financial Regulations have been consistently breached.
Significant	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	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.

## Length of time overdue

Over 12 months
6 to 12 months
Less than 6 months

**APPENDIX B**  
**CROSS SERVICE**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2002</b>	<b>Shutdown of Non-Essential Spend</b>	February 2020	2	2	2	<b>0</b>	N/A
<b>AC2018</b>	<b>Workforce Planning</b>	August 2020	2	1	1	<b>0</b>	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2019</b>	<b>Procurement Compliance</b>	September 2020	12	12	7	<b>5</b>	2 Major 3 Significant
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Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	Contracts should be subject to appropriate procurement, including public tender where they exceed the relevant thresholds. 2.1.2	Major	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.  The latest update from the Service is that procurement work plans are being submitted for Committee in June 2021 to meet this requirement.
		December 2020	
Commercial & Procurement	Services should ensure they comply with aggregation rules for procurement of similar goods / services. 2.1.5	Major	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.3  The latest update from the Service is that procurement work plans are being submitted for Committee in June 2021 to meet this requirement.
		December 2020	



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC2019 – Procurement Compliance – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	All spend should be clearly linked, e.g. through consistent reference numbers and inclusion of approval details in the Contracts Register, back to a contract and its approval. 2.2.3a	Significant December 2020	<p>The Service had previously requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.</p> <p>The latest update from the Service is that a short term working group is being established to look at mapping between the Contracts Register and Finance System. This is anticipated to be concluded by June 2021.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2019 – Procurement Compliance – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Commercial & Procurement	A clear and consistent method of recording contract details against each payment should be developed and implemented. 2.2.3b	Significant	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.  The latest update from the Service is that a short term working group is being established to look at mapping between the Contracts Register and Finance System. This is anticipated to be concluded by June 2021.
		December 2020	
Commercial & Procurement	Services should ensure Committee approvals are obtained and adhered to, and further approval sought and obtained prior to continuing purchasing. 2.2.6	Significant	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.  The latest update from the Service is that procurement work plans are being submitted for Committee in June 2021 to meet this requirement.
		December 2020	

**APPENDIX C**  
**COMMISSIONING**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2026</b>	<b>Performance Management</b>	November 2020	5	5	5	<b>0</b>	NA

# **APPENDIX D**

# **CUSTOMER**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

AC2012	Customer Access Points and Service Centre	January 2020	13	12	10	2	1 Significant
							1 Important

The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Governance should ensure that each Cluster assesses the potential for their service delivery being used as a potential money laundering vehicle (2.8.2)	Significant June 2020	<p>The Committee was last advised that the fraud response role has moved from Governance to Finance. An overall risk review of the potential for fraud risk in clusters has been commenced based on CIPFA guidance. It is considered that an assessment related to potential money laundering risk is led by the fraud response team to provide advice to clusters in completing that assessment – and is connected to the finance business advice provided by accounting. It was proposed to prepare a risk assessment format by October 2020 and that the action completion date was moved to January 2021.</p> <p>The revised risk approach and training is being rolled out from the new Counter Fraud Policy approved at Committee in February 2021 and it is proposed that this action completion date is moved to June 2021.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2012 – Customer Access Points and Service Centre – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
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Finance	The Chief Officer – Finance in consultation with the Chief Officer – Corporate Landlord will review the inventory arrangements outlined within the Financial Regulations and design a new process for the management of inventories (2.9.2 b)	Important	The Committee was last advised that the inventory arrangements were updated in the Financial Regulations updated in March 2020 that set the principles for the new process. Due to other priorities in the Finance Cluster as a result of Covid, this process has been delayed. In addition, managing inventory during the pandemic with significant changes for staff in their operational places of work has required reconsideration of the process. It was proposed that the action completion date is moved to March 2021.  It is now proposed that the action completion date is moved to June 2021.
		June 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2023</b>	<b>Timesheets and Allowances</b>	January 2020	18	18	17	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
People & Organisation	People and Organisation should formalise arrangements regarding Working Time compliance in a collective agreement covering the affected employee groups. (2.10.3)	Significant September 2020	<p>Implementation of this action has been delayed due to competing work priorities and the Covid-19 pandemic. Work on this task will recommence in the near future, for completion by March 2021, with there being a need to obtain sign off from all the trades unions, once the wording of the document has been reviewed and finalised.</p> <p>The Committee was advised in November 2020 that the draft document was being checked with the relevant Chief Officers and will then be shared with the Trade Unions for agreement and sign off.</p> <p>The Committee was advised in February 2021 that the collective agreement has been drafted, covering all employee groups affected by a requirement for Working Time Regulation Exemptions; the draft will now be shared with Chief Officers and Trade Unions, with the intention to conclude sign off of the collective agreement by March 2021.</p> <p>The latest update is that the Working Time Agreement has been compiled, and the Service has met with the trade unions who have not intimated any issues with its content. The Service will therefore be seeking the sign off of the collective agreement in the near future. A date is to be confirmed</p>



Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2102</b>	<b>Revenues &amp; Benefits System</b>	November 2020	4	3	3	<b>0</b>	NA

**APPENDIX E**  
**OPERATIONS**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC1817</b>	<b>Vehicle Usage</b>	January 2018	8	8	6	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	Fleet should ensure that all Services have access to regular reports on vehicle use, know how to check these and what issues to consider (2.2.7)	Significant	<ul style="list-style-type: none"> <li>Committee was advised on 26 June 2019 that these recommendations would be complete by October 2019.</li> <li>Committee advised on 4 December 2019 that these recommendations would be complete by December 2019.</li> <li>Committee advised on 12 February 2020 that this would be complete by March 2020.</li> <li>Committee advised in October 2020 that this would be complete by December 2020</li> <li>Committee advised in December 2020 that this would be complete by February 2021</li> <li>Committee advised in February 2021 that this would be complete by March 2021</li> </ul> <p>The Service has stated that as of April 2021 all vehicles will be equipped with telematics. Service areas will be in receipt of reports for their respective areas &amp; guidance for interpreting the data.</p>
		April 2019	
Operations and Protective Services	Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14)	Significant	
		April 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC1903</b>	<b>Devolved School Management</b>	November 2018	7	7	7	0	N/A
<b>AC1925</b>	<b>Music Service</b>	May 2019	22	20	20	0	N/A

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2007</b>	<b>Stock Control</b>	November 2019	16	16	15	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service (Building) should consider how best to address the identified anomalies within van stocks (2.4.14)	Significant	The Committee was advised in February 2021 that a process has been developed to create randomly generated stock check requests for individual items, and is in development. The hand held device will highlight anomalies in real time. This will be complete by April 2021 for the new financial year.  The Service has since advised that technological solutions were proposed but cannot be implemented timeously, therefore manual processes will be documented and implemented by May 2021.
		June 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2013</b>	<b>School Catering Income and Expenditure</b>	January 2020	24	22	21	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service should work with Commercial and Procurement Services to progress the tendering process for a cashless catering contract. (2.4.4	Significant	The Service has advised that the current contract license has been extended to October 2021 pending review in conjunction with Digital and Technology, Commissioning, and Scotland Excel, to determine the most advantageous route to market for the system replacement.  Catering and Commercial and Procurement Service colleagues are engaged with Scotland Excel on the development of an online school payments framework. One of the lots which will be part of this framework is for Cashless Catering and Kitchen Management systems. It is expected that this framework will go live in Autumn 2021
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2021</b>	<b>SEEMiS</b>	February 2020	10	10	8	<b>2</b>	<b>2 Significant</b>
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Education	A Data Processing Agreement should be established with the supplier. (OnTheButton) (2.4.6 b)	Significant	The Service previously noted that the DPIA for OnTheButton is almost complete and the possible work on a DPA with the supplier is pending on the outcome of the DPIA. This was to be completed by December 2020.  The last update from the Service was that Commercial and Procurement Shared Service will be applying the Council's standard terms and conditions which include arrangements for data sharing. It was anticipated a new contract would be in place in February 2021.  Agreement of the contract, which includes the data sharing agreement, has been scheduled for June 2021. The Service has indicated that there will be no extension to this deadline. If it is not agreed, the system will be withdrawn.
		April 2020	
Education	Required Data Sharing Agreements will be developed where not in place. (2.4.10b)	Significant	The Service last noted that this is progressing but as it involves a number of partners with whom there are ongoing discussions regarding data sharing arrangements this has been delayed and would now be completed by March 2021.  Work continues to put this in place, however it has not progressed as quickly as hoped. Completion is now anticipated by the end of June 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2028</b>	<b>Fostering, Adoption &amp; Kinship</b>	July 2020	12	1	1	<b>0</b>	NA



# **APPENDIX F**

# **RESOURCES**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2008</b>	<b>Ring-Fenced Funding</b>	March 2020	9	9	2	7	4 Significant 3 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	A brief procedural document should be developed for grant administration to ensure appropriate personnel follow approved practice. (2.1.6)	Important	The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	
Finance	All grant documentation should be shared with appropriate officers in order that it can be completed and submitted to the Scottish Government timeously. (2.1.9)	Significant	The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2008 – Ring-Fenced Funding – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	A register of specific grants should be developed and monitored regularly to enhance assurance over specific grant income. (2.1.11)	Important	The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	
Finance	Procedures and practice should be reviewed to improve the efficiency of the project identification, approval, planning and delivery process. (2.2.9)	Significant	The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

*(AC2008 – Ring-Fenced Funding – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The level of grant funding available should be consistently recorded. (2.3.3)	Important	The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	
Finance	Estimates and adjustments should be reviewed to ensure they are compliant with grant terms and conditions. (2.3.8b)	Significant	The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.  Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.
		September 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	

*(AC2008 – Ring-Fenced Funding – Continued)*

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The Service should ensure revenue and capital expenditure is appropriately recorded against relevant grants. (2.3.10)	Significant September 2020	<p>The Committee was last advised that due to workload and priorities this has not yet been concluded. A draft of the procedure has been developed and is under consultation with relevant Services. It was planned that this would be in place by February 2021.</p> <p>Following delay due to the impact of Covid Business Grants and other Covid pressures on Finance and City Growth, it is now planned to put this in place by August 2021.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2009</b>	<b>Travel Policy</b>	January 2020	14	14	12	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Ensuring value for money with the Travel Partnering arrangements and other significant supplies will be incorporated into the procurement compliance review (2.4.4b)	Significant	There are now more extensive checks and quotations in place through the updated process and with the commissioning intentions annual cycle this will be addressed as part of business as usual.  The travel partnering review has been deferred due to Covid. It was considered that we should see what the travel footprint looked like post-Covid more closely before re-procuring travel arrangements. This will be completed by December 2021.
		December 2020	
Finance	The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure (2.4.6)	Significant	There are now more extensive checks and quotations in place through the updated process and with the commissioning intentions annual cycle this will be addressed as part of business as usual.  The procurement compliance review has been deferred due to Covid. A revised date of July 2021 is proposed.
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2017</b>	<b>Industrial &amp; Commercial Properties</b>	February 2021	14	10	8	2	1 Significant
							1 Important

The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	The Service should programme formal reviews to report on the effectiveness and efficiency of the property management arrangements associated with the TECA site and Marischal Square. (2.2.13)	Important March 2021	The Corporate Landlord has advised that management arrangements have been reviewed at this time. A business case is being brought forward during May 2021 as part of service re-design proposals which addresses resources around the developments. The Corporate Landlord continues to review the Marischal Square Management with it's Development partner.
Corporate Landlord	The Service should ensure that tenants' outstanding industrial and commercial rent debt is regularly reviewed and that uncollectable debts are considered for write-off and reported in accordance with the Corporate Debt Recovery and Service Income Policies. (2.6.5)	Significant March 2021	The Corporate Landlord advises that debt meetings are now diarised.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2024</b>	<b>Gas Servicing Contract</b>	September 2020	10	7	6	1	1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	The Service should ensure that the Gas Safety Policy is fully reviewed and updated.(2.2.1)	Important October 2020	The Service last reported it was working with the Health and Safety Team, however they have been busy with Covid issues so there would be a delay in completing this action, to February 2021.  The Policy has been updated and reviewed and will be implemented in June 2021.

<b>AC2101</b>	<b>Bank Reconciliations</b>	August 2020	1	1	1	0	NA
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# **APPENDIX G**

# **HEALTH AND SOCIAL CARE** **PARTNERSHIP**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC1920</b>	<b>National Care Home Contract</b>	January 2019	8	8	8	<b>0</b>	NA
<b>AC2027</b>	<b>Commissioned Services Contract Monitoring</b>	June 2020	9	9	9	<b>0</b>	NA

# **APPENDIX H**

# **GOVERNANCE**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.03.21	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2014</b>	<b>Civil Contingencies</b>	September 2020	6	5	4	1	Important
The position with the overdue recommendations is as follows:							
Chief Officer	Recommendation	Grading / Due Date	Position				
Health and Social Care Partnership	The Aberdeen City Council Care for People Plan should be reviewed. (2.5.3)	Important December 2020	The Committee was advised in February 2021 that the Service had commenced a review of the Plan, which was to be concluded by March 2021.  The latest update from the Service is that the Care for People Group will consider the plan in April 2021, and the action will be concluded by May 2021.				
<b>AC2022</b>	<b>Transformation</b>	September 2020	1	1	1	0	N/A

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2025 – HR / Payroll System
<b>REPORT NUMBER</b>	IA/AC2025
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the HR / Payroll System.

### 2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of the HR / Payroll System.

### 4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

### 5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

### 6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## 7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 9. APPENDICES

- 9.1 Internal Audit report AC2025 – HR / Payroll System.

## 10. REPORT AUTHOR DETAILS

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[Colin.Harvey@aberdeenshire.gov.uk](mailto:Colin.Harvey@aberdeenshire.gov.uk)  
(01467) 530701



**Internal Audit Report**

**Customer Experience**

**HR/Payroll System**

**Issued to:**

Andy MacDonald, Director of Customer  
Steven Whyte, Director of Resources  
Jacqui McKenzie, Chief Officer – Customer Experience  
Isla Newcombe, Chief Officer – People & Organisation  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
Neil Yacamini, HR and Payroll Service Centre Manager  
External Audit

## EXECUTIVE SUMMARY

The Council's staffing costs are approximately £313 million per annum. The Council utilises the CoreHR system to manage and process payments to employees. It is also used as a source of workforce data for planning and reporting purposes. Committee approval was obtained in 2018 for up to £1.494 million of expenditure on the system over 4 years.

The objective of this audit was to provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to the previous system have been addressed. The review mainly focused on controls over the system, and processing of payments to employees.

In general, there are suitable procedures and controls in place, and the payroll aspects of the system operate as required. Whilst Internal Audit recommendations raised in respect of the previous system have been concluded, it was not possible to fully address all of the actions using the system as originally anticipated. However, suitable alternative processes are in place to fulfil these requirements.

Access controls were improved during 2020 to reflect the Council's password requirements, and access restrictions have been adjusted as use of the system has further developed.

Charges for the system depend on the number of active payroll records during each year, and therefore capacity may need to be increased due to staff turnover. The Service has been reliant on the supplier to provide information to monitor and identify when changes need to take place, as part of annual contract reviews. Costs are monitored to ensure they are compliant with the contract, and to ensure appropriate authorisations are obtained if there is a risk of the Committee approval being exceeded. It is not anticipated that this will be required.

A data protection impact assessment was undertaken during initial implementation of the system in 2019, and requires to be updated to reflect changes, and ensure risks identified have been mitigated as appropriate. This will be completed following a planned upgrade in May 2021.

Data is taken from the YourHR system and edited prior to input into CoreHR to facilitate payment of overtime and enhancements. Checks are in place and staff relied upon to fully, accurately and appropriately edit this data to ensure the correct payments are made to the right employees. As there are manual aspects of this process there is a risk of error. The Service considers that appropriate checks are in place, however the system development plan includes proposals to review further use of the CoreHR system itself for timesheet and overtime data.

It is recognised that the Council has undertaken significant transformational change to its workforce and how it operates, and any new system takes time to implement and embed within an organisation. The Service has highlighted that plans and requirements have been amended and implementation of further functionality prioritised where appropriate and agreed through the project board.

The initial (extended) contract for the system, and the associated Committee approval for its award, expires in March 2022. As the contract is due to expire in just over one year, procurement plans and relevant approvals will be sought at Strategic Commissioning Committee in April 2021. The Service has developed plans, which will progress through the relevant approval routes, to demonstrate achievement of Best Value.



## **1. INTRODUCTION**

- 1.1 The Council's staffing costs are around £313 million per annum. The Council utilises the CoreHR system to manage and process payments to employees. It is also used as a source of workforce data for planning and reporting purposes.
- 1.2 The objective of this audit was to provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to the previous system have been addressed. The review focused on controls over the system, and processing of payments to employees.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer Experience and Martin Murchie, Chief Officer – Data and Insights (on behalf of Digital & Technology)

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures and Training

2.1.1 The Service provided copies of procedures that were in place for HR and Payroll for all the processes that were in place when the audit commenced in January 2020. The procedures had been created as part of the testing of new areas of the system, prior to its implementation in May 2019. At the time procedures were reviewed by Internal Audit not all aspects of the system were live, therefore some guidance remained to be finalised. The Service has noted that this has since taken place.

2.1.2 Initial procedures varied in detail – and in some cases referenced that activities and checks should take place without providing detail of, or cross-references to, the process to be followed in undertaking those activities. Whilst this may not be an issue for experienced payroll team members, more detailed procedures promote consistency and reduce reliance on specific staff.

#### **Recommendation**

The Service should ensure procedures are sufficiently detailed.

#### **Service Response / Action**

Agreed. In the two years since the system was implemented the Service have worked to review and refine the procedures and made use of new technology such as Microsoft Stream to develop procedures for all staff members.

#### **Implementation Date**

Implemented

#### **Responsible Officer**

HR and Payroll Service  
Centre Manager

#### **Grading**

Important within audited  
area

### 2.2 System Supply and Maintenance

2.2.1 In February 2018 the Finance, Policy & Resources Committee approved delegated authority to award a contract for a Human Capital Management system following a compliant procurement process, with estimated expenditure of up to £1.494 million over 4 years. This included £800,000 of capital expenditure, and £231,000 per annum for 3 years thereafter for software support costs, up to 2021/22. A contract was awarded in 2018 and was formally extended to 31 March 2022 in March 2020.

2.2.2 For 2019/20, costs were approximately £217,000 per annum. The subscription fee is based on the number of employees on the system throughout the year, and at the time this included up to 9,500 'active' employees – i.e. those with a payment or change to their record within the period under review. As this can vary, the number is reviewed annually based on an average. In 2019/20 the Council was within 93% of this figure. For 2020/21 the contract review process identified a need to increase the subscription to 10,500, at £245,000 per annum. The Council is within 81% of this figure.

2.2.3 Available capacity is currently reviewed annually as part of the contract review process. As the system is hosted, reliance has to be placed on the supplier to identify and raise this with the Service if it is identified as an issue, and to charge accordingly. There is therefore a risk of additional costs being incurred before the Service identifies a change in activity and, in the event of this exceeding the agreed budget, channelling this through the appropriate approval route.

**Recommendation**

The Service should monitor its use of the system to ensure costs are accurately billed and changes authorised.

**Service Response / Action**

Agreed. Costs will continue to be monitored to ensure that we have adequate capacity within the system and to ensure contract compliance. The report identifies that we are currently at 81% capacity in the system which indicates the review undertaken of the contract has been effective in the control of capacity of the system. We monitor the costs, but control over the number of records is dependent on wider organisational and staff turnover. It is essential that capacity is maintained in order to continue paying staff. Appropriate authorisations will be obtained if there is a risk of the Committee approval being exceeded. It is not anticipated that this will be required.

**Implementation Date**

Implemented

**Responsible Officer**

Customer Experience  
Officer - Digital and  
Technology

**Grading**

Significant within audited  
area

**2.3 System Access**

2.3.1 As the system is used for processing sensitive and other personal data, a data protection impact assessment was completed in September 2019, after elements of the system had gone live. The Council’s data protection and information security team highlighted risks which were not fully mitigated at the time, particularly in respect of access controls, privacy risks, and security testing. Further system development has been undertaken since; therefore it would be prudent to refresh the data protection impact assessment to take this into account and ensure risks have been adequately mitigated.

**Recommendation**

The Service should update the data protection impact assessment.

**Service Response / Action**

Agreed. Following discussion with the Councils Data Protection Officer, it has been agreed to work in collaboration with them to develop a new data protection impact assessment which will be undertaken to take account of the system upgrade which will be completed in May 2021.

**Implementation Date**

July 2021

**Responsible Officer**

HR and Payroll Service  
Centre Manager

**Grading**

Significant within audited  
area

2.3.2 The system is made up of two parts – the Portal which all employees have access to, where they can view payslips, personal details, etc; and the Back Office which is only accessible by HR and Payroll team members.

2.3.3 The Portal requires employees to log in with a username and password, which is linked to their corporate login details. Users not on the corporate network are required to have a username and password which is stored on the system, and may therefore have a lower level of security.

2.3.4 The Back Office requires a username and password to be entered. The password requirements of the system are:

- Between 6 and 12 characters in length
- Contain at least 1 character from each of the following categories:
  - o Uppercase letter

- Lowercase letter
- Number
- Symbol
- Not a repeat of the last 8 passwords used
- To be changed every 90 days
- Account locked after 3 failed attempts
- Does not allow username for password
- There are no different requirements for Administrator or superuser access to the system.

2.3.5 The Council’s minimum password requirements, as set out in the Council’s Password Standard, are:

- At least 8 characters in length
- Contain a character from 3 of the following categories:
  - Uppercase letter
  - Lowercase letter
  - Number
  - Symbol
- Not a repeat of the last 5 passwords used
- Not contain the username or part of the user’s full name
- In addition, Administrators must have a password that is at least 15 characters in length.

2.3.6 The system requires unique user logins and passwords, and the majority of the Council’s criteria are matched or exceeded, but the system was not set up to ensure all of the Council’s minimum password requirements are applied. There is a risk that users and administrators may select shorter passwords than required. The requirement to change passwords regularly is also contrary to current best practice guidelines – as it can inadvertently encourage the use of weaker passwords – though this risk is limited by application of the minimum requirements.

<b><u>Recommendation</u></b>		
The Service should ensure the system password requirements are in line with the Council’s password standard.		
<b><u>Service Response / Action</u></b>		
Agreed. The system has security levels in place. These reflect ACC password requirements.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	HR and Payroll Service Centre Manager	Significant within audited area

2.3.7 At the time reviewed, all HR and Payroll staff had the same level of access to the Back Office system, in which they could access and amend information. Whilst no evidence has been identified to suggest that errors have occurred, in the absence of system applied segregation of duties and levels of authority there is an increased risk of inappropriate data access, or erroneous data entry, which may not be identified and corrected promptly.

2.3.8 The Service advised that the workflow requirements had been set out for staff, and there are clear rules for HR and Payroll staff processing changes to the payroll, including secondary checks on new starts and leavers to ensure calculations are correct, and a direction not to process their own or family’s records. At the time reviewed in January 2020 there were limited system controls in place to enforce these restrictions.

**Recommendation**

The Service should ensure that access levels and system workflow processes are reviewed to ensure data access and entry is adequately controlled by the system.

**Service Response / Action**

Agreed. The workflow for new starts and leavers is controlled, and includes secondary checks by multiple team members. Access to team members' own records is restricted. Where record access can not be restricted there are expectations in place which are outlined in procedures and checks are carried out by multiple members of the team

**Implementation Date**

Implemented

**Responsible Officer**

HR and Payroll Service  
Centre Manager

**Grading**

Significant within audited  
area

**2.4 Payroll Process**

2.4.1 A copy of the payroll timetable for 2019/20 was provided, which showed the dates when each of the payrolls and BACS processes are run for each payroll group. Typically the payrolls are run just over a week before the BACS are run, which gives sufficient time to adjust any issues or errors that may arise from reports run. Various checks and reconciliations are completed prior to finalising the payroll. Checks are run again to ensure corrections made on the system have been concluded appropriately.

2.4.2 Data is extracted from the YourHR system, reviewed, edited, and then input to CoreHR, in order to add timesheet and overtime data into the system. The Service has control totals and spot checks in place, however reliance is placed on staff to fully, accurately and appropriately edit this data to ensure the correct payments are made to the right employees, presenting an increased risk of error.

**Recommendation**

The Service should review the extent to which manual adjustments are required.

**Service Response / Action**

Agreed. The Service has reviewed this area and considers that appropriate checks are in place and that manual adjustments are kept to a minimum. This will be included in consideration of any future developments.

**Implementation Date**

Implemented

**Responsible Officer**

HR and Payroll Service  
Centre Manager

**Grading**

Significant within audited  
area

2.4.3 CoreHR automatically generates interfaces out to the General Ledger (financial system) and BACS output (bank payment system) as a part of the payroll run. Where errors are identified during upload to these systems, these are fed back from the relevant system owners to the Payroll team to correct on CoreHR.

2.4.4 The majority of system reports available on the Portal are HR related, with few that check the accuracy of the payroll. The Service advised that payroll reports are used to check the gross to net values of new starts and leavers, and for any employee who has a significant change from salary from the previous month e.g. (+/- £1,000). Other checks are carried out using a separate database system, which is used to view, combine and calculate different sources of data – which cannot be completed using CoreHR alone.

2.4.5 A sample of 20 payments was selected for review, ranging from new starters, leavers, sickness and maternity leave, overtime and unpaid leave. Checks were carried out that appropriate forms, notification and authorisation had been provided by the employees'

Service and manager and that the changes were processed correctly and timeously. Each had been processed and paid as anticipated based on the input to the system.

- 2.4.6 However, minor errors were identified in manual calculations of hours in respect of three timesheets, a sickness absence, and application of a pay increment. These were calculated outside of the system and entered manually. Additional payments were also processed including payments for sick pay, and additional non-contractual payments for working during festive periods. The Service has stated that these have been checked and amended where necessary, and supported by relevant Service authorisations. The full paperwork was not available due to current restrictions on access to offices.

## 2.5 Business Continuity and Disaster Recovery

- 2.5.1 The HR and Payroll Service Centre business continuity plan covers the key requirements, including the system, which may be affected by an incident affecting the ability of the Service to continue its normal operations. The plan is comprehensive and reflects various scenarios including loss of staff, resources and systems.

- 2.5.2 However, it does not cover a situation where the supplier is no longer able to provide the service. As it is a cloud-based system, the Council does not hold a copy of the system or its data. The system service is provided under contract, and if there are any system performance issues these are logged and addressed as appropriate. The Service has indicated that it is satisfied with the level of performance. However, access to the data and use of the system is reliant on the supplier and its systems remaining operational.

### **Recommendation**

The Service should ensure the Business Continuity Plan includes information relating to supplier failure.

### **Service Response / Action**

Agreed. The Service welcomes Audit's opinion that the plan in place is comprehensive. Arrangements are in place if there is a supplier failure and in an emergency, previous months' BACS payment data is retained and could be re-run, with adjustments made to payroll records in subsequent periods. This Business Continuity Plan will be amended to reflect this information.

### **Implementation Date**

June 2021

### **Responsible Officer**

HR and Payroll Service  
Centre Manager

### **Grading**

Important within audited  
area

## 2.6 Human Capital Management (CoreHR) Project

- 2.6.1 The system was procured and a project progressed to implement it due to the end of life for the previous HR and payroll system, and a requirement for better consolidation of systems, integration and user experience, in line with the Council's digital strategies.

- 2.6.2 Implementation has been managed through a project board comprised of relevant Officers. Regular highlight reports show progress and any issues or risks that have arisen. These reports also state what has been done in the previous period and the priorities that will be carried out in the next period. The Digital Project Board also receives a report on the activities for each period that have been carried out. There is also a roadmap which is updated periodically, taking into account any anticipated changes to timescales.

- 2.6.3 Reports for December 2019 – February 2020 indicated that there had previously been issues with progressing the project on time and on budget. The Service has stated this was due to organisational change and members of the project team leaving. The reports

indicated that in various aspects business requirements had changed, were not yet sufficiently well specified, or that system requirements did not meet expectations. Work had not been concluded on overtime and time recording, and therefore as discussed at 2.4.2 above some manual processing is required to apply the Council's requirements. Absence recording and reporting requirements, and learning and development recording were also still to be defined and progressed. Further elements were planned for implementation as part of other phases of the project, and included a requirement for a gap analysis of current system capability against plans and expectations.

- 2.6.4 Whilst Internal Audit recommendations raised in respect of the previous system have been concluded, it was not possible to fully address all of the actions using the system as originally anticipated. For example: whilst the system now incorporates details of staff rotas the system does not support regular verification by line managers; compliance with the working time regulations is assisted through system reports but this monitoring is not automated; and health and safety training data is retained outside of the system. Additional or manual processes are in place to fulfil these requirements.
- 2.6.5 Time recording is still maintained separately, and is planned for implementation on the system. The Service has provided a copy of the updated system implementation plan, which currently runs through to August 2021.
- 2.6.6 It is recognised that the Council has undertaken significant transformational change to its workforce and how it operates, and any new system takes time to implement and embed within an organisation. The Service has highlighted that plans and requirements have been amended and implementation of further functionality prioritised where appropriate and agreed through the project board.
- 2.6.7 The initial (extended) contract for the system, and the associated Committee approval for its award, expires in March 2022. As the contract is due to expire in just over one year, procurement plans and relevant approvals will be sought at Strategic Commissioning Committee in April 2021. The Service has developed plans, which will progress through the relevant approval routes, to demonstrate achievement of Best Value.

**AUDITORS:** C Harvey  
R Brand

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	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 organisation.
<b>Major at a Service Level</b>	<p>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.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	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

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2105 – Vehicle Usage
<b>REPORT NUMBER</b>	IA/AC2105
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Cross-Service Vehicle Usage.

### 2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of vehicle usage.

### 4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

### 5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

### 6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## 7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 9. APPENDICES

- 9.1 Internal Audit report AC2105 – Vehicle Usage.

## 10. REPORT AUTHOR DETAILS

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(01467) 530701



## **Internal Audit Report**

### **Cross Service**

### **Vehicle Usage**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer  
Steven Whyte, Director of Resources  
Mark Reilly, Chief Officer – Operations and Protective Services  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
John Weir, Fleet Services Manager  
External Audit

## EXECUTIVE SUMMARY

Aberdeen City Council currently has a fleet of 483 vehicles which are provided to Services through Fleet to enable them to fulfil operational requirements.

The objective of this audit was to provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet. This included a review of instances where employees take vehicles home, including justification and authorisation.

In general adequate procedures are in place. There is clear guidance for Drivers, and Fleet has procedures for monitoring completion of first use checks, recording of tachograph infringements, Driver debriefs, and completion of professional training in relation to Drivers maintaining their Certificate of Professional Competence. The continuing rollout of a telematics system will enhance the ability of Services to monitor vehicle usage and efficiency. And where vehicles are used outwith normal hours Fleet currently sample check that business cases have been completed by Services.

Council procedures require Managers within Services to check that employees who are required to drive for work purposes have their driving licences checked annually, and declare any infringements or medical conditions which may affect their ability to drive. Whilst there is a facility to record these checks, this is not checked at a corporate level to ensure checks have all been completed timeously. A corporate overview of licence checks to ensure that each Service is adhering to requirements in this respect could provide additional assurance over this area. The Chief Operating Officer has agreed to review this option.

Drivers are required to complete first use vehicle check forms prior to vehicles being used every day to provide reasonable assurance that vehicles are in roadworthy condition. Fleet Compliance thereafter carry out random checks on vehicles to ensure that these have been completed. Whilst most had been recorded, not all had been completed fully. Services will be reminded of their responsibilities in this respect.

Rollout of the telematics system can add value through identifying areas in which efficiencies might be targeted, and recommendations have been made for Fleet to ensure Services have sufficient data and guidance to support a consistent and proportionate approach to improving vehicle usage where this would yield benefits.

Fleet Compliance receive reports in respect of tachograph infringements which are passed to Services to discuss the issues with the relevant drivers. Statistics show that the number of both single and repeat infringements is currently below both sector and national averages but that currently time taken for review of infringements with Drivers is above average. The Service has noted that it has not been possible to complete all Driver debriefs timeously due to Covid 19 restrictions. However, a reminder will be issued to Services to complete debriefs as soon as it practical.

Where vehicles are to be used outwith normal business hours, Services are required to state the reasons for this in a business case. Although these are being completed where required, the content varies between cases. Fleet has agreed to produce a standard template for Services to use to ensure each case can be adequately justified.

## **1. INTRODUCTION**

- 1.1 Aberdeen City Council currently has a fleet of 483 vehicles which are provided to Services through Fleet to enable them to fulfil operational requirements.
- 1.2 The objective of this audit was to provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet. This included a review of instances where employees take vehicles home, including justification and authorisation.
- 1.3 The audit also reviewed procedures, and vehicle and driver records, to ensure that appropriate arrangements are in place to safeguard the Council's goods vehicle operator's licence. This included procedures relating to driver self-declarations and management controls relating to fitness to drive.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Rob Polkinghorne - Director of Operations, Mark Reilly - Chief Officer - Operations and Protective Services, and John Weir - Fleet Services Manager.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Procedures, Vehicle Checks & Usage**

- 2.1.1 The Council provides a guidance handbook to drivers for light and heavy goods vehicles and a separate guidance handbook to drivers of minibuses. These handbooks explain what records are to be kept of vehicle usage, including first use checks, and motor vehicle accident forms. They also explain the use of tachographs to monitor Drivers' driving hours.
- 2.1.2 Additional guidance provided in the 'Driving at Work Guidance – Council Vehicles' makes clear the requirement that Drivers of Council vehicles ensure that these vehicles are only used for approved business purposes and that no personal usage other than pre-approved commuting is undertaken. The document makes clear the employee's responsibilities including declaring to the employer any disability or licence infringement which may affect their ability to continue to drive, the requirement to ensure that no personal use of a vehicle is undertaken, that unauthorised passengers do not travel in vehicles, that first use checks are undertaken, not to use a mobile phone whilst driving or to drive under the influence of alcohol or drugs, and to comply with regulations in relation to driving hours.
- 2.1.3 The Guidance also stresses the responsibilities for Managers within Services in terms of ensuring that employees are aware of their responsibilities under the Guidance. This includes ensuring risk assessments are undertaken for driving activities which may present significant risk, ensuring that where employees are given permission to take vehicles home that this is documented, to ensure all journeys undertaken as a result of Service requirements are covered by the terms of the insurance policy, perform spot checks to ensure that first use checks are being performed, ensure that employees do not drive vehicles which they have not been allocated to drive, that fines for speeding etc are paid by the employee and to ensure that Drivers have access to required training.
- 2.1.4 It further emphasises the requirement for Managers to ensure that licence checks are undertaken for employees who drive Council vehicles. Online guidance additionally states that it is the employee's responsibility to present licence information on an annual basis for checking by Management. This should be done on the YourHR system or where an employee does not have access to this system Business Support Services within each Directorate should be provided with a DVLA code to obtain and upload a summary.
- 2.1.5 At the start of each day, or when a vehicle is used by another driver, First Use Vehicle Checks should be undertaken prior to driving any vehicle to ensure that it is in a road worthy condition. These checks include, but are not limited to: ensuring all lights and horns are working, that tyres are within the legal limit and that all fluids are at the correct levels. The results of these checks should then be recorded in the logbooks which are held within each vehicle. 114 checks across 11 vehicles were checked to ensure that the checklists had been fully completed and thereafter signed and dated by the Driver.
- 2.1.6 Most checklists had been completed fully, however there were missing entries including: Waste Service – one form with mileage not having been completed. Roads Service – one form not signed and another incomplete. Vehicle used by the Art Gallery – one form not signed, another not dated and a third incomplete. Education Service minibus – one form with missing entries, another form with time and mileage not recorded, and various forms over the course of two weeks noted the same fault on one day but then not the next.
- 2.1.7 The Fleet Compliance Team carry out weekly gate checks on random vehicles leaving and entering depots to ensure that First Use Vehicle Checklists have been completed and to check on the general condition of vehicles. The results of these checks are then emailed to the relevant Services to advise of any issues where they are discovered. Due to the pandemic these checks were suspended for the majority of the year and have only

recently recommenced, meaning there was limited information for Internal Audit to analyse. It was noted however in the small sample that issues with vehicles had been brought to the attention of the Service and following this the Service discussed the issue with the relevant Driver, suggesting the procedure is operating as intended.

- 2.1.8 It is the responsibility of the Driver to ensure that they evidence that vehicles are road worthy at the time of commencement of duties. If this is not completed, there are risks, including additional cost of maintenance or repair, and risks to the Council's operating licence should defects be identified during operation. Insurance may also be affected should there be an incident and it cannot be evidenced that appropriate checks were undertaken prior to usage. Whilst, as noted above, weekly gate checks are carried out on vehicles leaving and entering depots this generally covers Waste, Building and Roads Services. It is impractical to carry out checks on other Services to the same extent, therefore a recommendation is made below to remind all Services to ensure Drivers' checks are performed.

<b><u>Recommendation</u></b>		
Fleet should ensure Drivers are reminded to fully complete First Use Vehicle Check sheets prior to driving.		
<b><u>Service Response / Action</u></b>		
Agreed. Reminder emails have been issued to Services.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Fleet Services Manager	Important within audited area

- 2.1.9 Continuing pressure on Council budgets means there is a duty for all Services to identify and deliver savings where possible. Driving in a more efficient manner has the potential for cost savings to be realised by lessening wear and tear on component parts meaning fewer replacement parts, saving fuel by avoiding harsh acceleration and speeding, and switching an engine off where a vehicle is stationary to avoid excessive idling. Driving in a more efficient and more responsible manner can also reduce the risk of accidents.
- 2.1.10 Following trials of a telematics system, which is able to record this information, it was agreed that all Council vehicles would be fitted with telematics to enable reports to be generated with a view to making cost savings and monitoring driving performance. A recommendation was made in the previous Internal Audit (AC1817) to ensure that all Services have access to reports and data subsequently generated and for training to be provided in respect of analysis of this data. The Fleet Manager confirmed that installation is still in progress, and it is anticipated that all vehicles will be equipped with telematics by the end of April 2021. Services are provided with training on the information currently generated, with it being planned to provide refresher training in due course.
- 2.1.11 Presently reports are available showing miles travelled and hours driven, harsh braking, cornering and acceleration, speeding and idling times including litres of fuel used while idling. Fleet confirmed that they have an overview of all available data. It may therefore be prudent to periodically highlight to Services areas in which potential savings may be realised based on this data.
- 2.1.12 Additional reports could be generated to assist with ensuring that vehicles are not used where there is no business requirement. Cost savings may be targeted by monitoring such information, and compliance with operational and insurance requirements reviewed. The Service confirmed that they are considering these options and discussions are ongoing in this respect.

**Recommendation**

Fleet should periodically produce and distribute relevant data on potential realisable savings, and compliance.

**Service Response / Action**

Agreed.

**Implementation Date**

April 2022

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

- 2.1.13 Drivers must be aware of their responsibilities to comply with operational and insurance requirements, and to utilise the vehicles they are provided with safely, effectively and efficiently. Whilst this is largely covered by existing guidance, further guidance for Services would be useful to ensure both a consistent approach in discussing issues with Drivers and to help inform Drivers as to the reasons for compliance with the requirement for efficient driving based on available data.

**Recommendation**

Fleet should ensure Services have clear guidance to support a consistent and proportionate approach to improving vehicle usage.

**Service Response / Action**

Agreed. Further guidance will be produced and distributed to Services.

**Implementation Date**

September 2021

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

- 2.1.14 To demonstrate compliance with regulations on Drivers' hours, Drivers of large goods vehicles and passenger carrying vehicles (buses) must use a tachograph to record all hours spent driving. This information is currently recorded on the 'Vision' system and the Fleet Compliance Team send weekly reports to appropriate Service Managers which advise of any driving infringements. Service Managers then discuss with the Driver and record this discussion via a Driver debrief, including any required actions where appropriate.

- 2.1.15 The Service retains statistics in relation to infringements for comparison to both National and Sector averages. Review of these statistics for the previous 12 months showed infringements for core drivers to be below both sector and national averages both for single infringements and repeat infringements.

- 2.1.16 It is important for infringements to be brought to a Driver's attention promptly to address the issue, ensure the Driver is aware of their responsibilities, and to prevent recurrence. Delays between infringements occurring and the subsequent debrief were noted on 3 occasions with it taking 3, 5 and 9 months respectively between the infringement occurring and subsequent discussion. Overall statistics in respect of time taken to perform debriefs for the same time period as discussed at 2.1.15 showed mixed results, in that while there were periods where the Service was below both Sector and National averages they are presently higher than both.

**Recommendation**

Fleet should remind Services to ensure that driver debriefs following tachograph anomalies are completed in a timely manner.



**Service Response / Action**

Agreed. It has not been possible to complete all Driver debriefs timeously due to Covid 19 restrictions. However, a reminder has been issued to Services to complete Driver debriefs as soon as it practical.

**Implementation Date**

Implemented

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

**2.2 Driver Training & Licence Checks**

- 2.2.1 As noted at 2.1.4 above there is a requirement for Drivers and Management to ensure that licence details are reviewed annually to ensure that information remains current and for employees to declare immediately any endorsement received or where a medical condition affects their ability to drive. Reliance is placed on Services to comply with Corporate guidance in this respect. Due to the pandemic many employees have not been visiting sites and may not have driven a vehicle for work purposes for some time. There is a risk therefore that annual licence reviews may not have been performed, but employees may still be asked to continue driving vehicles for work purposes. A Corporate overview of licence reviews could provide additional assurance in this respect.

**Recommendation**

The Council should consider whether a Corporate overview of licence reviews would provide additional assurance in this area.

**Service Response / Action**

Agreed.

**Implementation Date**

June 2021

**Responsible Officer**

Chief Operating Officer

**Grading**

Significant within audited area

- 2.2.2 For Drivers of vehicles over 3.5 tonnes or passenger carrying vehicles carrying 9 or more persons it is a legal requirement that 35 hours of training over 5 years is undertaken in order to retain their Certificate of Professional Competence. Records of progress with training are maintained in the 'Vision' system. Services can monitor and edit Driver records within their own Service while Fleet have access to view all records. At the time reviewed, all Drivers were current with their training.
- 2.2.3 Drivers of vehicles over 3.5 tonnes additionally have their licences checked every 2 months by an external provider to check for any endorsements, suspensions or medical conditions which may impact on their ability to continue to drive. Risk levels are also assigned to Drivers based on such factors as age and known medical conditions which may necessitate more frequent checks. Results are emailed to Service Managers with Fleet receiving notification that an email has been sent. Every month Fleet receives a detailed breakdown of checks performed.

**2.3 Insurance**

- 2.3.1 At the time reviewed the insurance policy was valid to 31 March 2021 and provided cover for all employees driving all types of vehicle, who have been granted permission to drive them by the Council.
- 2.3.2 Personal use is not covered by the terms of the insurance policy, but commuting is covered where there is a defined business need, such as: going direct to sites, call outs, standby duties or requirements to use a vehicle outwith normal working hours. Passengers can

only be taken where there is a business need, for example service users. Failure to comply with insurance requirements may invalidate insurance cover and presents reputational and financial risks.

- 2.3.3 The Insurance Officer highlighted that as a result of investment in and proposed introduction of telematics there was a reduction in the cost of the insurance policy for 2020/21. This is because historically fleets which have telematic systems installed tend to be involved in fewer incidents and where incidents do occur Councils are better able to evidence how a vehicle was being driven. As noted above at 2.1.9 – 2.1.13 the roll out of telematics installations, and development of reporting functionality is still in progress. Implementation of the recommendations would demonstrate the Council's commitment to improving performance in this respect.

## **2.4 Use of Vehicles Outwith Normal Working Hours**

- 2.4.1 Where an employee uses a vehicle outwith normal working hours this should be recorded by Services and approved by an appropriate Officer, typically a Line Manager who is best placed to determine whether such usage is appropriate. Justifications for taking vehicles home may include employees on standby, on call, site visits on the way to and from home and vehicles required for duties outwith normal working hours. These reasons are covered within Aberdeen City Council's insurance policy as the insurance is for "Use in connection with the policyholder's business' and 'Any person who is driving on the order or with the permission of the policyholder'.
- 2.4.2 Of the Council's 483 vehicles, almost half are being taken home by an employee on a regular basis. The largest proportion (190) of these are vehicles utilised by Building Services.
- 2.4.3 The business need for vehicles to be taken home every evening is recorded as noted above, however the content of the business cases is generally limited. Some of the most frequently recorded reasons were: that the employee attended sites on their way to and from home; or that they required to be on-site by 8 a.m.
- 2.4.4 Default allocation of a vehicle to a role, and assigning a business need for it to be taken home based on a limited business case means that other factors may not be taken into account. Business cases do not consider individual circumstances, for example, some may pass a depot on their way to work. Others may not require to travel to sites on a daily basis. There was no analysis of the distance the employee would be required to travel to base to pick up a vehicle before commencing duties. If for instance an employee travels from an outlying area into the City this may involve a considerable commute, which involves extra wear and tear on a vehicle, additional fuel costs, increases the time a vehicle is in use, and lessens the lifespan of the vehicle leading to the requirement for more frequent replacement.
- 2.4.5 It would therefore be prudent were Services required to provide a more thorough and consistent analysis of the requirement for vehicles to be taken home, taking into account time saved against additional milage travelled. Commuting time should not be taken into account, as this is a personal rather than a business reason for requiring a vehicle.
- 2.4.6 Fleet performs periodic audits of business cases for the use of vehicles outwith normal working hours. These audits are to determine whether or not reasons have been recorded for such usage, whether or not authorisation has been given, and how often reviews are undertaken in relation to the continuing requirement. However, the reasons recorded for such use are not examined. A standardised format for recording such usage requiring additional information as noted above would give greater assurance over this area.

**Recommendation**

Fleet should review the content and format of business cases for the usage of vehicles outwith normal working hours and remind Services of the importance of adequately justifying each case.

**Service Response / Action**

Agreed. A standardised template will be drafted and issued to Services for use with a reminder that each case should be adequately justified.

**Implementation Date**

October 2021

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

**AUDITORS:** C Harvey  
D Henderson  
C Johnston

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	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.
<b>Major at a Service Level</b>	<p>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.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	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

<b>COMMITTEE</b>	Audit, Risk & Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Unaudited Annual Accounts 2020/21
<b>REPORT NUMBER</b>	RES/21/120
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	AR&S Cttee 4.1 and 4.2,

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2020/21 unaudited Annual Accounts.
- 1.2 To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2020/21 unaudited Annual Accounts subject to this approval.
- 1.3 The report also provides the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2020/21.
- 2.2 consider the Council's unaudited Annual Accounts 2020/21.
- 2.3 consider the unaudited Annual Accounts 2020/21 of the Council's registered charities.
- 2.4 note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to the Council's external auditors, KPMG, and Audit Scotland.
- 2.5 note that the Audit, Risk and Scrutiny Committee on 30 June 2021 will receive the Council's audited Annual Accounts for consideration and approval prior to

their signature by the Chief Officer - Finance, Chief Executive and a Council Leader.

- 2.6 note that the Audit, Risk and Scrutiny Committee of 30 June 2021 will also receive the external auditor's report on the annual accounts for debate and consideration and that this report will set out the auditor's findings and conclusions, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
- 2.7 note that the Audit, Risk and Scrutiny Committee on 30 June 2021 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

### **3. BACKGROUND**

#### **Annual Governance Statement**

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).
- 3.2 The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.
- 3.3 The Council has developed its approach to the annual governance review process and in 2020/21 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.
- 3.4 There are different layers of assurance that have been considered and used in determining the content of the AGS. These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.
- 3.5 Management assurance includes the certification of internal controls and assurance by Chief Officers, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities. The Chief Officer of the Aberdeen City Integration Joint Board has also provided assurance in respect of the Health and Social Care Partnership arrangements.
- 3.6 Further confidence is based on the operational structure and legislative framework that exists for the Council, including the continuity that has been maintained in relation to statutory posts throughout the year.
- 3.7 The Scheme of Governance defines the roles and responsibilities for officers and Elected Members.

- 3.8 The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.
- 3.9 Each Chief Officer has reviewed their portfolio and certified their effectiveness to the Chief Officer – Governance and the Director of Resources.
- 3.10 Management Assurance has also been obtained from each Chief Officer and reviewed by the Corporate Management Team.
- 3.11 In undertaking a self-evaluation of the Council’s effectiveness of its governance framework, several officers have reviewed the Local Code of Governance and drawn judgements on the extent to which the Council is effectively complying with the code.
- 3.12 Independent scrutiny is undertaken by the Internal Audit function, which was carried out by the Internal Audit team from Aberdeenshire Council. They have provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment.
- 3.13 External scrutiny is required by legislation (Local Authority Accounts (Scotland) Regulations 2014) and the Council’s external auditor, KPMG, reported on a variety of areas, not simply the financial statements and financial control environment. These reports, which are produced on a national basis, have been considered in preparing the AGS for 2020/21.
- 3.14 In conclusion and in examining the evidence, the 2020/21 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.
- 3.15 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and Leader of the Council. It is recommended for approval prior to being signed off.

### **Unaudited Annual Accounts**

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

31 March 2021	End of the financial year 2020/21
Jan – June 2021	Information from Group Entities (including ALEO’s)
16 April 2021	Public Notice for the Public Inspection Period to be issued
10 May 2021	Signing of unaudited Annual Accounts by the Proper Officer

12 May 2021	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
12 May 2021	Submission of the Annual Accounts to Auditors
11 May – 1 June 2021	Public Inspection Period for the unaudited Annual Accounts
30 June 2021	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
30 June 2021	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader.
30 June 2021	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies
16 July 2021 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2021	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2021	Deadline for submission of the audited WGA to the Scottish Government
31 October 2021	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
31 December 2021	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

3.18 Whilst there are statutory requirements under the Local Authority Accounts (Scotland) Regulations 2014 which specify deadlines in relation to the unaudited and audited Annual Accounts, this does not prevent the Council from working to earlier dates and indeed the earlier completion of our Annual Accounts could be considered advanced practice.

3.19 There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance.

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

3.20 The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2021. The inspection must last 15 working days. As the Annual Accounts process is being undertaken to earlier deadlines this year the public inspection period will begin on 11 May 2021 and end on 1 June 2021.

The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.

3.22 On completion of the audit process, the external auditor's will present their report on the audit of the Annual Accounts to the meeting of the Audit, Risk and



Scrutiny Committee on 30 June 2021. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being certified.

- 3.23 The audited Annual Accounts will also be presented to that meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Chief Officer - Finance, Chief Executive and a Council Leader. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2021.

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

- 3.24 It should be noted that the unaudited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.
- 3.25 A report covering the detailed financial position of the Council was considered by the City Growth and Resources Committee on 11 May 2021. This report covers the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2021.
- 3.26 Against total funding from Council Tax, Non-Domestic Rates and Revenue Support Grant of £508 million (this includes Covid-related Revenue Support Grant £45k), the services including surpluses from trading operations incurred net spend of £415 million, whilst the net spend on the corporate budgets, including capital financing costs, was £47 million.
- 3.27 The credit rating and LSE listing has brought several reporting and governance requirements, including the need to consider our financial management systems, processes and routines to take into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds.
- 3.28 The following paragraphs highlight some of the key sections of the Annual Accounts:
- 3.29 Management Commentary – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.
- 3.30 Comprehensive Income & Expenditure Statement (CIES) and Expenditure & Funding Analysis - reflects the income and expenditure of the Council per the Council's service structure based on the requirements of accounting standards.
- 3.31 Balance Sheet – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e. assets less liabilities) have increased by £116 million from March 2020 to a total of £1.331 billion at March 2021, mainly reflecting a decrease in long term liabilities of

£138 million, with pension liabilities being £109 million of this. The corresponding increase in reserves reflects a £76 million and £39 million increase in unusable and usable reserves respectively.

- 3.32 Common Good and Trusts – the Common Good, CIES and Balance Sheet reflect an increase in the value of its net assets which has resulted in its value increasing by £5.7 million to £129.8 million at March 2021. The financial statements of the Trusts now clearly reflect the split between charitable and non-charitable trusts. This will aid the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council's external auditors.
- 3.33 Group Accounts – these include the Council, its subsidiaries, associate, and joint venture companies and reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1.467 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

## **Registered Charities**

- 3.34 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are nine separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £7.187 million, after the elimination of intra trust balances i.e. the investment in the Lands of Skene by the Guildry and Bridge of Don trusts.
- 3.36 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report being reported back to this committee on 30 June 2021 for approval prior to signature by the relevant officers and the Council Leader.
- 3.37 Thereafter, they will be submitted to OSCR, no later than 31 December 2021.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report.

## **5. LEGAL IMPLICATIONS**

- 5.1 The preparation of the Annual Governance Statement is a part of the Council's compliance with the CIPFA/SOLACE guidance on 'Delivering Good Governance in Local Government'.
- 5.2 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with The Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally

accepted accounting practices. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

## 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	There is a risk that if reporting of annual accounts is not undertaken as required, the financial resilience of the Council is not maintained that strategic priorities and outcomes have to be compromised in the future.	L	Comprehensive approach to preparing Annual Accounts to accounting standards and legislation to ensure compliance and transparency for all stakeholders.
<b>Compliance</b>	Risk of Legislation not being followed	L	Staff working with external audit to ensure compliance with legislation
<b>Operational</b>	External audit reveals errors &/or adjustments. Risk that the Finance systems could be disrupted	L  L	Officers discuss with Auditors throughout external audit process. Digital strategy that includes regular and rigorous checks to protect the integrity of all systems.
<b>Financial</b>	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.
<b>Reputational</b>	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors
<b>Environment / Climate</b>	n/a	n/a	n/a

## 7. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	Financial reporting enables the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	The Council continues to invest and report in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management and reporting of the Council's finances will ensure that services can continue to be provided
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.
<b>UK and Scottish Legislative and Policy Programmes</b> The Local Authority Accounts (Scotland) Regulations 2014	The attached appendices are prepared under The Local Authority Accounts (Scotland) Regulations 2014.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	not required
<b>Data Protection Impact Assessment</b>	not required

## 9. BACKGROUND PAPERS

Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;  
 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;  
 Unaudited Annual Accounts 2019/20

## 10. APPENDICES

Appendix A - Unaudited Annual Accounts 2020/21

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

## 11. REPORT AUTHOR CONTACT DETAILS

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**UNAUDITED ANNUAL ACCOUNTS  
FOR THE PERIOD  
1 APRIL 2020 TO 31 MARCH 2021**

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## Management Commentary

### Introduction

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2020/21 and understand our financial performance for the year to 31 March 2021. It also provides an insight into the medium-term financial planning we undertake to provide financial stability, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely. Our performance reporting and core financial statements for 2020/21 meet the requirements of the Council and of the London Stock Exchange (LSE), and provide financial transparency for citizens of the City and beyond. The Council has now embedded our early close procedures to enable the unaudited Annual Accounts to be produced by the end of April 2021 and the audited Annual Accounts by the end of June 2021.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2021, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). The Code is based on International Financial Reporting Standards (IFRS) and as such the accounts provide a reconciliation between the two reporting methodologies.

In the first quarter of 2020 a coronavirus outbreak (Covid-19) activated across the globe. This resulted in the United Kingdom and Scottish Governments imposing restrictions through guidance and law on the movement of people which came into full effect on 23 March 2020. Every aspect of society has continued to be affected by the exceptional circumstances of the Covid-19 pandemic throughout 2020/21. Of course, the personal impact has been severe and tragic for many people. The broader impact on the city of Aberdeen, and the Council's role in supporting the city and its people, will continue to be felt for the foreseeable future. From the spring of 2021, with the initial roll-out of the vaccination programme, there is a planned lessening of restrictions into Summer 2021, but the continued global uncertainty continues. That has resulted in reduced economic confidence for Aberdeen City. The implications as they arose throughout 2020/21 have been incorporated throughout the document and where possible, future impacts anticipated.

The impact of the Covid-19 outbreak was considered by the CIPFA-LASAAC Code Board in respect of any adjustments required to the Code and it was concluded full application of the 2019/20 Code would apply and that continues for 2020/21.

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

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

In preparing these Annual Accounts the Council continued to consider guidance and standards to ensure that they reflected the most practicably transparent information for users. Notably we have considered the guide issued by Institute of Chartered Accountants in England and Wales on the impact of Covid-19 in assessing materiality.

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

For the 2020/21 Annual Accounts, the requirements of the new IFRS 16 for Lease Accounting have been deferred again for a further final year. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases would be considered finance leases unless they meet the specific exception criteria.

## Highlights from 2020/21

Aberdeen City Council is the main provider of services to the City's 228,670 residents and those who visit, work and do business in the City encompassing the wider North East population. Our resources are focused on the provision of Education, Social Work, Housing, Environmental and Community Services, as well as supporting investment in the City's infrastructure.

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

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

### 1. The Impact of the Global Pandemic

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

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

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

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

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

By early assessment and scenario planning of the impact of the COVID-19 outbreak and through the Governance arrangements described above, the Council has put robust measures in place to continue to exhibit strong financial management of its financial affairs and evidence our ability to continue as a going concern. The savings agreed when the budget was set, adjusted for the ongoing impact of Covid-19, have been substantially achieved, and governance was put in place to track the savings and mitigate and offset risk areas.

The final out-turn position was a small budget surplus (£0.4 million), after taking into account group accounting adjustments and movements in reserves. Full details can be found on the ACC website at Committee Reporting for the meetings stated.

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

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

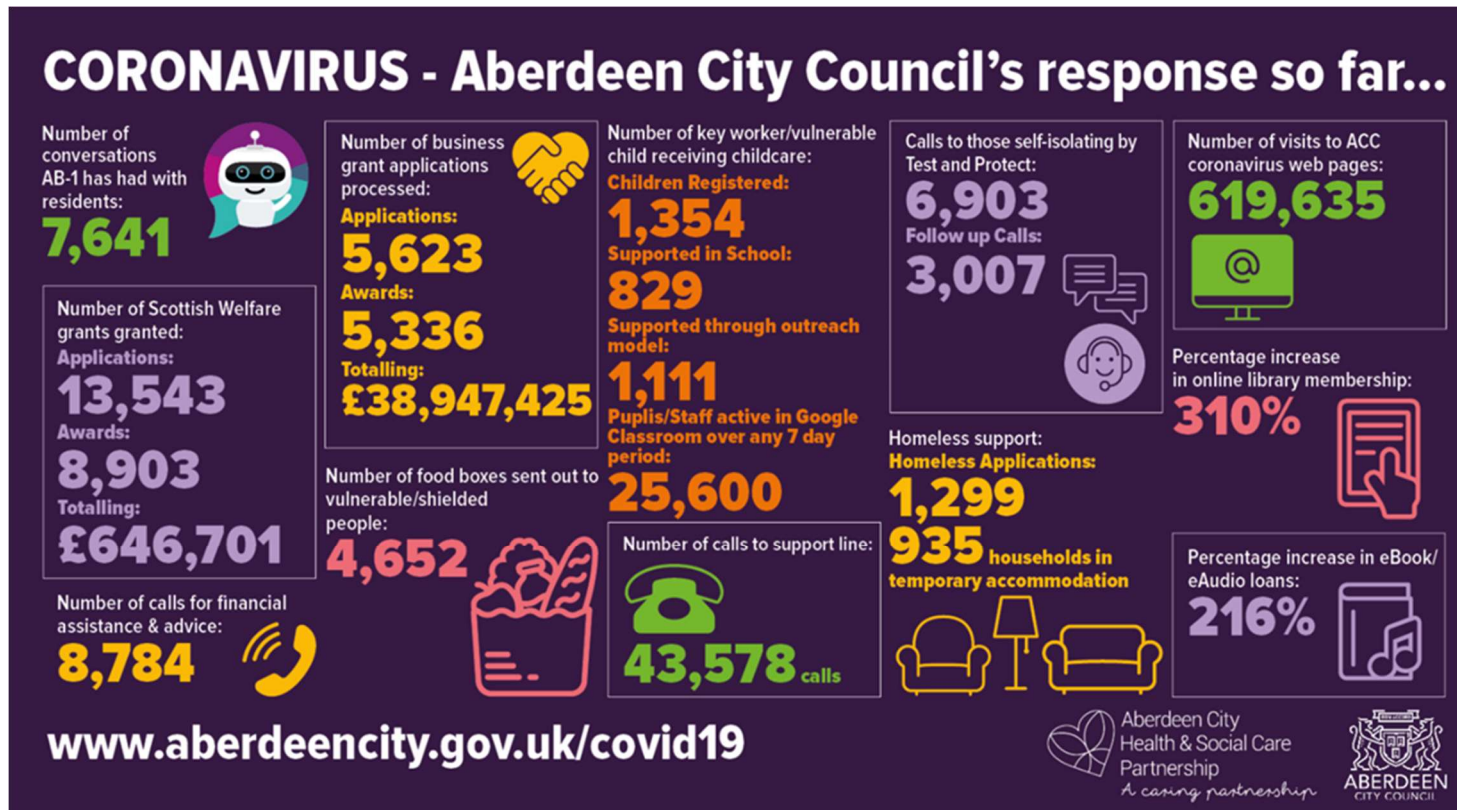
The impact of Covid-19 Pandemic is reflected in the total £135 million investment recorded for the Capital Programme for the year, lower than the £258m originally expected. This is primarily the result of the closure of construction sites during the first quarter of 2020/21 in compliance with government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

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

- Construction progressed on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity and heat.
- The final piece of infrastructure at The Event Complex Aberdeen (TECA), the Anaerobic Digestion Gas to Grid (AD plant), approached completion.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside accelerated investment in Intelligent Street Lighting under the Town Centre Fund to compliment the investment in Street Lighting LED lanterns.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre, and began preparations for the introduction of a City Centre Low Emissions Zone (LEZ).
- The City Centre Masterplan continues to invest in Aberdeen; contractors continued the regeneration of Union Terrace Gardens and the refurbishment of Provost Skene House; land assembly and enabling works advanced for the redevelopment of Queen Street.
- The Council continued its commitment to its New Schools and Early Learning programmes. Design works progressed on the £100 million investment in 4 new educational campuses, with construction commencing at the Milltimber site. The programme for the expansion of Early Learning and Childcare was also supported with significant progress made at several sites across the city.
- Aberdeen City Strategic Housing Investment Plan 21/22-25/26 was approved by City Growth and Resources Committee in October 2020.

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

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



### On the City Council's Group

The Council has a number of Arm's Length External Organisations (ALEOs), a number of which form part of our group and are reflected in the group accounts on pages 154 to 172. Significant investment is made in ALEOs by the Council and proper consideration must be given to their performance and governance arrangements. The impact of Covid-19 on the ALEOs has been supported and monitored throughout the year. The extent to which they generate and rely on external customer income was evident as lockdown restrictions applied from March 2020 and external income stopped overnight. To address this they have sought to access grants from a wide variety of sources depending on the sector in which they work and that included making full use of the furlough scheme. Assurance was also taken from reserves positions of many in light of the impact on their financial sustainability. An ALEO Assurance Hub is in place to scrutinise a range of information including operational and financial performance and people and risk management. This provides a strong platform from which to ensure review of the performance of ALEOs is embedded in the Council's culture.

## 2. Brexit

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

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

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

## 3. Annual Review of our Credit Rating

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

## 4. Council of the Year Award

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

## 5. The Council's Governance

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

## The Council and Our Plans and Performance

- **Who we are** - We are one of 32 Councils in Scotland. We have 8,867 employees and their commitment, professional approach and expertise is critical to service delivery. The very nature of our services is such that we employ a diverse range of professionals including teachers, social workers, engineers, architects, lawyers, accountants, surveyors and administrators.
- **What we do** - Our governance is overseen by 45 members who are elected every 5 years by the citizens of Aberdeen. Following the Local Government Election on 4 May 2017, a joint Administration was formed by the Conservative, Labour and Independent Alliance. Following the royal assent of the Scottish Elections (Reform) Act in July 2020, the next planned election date is 5 May 2022 after a five-year term.
- **Our goals and plans** - The Council operates across different planning levels from the North East region to individual localities, whilst internally planning from the corporate level to individual members of staff. Our key documents can be found below and are available to view on the Council's website as detailed.
- [Council Delivery Plan 2021/22](#)  
On 10 March 2021 the Council Delivery Plan 2021/22 was approved. Full details can be viewed at the Council's website in Committee reports for the stated date. The plan continues to build on the achievement of the council vision:

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

The plan summarises key deliverables under the headings:

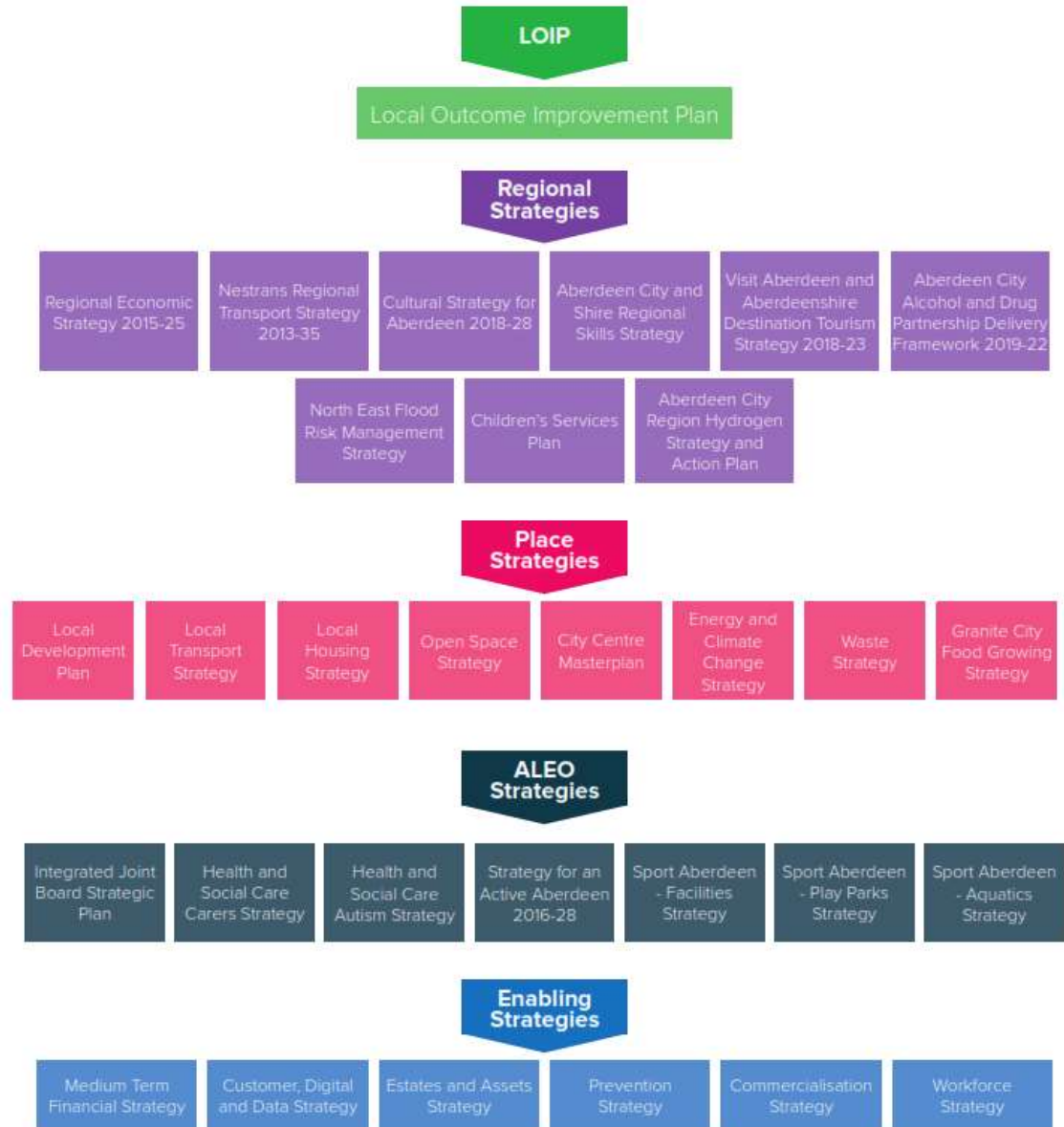
- Our business for the year
- How we do our business and
- How we behave as an organisation

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

The Delivery Plan is aligned to further key documents below:

- [Local Outcomes Improvement Plan \(LOIP\)](#)  
The LOIP was adopted during 2016/17, establishing improvement outcomes and associated measures for a ten-year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPA) Board. The LOIP was refreshed in 2019 and approved by the CPA on 26 February 2019. On 11 February 2021 the Strategic Commissioning Committee received a report on an updated Population Needs Assessment to inform the future refresh of the LOIP that is planned to be approved by CPA on 7 July 2021. Full details can be viewed at the Council's website in Committee reports for the stated date. The LOIP can be viewed on the website of Community Planning Aberdeen.
- [Strategy Framework](#)  
On 21 November 2019 the Strategic Commissioning Committee approved the commissioning of strategies that aim to set out the Council's contribution to the delivery of LOIP outcomes. Full details can be viewed at the ACC website in Committee Reporting for the stated date. The Strategies under development continue to be refreshed and are updated in the Council Delivery Plan 2021/22 as shown below:





- **Policy Statement**

Approved in August 2017, providing the Administrations vision, Stronger Together – Prosperity for Aberdeen 2017-2022. Full details can be viewed at the Council's website in Committee reports for the Council meeting in August 2017. An update on the Policy Statement is provided in the Council Delivery Plan 2021/22.

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

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

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

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

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

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

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

- **The Target Operating Model**

On 23 August 2017 and 11 December 2017, the Council approved a fundamental change in the way council services are managed and delivered through the implementation of a new Target Operating Model. At the same time, the Council also agreed a Transformation Portfolio which would enable:

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

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

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

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



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

The key documents can be found at the Council website in Committee reports for the Council meeting in August and December 2017, March 2018, March 2019, March 2020 and March 2021.

- **Our Commissioning Approach**

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

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

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

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

- **Regional Economic Plan**

Approved in December 2015, providing a twenty-year vision for the well-being of the place and our people through a longer-term plan for economic development. Full details can be viewed on the Council's website in Committee Reports for the Council meetings on 16 December 2015. Details of the updated action plan for 2018-2023 can be viewed in Committee Reports for the City Growth and Resources Committee on 19 June 2018. Further information on the economic impact of Covid-19 and the council's Socio-Economic response is set out below in the section on Outlook including Risks and Uncertainties.

- **Covid-19 Response Plans**

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

At the Urgent Business Committee on 20 March 2020, arrangements for Governance were put in place to enable decision making in the light of the Covid-19 pandemic. Officers established terms of reference for the response workstreams of Critical Services, Financial Resilience, Digital Resilience, Workforce Protection and Planning, Governance, Business Resilience, Care for People and Supply Chain. These workstreams reported to an Incident Management Team of Chief Officers and Strategic Corporate Management Team for Covid-19 Response.

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

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

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

- **Legislative duties**

The Coronavirus (Scotland) Act 2020 was given royal assent on 6 April 2020 that set out emergency powers including protection of renters and debtors, modifications in relation to the role of public bodies, modifications in relation to criminal justice and alcohol licencing and a range of other provisions. An impact assessment of the Coronavirus (Scotland) Act 2020 was undertaken and the Council has continued to respond to changes in legislation and guidance throughout 2020/21.

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

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

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

### Investing in our workforce

Investing in the future is an important outcome for us. However, investing is not just about infrastructure and buildings. We recognise that the ultimate success of our plans for the City depends on the quality of our workforce – and that has been even more so in response to the Covid-19 pandemic. We have continued to make significant investment in developing staff capability at all levels in order to ensure the long-term sustainability of our workforce. During 2020/21, under the responsibility of our Staff Governance Committee, we have continued to strengthen the behavioural framework and guiding principles established in March 2019 and the ACC Workforce Plan, Capability Framework and new approach to Continuous Review and Development established in 2020. The Council Delivery Plans for 2020/21 and 2021/22 describe our continued activities in the section 'How we behave as an organisation'.

Notable achievements during 2020/21 were:

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

### Engaging with our staff

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

During 2020/21 we continued to strengthen programmes of engagement around transformation and the transformation zone. Initiatives that have already been implemented include listening and responding to our staff through means such as opinion surveys and staff events; recognising and celebrating employee success, such as our annual STAR Awards ceremony – that was held digitally in June 2020; a focus on employee wellbeing; and providing a means for staff to put forward ideas and suggestions through the introduction of our online Ideas Hub.

### Diversity at work

As an equal opportunity employer, we comply with our obligations under the Equality Act 2010. As a diverse city we have a diverse workforce and operate with a culture which is open, fair and transparent where any unlawful or unfair discrimination, prejudice, stereotyping or harassment is challenged and addressed. We maintain pay equality within and across our workforce. Best Value Audit work on Equal Opportunities was reported to Urgent Business Committee on 30 June 2020 as part of the External Audit Annual Audit Report (pages 38-40). On 12 April 2021 our Equalities, Diversity and Inclusion Action Plan was approved at Staff Governance Committee. This built on our Equality Outcomes and Mainstreaming Report 2021-25 that was approved on 11 March 2021 at Operational Delivery Committee. Details can be viewed in Committee Reports for Urgent Business Committee in June 2020, Operational Delivery Committee in March 2021 and Staff Governance Committee in April 2021.

## Our Relationship with Scottish and UK Governments

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

We work closely with both governments and seek to help to deliver national policy decisions. Significantly, work continues to progress on the City Region Deal – a commitment from both governments to invest £125 million each, with ourselves and Aberdeenshire to improve the infrastructure, business diversification and digital accessibility within the region and the additional commitment to £254 million from the Scottish Government which demonstrates the strategic importance of the City as an economic engine room within the UK. Full details can be viewed on the Council Website in Committee Reports for the Aberdeen City Region Deal Joint Committee. Further information is available including the 2020 Annual Report on the City Region Deal Website at [Abzdeal.com](http://Abzdeal.com).

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

## Performance Management System

The Council is required to report details of its performance across a range of indicators, aligned to identified priorities each year, and does so regularly to our relevant committees. The performance of all thirty-two councils in Scotland is monitored through the Local Government Benchmarking Framework, through which Audit Scotland in part express its Statutory Direction on Performance Reporting.

On 27 August 2020, the Strategic Commissioning Committee approved a revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan 2020/21. Full details can be viewed in Committee Reports for the stated date.

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

## Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 57 shows Net Assets of £1,332 million as at 31 March 2021 (£1,216 million at 31 March 2020), an increase of £116 million. Long Term Assets have decreased by £30 million (from £2,824 million at 31 March 2020), reflecting additions of £141 million to Property, Plant & Equipment (PPE), revaluation decreases of £230 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £3 million and depreciation of £84 million. Short Term Assets have increased by £49 million from the previous year, reflecting an increase in Cash & Cash Equivalents (£18 million) and Debtors (43 million) and a decrease in Short Term Investments (£10 million). Current Liabilities have increased by £41 million from the previous year, in Short Term Borrowing (£24 million), Short term Creditors (£18 million). Long term liabilities have decreased by £138 million, due to decreases in Pension Liabilities (£110 million) and Long-Term Borrowing (£24 million).

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

Future liabilities, anticipated as a result of past events, are recognised as Provisions, where reasonably certain and quantifiable, and Contingent Liabilities where there is less certainty and limited or no data available to quantify any future financial liability. Full details can be found at Notes 35 and 36 on pages 121 – 122.

Total debt outstanding amounts to £1,189 million (2020 £1,199 million). The majority of borrowing comes from the Public Works Loans Board (PWLB) and a Bond Issuance, with the remainder coming from Market Loans and temporary borrowing from various public bodies and financial institutions. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

- **Reserves**

Having reached the end of the financial year, a review of the overall position for both revenue and capital has been undertaken (as in previous years) to ensure the Council is suitably prepared for future revenue and capital investment purposes.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but has not yet been spent. The most significant of these are income from covid-19 grants, second/long term empty homes, and de-risk the Council.

The requirement to retain and manage financial reserves is a critical element of robust financial management and has a basis in statute. In setting its budget the Council must take cognisance of this strategy. A revised Reserves Policy was approved by Council on 3 March 2020, and again on 10 March 2021 and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 78 to 82.

- **Treasury**

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

The credit rating review followed the initial awarding of a credit rating in 2016, in advance of the successful £370 million bond issuance on the London Stock Exchange.

The Council's Treasury Management Strategy for 2020/21 set the policies and boundaries for our investments and borrowings, with the stated investment priorities being a) security of capital; and b) the liquidity of investments. Full details can be viewed at the ACC website in Committee Reporting for the Council Meeting on 2 March 2020.

- **Revenue**

During 2020/21, the Council set a net revenue expenditure budget of £603 million (being £509 million on the General Fund and £94 million on the Housing Revenue Account). The performance during the year resulted in a surplus of £0.9 million (represented by £0.4 million on the General Fund and £0.5 million on the Housing Revenue Account). This reflects the service performance after year-end adjustments, such as the use of reserves and statutory funds, but excludes statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 83 and the Comprehensive Income and Expenditure Statement (CIES) on page 56 as follows:

Financial Performance 20/21	Quarter 4 Final Position £'000	Transfers between funds & other adjustments £'000	(Surplus)/ Deficit per EFA £'000	Other Adjustments £'000	Statutory Adjustments £'000	(Surplus)/ Deficit per CIES £'000
General Fund	(415)	(28,574)	(28,989)	(6,643)	(14,212)	(49,844)
Housing Revenue Account	(500)	(6,873)	(7,373)	(35,135)	82,131	39,623
<b>(Surplus) /Deficit on provision of services</b>	<b>(915)</b>	<b>(35,448)</b>	<b>(36,363)</b>	<b>(41,778)</b>	<b>67,919</b>	<b>(10,220)</b>
Other Comprehensive Income and Expenditure						(105,703)
<b>Total Comprehensive Income &amp; Expenditure Surplus</b>	<b>(915)</b>	<b>(35,448)</b>	<b>(36,363)</b>	<b>(41,778)</b>	<b>67,919</b>	<b>(115,923)</b>

- **Capital**

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

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

- **Group Accounts**

The Aberdeen City Council Group consists of subsidiaries, joint ventures and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with total assets of £3,222 million. This is an increase against the total assets of the Council, which are £3,109 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2020/21. Details can be seen on page 152-172.

- **Common Good**

The Common Good recorded an operating deficit of £0.3 million. Capital receipts of £4.4 million increased cash balances at year end.

The above deficit is before revaluation of assets and other accounting adjustments are applied. The value of the Common Good is £129.8 million at 31 March 2021, an increase of £5.7 million from last year, reflecting movements in the value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 148 to 150.

- **Trust Funds and Endowments**

The Council administers a number of trust funds and endowments. Some of these have charitable status which requires separate accounts to be prepared and audited for submission to OSCR (Office of the Scottish Charity Regulator). The value of all the Trust Fund balances at 31 March 2021 was £10.4 million, an increase of £0.5 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 151 to 153.



## Outlook including Risks and Uncertainties

### Outlook for the City Council

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

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

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

#### b. Financial sustainability

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

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

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

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

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

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

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

### c. Environmental Sustainability

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

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



## Outlook for the City

### • Aberdeen Economy – General

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

The diversity of the economy provides significant opportunities for investment and business growth in both the short and longer term.

The decline in the price of oil between 2014 and 2016 did have an impact on the Aberdeen economy. The UK offshore oil and gas industry supported more than 280,000 jobs in 2019, a rise of 1% since 2018 and the first rise since the 2013 peak of more than 460,000 jobs. Most of these jobs are highly skilled and well paid. The sector is now assessing the wider impact COVID-19 is having on the world economy and , at the same time, a declining oil price in 2020.

The Council recognises the economic challenges it operates within. It delivers a wider range of enabling services (transport / roads, housing, planning and education) that are crucial to the functioning of the North East of Scotland as a competitive business, investment and visitor destination. In 2019, the city was home to 11,625 'businesses' (including public administration), supporting around 191,700 jobs and, in turn generating an estimated £250 million in non-domestic rates.

The population is still projected to grow over the next 35 years and this has informed the preparation of the statutory Aberdeen City and Shire Strategic Development Plan for the region, and Aberdeen Local Development Plan for the city. This will obviously increase demand on a range of Council services, including roads, education and social care, as well as partner services such as health but will also provide us with new opportunities to grow our business and income base and further strengthen Aberdeen's position as an economic anchor in the wider UK. The housing developments referred to above will be required if this projected population growth comes to fruition and we are actively looking at how we can facilitate this continued demand pressure by generating new income streams and growing our financial strength and sustainability.

The Council has prioritised Prosperous Economy as one of the key themes of the Local Outcome Improvement Plan and Policy Statement, with the sub themes of investment in infrastructure, inclusive economic growth, innovation and internationalisation. The importance of supporting wider community and economic regeneration to the success of achieving the Council's wider outcomes is a key principle, with the Target Operating Model building cohesion through the Place and City Growth functions. The Council's investment in its capital programme directly supports diversification of the city region economy, including tourism, events, leisure and culture, and the delivery of the City Region Deal commitments on roads, Aberdeen harbour expansion and digital infrastructure.

### • Impact of Covid-19 and Economic Recovery

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

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

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

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

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

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

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

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

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

### Supporting Recovery

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

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

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

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

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

### Conclusion

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

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

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

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

We will continue to invest in our staff and the infrastructure of the City in a financially sustainable way and the changes to the Council that are now aligned to the Target Operating Model give us a strong direction for the future. Investment in providing an economically diverse and culturally rich environment, we believe, will continue to make Aberdeen a location of choice.

### Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from across the organisation, as well as those in the wider Aberdeen City Council group. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2020/21 Annual Accounts to timescales during a significant period of disruption resulting from the impact of the Covid-19 outbreak.

Jonathan Belford, CPFA  
Chief Officer - Finance

Angela Scott  
Chief Executive

Councillor Douglas Lumsden  
Co-Leader of the Council

**Statement of Responsibilities**

**The Council is required to:**

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

Signed on behalf of Aberdeen City Council

Councillor Douglas Lumsden  
Co-Leader of the Council

**The Chief Officer – Finance’s responsibilities:**

I am responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

**In preparing the Annual Accounts, I have:**

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation);

**I have also:**

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

I certify that these Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2021.



Jonathan Belford, CPFA  
Chief Officer – Finance  
12 May 2021

## Annual Governance Statement

### PURPOSE OF ANNUAL GOVERNANCE STATEMENT

The CIPFA / SOLACE Framework “Delivering Good Governance in Local Government: Framework (2016 Edition)” sets out a standard for good corporate governance and a requirement for local authorities to produce an Annual Governance Statement.

The purpose of this Statement is to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, which in turn is consistent with the good governance principles in the Framework. This includes how we have monitored and evaluated the effectiveness of our governance arrangements over the previous year, and on any planned changes in the year ahead. It provides assurance in relation to our internal control structure and how we manage our resources. This Statement when compared to those from previous years demonstrates that governance arrangements are up to date and improving.

This Statement will include, as per the requirements of the Framework:

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

### SECTION 1 SCOPE OF RESPONSIBILITY

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2021 and up to the date of approval of the annual accounts.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its outcomes, given the crucial role of governance, performance management and risk management in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen. It also provides a measure of progress towards the Target Operating Model which relies on sound governance arrangements.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives or comply with controls, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council’s outcomes;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and manage those risks efficiently, effectively and economically.

The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities and effectiveness will be considered by the committee and referred to Council for its consideration. This demonstrates improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk and Scrutiny Committee. The Council also has an approved Local Code of Corporate Governance. The Code sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016. The Code cites the primary sources of assurance against each principle which demonstrate the effectiveness of our systems of internal control

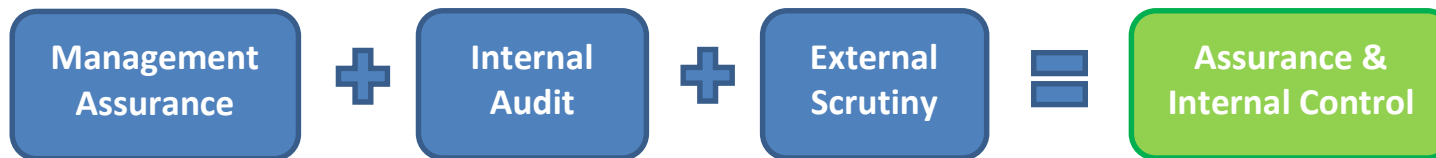
- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B** Ensuring openness and comprehensive stakeholder engagement
- Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits
- Principle D** Determining the interventions necessary to optimise the achievement of the intended outcomes
- Principle E** Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Principle F** Managing risks and performance through robust internal control and strong public financial management
- Principle G** Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Council is a complex organisation with many controlling interests in other businesses. This statement extends to cover our relationships with the organisations included in the Council's Group Accounts, referred to as the "ACC Group". As such the influence, accountability and responsibilities that the Council has in respect of the organisations which form part of its Group are vitally important. It is essential that arrangements are in place which provide assurance to the Council in its relationship with these organisations.

## SECTION 2 REVIEW OF EFFECTIVENESS

### 2.1 SOURCES OF ASSURANCE

The Council has approached its ongoing review of governance activity with reference to three layers of assurance, namely management assurance both internally through the Council and externally through the Group structure; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports



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

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

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

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

### 2.1.1 Management Assurance

Each Chief Officer has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Chief Officer – Governance and the Chief Officer – Finance. No significant internal control issues have been identified.

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

These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses are incorporated into the ‘Significant Governance Issues’ section (Section 4) further to assessment of returns by the Corporate Management Team. For 2020/21, no issues were highlighted.

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

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

It has been assessed that the Council’s financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer (CFO) in Local Government (2015). Furthermore, in relation to other statutory postholders, the effectiveness of the Council’s arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the extended Corporate Management Team. In addition, the CFO and Monitoring Officer, or their nominees, were in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the City Growth and Resources Committee, and at the meetings of the Urgent Business Committee as highlighted above.

### The Financial Management Code

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

### Scheme of Governance

During 2020/21 the Council undertook its agreed annual review of the Scheme of Governance, having monitored its use continuously during the year. The annual review is a structured process which considers how the Scheme has operated. Using a collaborative approach, feedback is sought from Members and officers in respect of any improvements that may be required. Consideration is also given to data from the committee annual effectiveness reports, particularly whether all the Committee Terms of Reference have been utilised throughout the year, as if not, this may mean that a review of the Terms of Reference is required. As a result of the annual review, further amendments were agreed to the Scheme to help ensure that the Council’s governance arrangements remain effective although only minor amendments were made to the Terms of Reference and Standing



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

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

### Group Entities

In terms of the controlling interest in the group entities, assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Managing Director or Finance Director, as evidenced by each organisation's most recent audited accounts.

The Council also receives assurance from officers who attend board meetings and receive operational and performance information on a regular basis. The ALEO Strategic Partnership established in 2016/17 meets regularly and brings together senior Council officers with senior ALEO representatives to discuss corporate governance, strategic planning, business planning and horizon scanning. This is chaired by the Head of Commercial and Procurement. In addition, during 2020/21 and due to the emerging severity of the pandemic for the operations of some ALEOs, weekly meetings were being held with the ALEOs, including the Chief Officer – Finance and the Head of Commercial and Procurement. This informed the Financial Resilience Recovery Plan agreed by the Urgent Business Committee in June 2020, referenced later in this section.

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

The following ALEOs fall within the remit of the Assurance Hub:

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

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

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

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

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

### Integration Joint Board

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

- Review of Board and Committee Terms of Reference

- Appointment of Board members for a further three year period
- Approval of ACHSCP Annual Report 2019/20
- IJB Developmental Workshop sessions – regular focus on the development of the Strategic Plan and areas of importance to the members
- Chairs of the IJB, Risk, Audit and Performance Committee and Clinical and Care Governance Committee reviewing remits of Committees to ensure alignment and reduce duplication
- Strategic Risk Register review – including revised risk register and risk appetite statement
- Further development of the Strategic Plan 2019-2022 – introduction of a series of transformation programmes to manage and focus pace of change required.
- Programme 1 - An Approach to Demand Management implemented through a strategic commissioning approach.
- Programme 2 - A deliberate shift to prevention
- Programme 3 - A Data and Digital Programme
- Programme 4 - Conditions for Change
- Programme 5 - Accessible and responsive infrastructure
- Mapping of the performance indicators to the strategic priorities.
- Regular review of the IJB's Financial Regulations and Board Assurance and Escalation Framework
- Development of Localities planning – reduction from 4 to 3 with better alignment to partners
- Working with the North East Partners Group to better align pan-Grampian service provision and delivery
- Strengthening of governance related to health and safety to align with structures in ACC and NHSG
- Strengthening of governance related to civil contingencies to align with structures in ACC and NHSG
- Emergency governance arrangements being in place to help facilitate the support to the pandemic, in conjunction with Aberdeen City Council and NHS Grampian. This included membership of the Council's Incident Management Team during the early response stages.

The IJB Chief Officer considers:-

- that the IJB, the Risk Audit and Performance Committee and the Clinical and Care Governance Committee apply regular and appropriate scrutiny to the work of the ACHSCP and its delivery of services in partnership with Aberdeen City Council and NHS Grampian.
- that the work undertaken to date has enabled the Partnership to be in a stronger position to face the challenges of the developing Covid 19 pandemic.
- that the internal control environment operating during the reporting was modified to support the response to the pandemic.
- That the internal control environment provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives and strategic priorities will be identified and actions taken to avoid or mitigate their impact.
- that sufficient systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement.

It is the IJB Chief Officer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City IJB's systems of governance.

### 2.1.2 Internal Audit

The Audit, Risk and Scrutiny Committee remained responsible for ensuring the effectiveness of the Internal Audit function which continued to be provided through a shared arrangement with Aberdeenshire Council's Internal Audit Team during the financial year.

In 2021, the Chief Internal Auditor provided the Council with an annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2021.

The report provided details of the position relating to the audits contained within the 2020/21 audit plan and highlighted that the majority of recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment. Having taken all factors into consideration the annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control as drafted concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2021. The report also further confirmed the organisational independence of Internal Audit.

The Audit, Risk and Scrutiny Committee received a range of reports during the year produced by Internal Audit which enabled scrutiny and questioning of officers to take place. This helped the Committee to gain assurance about the identified weaknesses and the actions being taken to address them. The Internal Audit plan for 2020/21 was agreed by the Audit, Risk and Scrutiny Committee on 12 February 2020 and amended as agreed by the Urgent Business Committee on 6 May 2020, and the Audit, Risk and Scrutiny Committee of 9 December 2020. This reflected the advent of COVID and the impact this had on the ability to complete the Plan. A total of 3 audits contained in the 2020/21 plan were completed by the end of the year along with 12 relating to 2019/20. A further 2 were with management for comment and 3 others were well progressed.

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

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

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

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

The External Auditor, KPMG, reports regularly to the Audit, Risk and Scrutiny Committee and its reports cover the range of year-end financial audits that are required at a local level and with a national perspective, together with updates on outstanding audit recommendations.

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

Statutory deadlines are ordinarily 30 June 2020 for unaudited accounts and 30 September 2020 for audited accounts however due to Covid-19 Scottish Government confirmed that under the Coronavirus (Scotland) Act 2020 local authorities could vary the timetable with the statutory deadline extended to require audited accounts by 30 November 2020 in recognition of the additional challenge of preparing and auditing financial statements remotely, and the additional audit considerations which might be required in respect of the impact of Covid-19. External Audit noted in its Annual Report that the Council continued to meet the accelerated financial reporting timetable for 2019-20, with complete draft accounts approved on 6 May 2020 and good support provided to facilitate access to information and complete audit testing. Consideration of the External Audit Annual Audit Report was undertaken at the Urgent Business Committee meeting of 30 June.

Due to the potential impact of Covid-19 on the audit approach, significant risks and estimates including within financial statements were considered as part of the audit, including challenge in respect of any impact of Covid-19 on valuations which had been prepared in November 2019; and budget pressures and responses and mitigating actions around these. It was noted in the External Audit Annual Report that Management had demonstrated strong leadership in taking action on overspends to ensure tight budgetary control and that the Council had acted early to assess the impact of Covid-19 with actions proposed to UBC to return to a balanced budget.

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

### **Care Inspectorate**

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

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

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

### **Best Value Audit**

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

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

#### **2.1.4 COVID-19**

##### **Governance Arrangements**

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

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

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

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

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

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

## Ensuring the effective delivery of local elections

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

### 2.2 Assessment of Governance Activity

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

Table A below summarises sources of assurance against the requirements of the Local Code of Governance for the period 1 April 2020 to 31 March 2021. This includes a self evaluation of effectiveness as at 31 March 2021 thereby providing assurance around our systems of internal control:

**Table A**

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

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

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



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

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

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

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

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

### SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2021/22 we will continue to progress with the review and monitoring of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Risk Board, Transformation Board, Strategy Board and Performance Board, all reporting into Corporate Management Team.

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

Table B

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



CIPFA Principle of Good Governance	Primary Actions Planned 2021/22
	<ul style="list-style-type: none"> <li>➤ Phase 2 Review of Locality Planning to understand how we can improve links between and with community groups to deliver improved outcomes across the City and for localities</li> <li>➤ Review of Community Planning Aberdeen Engagement, Participation and Empowerment Strategy</li> <li>➤ Review of Tenant Participation Strategy</li> <li>➤ Expand use of Participatory Budgeting</li> </ul>
<b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>➤ Review of support to Trusts to ensure that funding and support is aligned with outcomes.</li> <li>➤ The LOIP will be refreshed in 2021, founded upon an up to date Population Needs Assessment and incorporating relevant actions from the Socio-Economic Rescue Plan approved and implemented by the council during 2020 in response to the Covid-19 pandemic.</li> <li>➤ The Strategic Commissioning Committee will monitor and approve commissioning activity to help ensure that the needs and outcomes specified in the LOIP are being achieved.</li> <li>➤ The Strategic Commissioning Committee will monitor the impact of activity on outcomes through annual performance reports for community planning, Council and ALEOs.</li> <li>➤ Further rollout of Quality Improvement (QI) and the Model for Improvement framework to drive improvement activity. This approach has been embedded throughout Community Planning Aberdeen since 2016 to support delivery of the LOIP and Locality Plans and was incorporated into the Council's single system Performance Management Framework at the end of 2019/20.</li> <li>➤ Monitoring of progress in relation to the Net Zero Vision at the City Growth and Resources Committee and also as part of the Council's existing statutory annual Climate Change Report.</li> </ul>
<b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	<ul style="list-style-type: none"> <li>➤ Preparation and collation of data for third annual effectiveness report to Committees. Review of annual report after each year to ensure that format is effective, taking on feedback from Members.</li> <li>➤ Development, approval and implementation of the Council's Transformation Blueprint 1.2.</li> <li>➤ Review of the Outside Bodies policy and outside appointments ahead of the local government elections in 2022, taking into account the levels of assurance received in respect of ALEOs through the ALEO Assurance Hub. Taking on board the impact of COVID-19, the revised CPA Improvement Programme, alongside the socio economic rescue plan will be used as the starting stages of the route map to the refreshed Local Outcome Improvement Plan to be presented in Summer 2021.</li> <li>➤ Work towards recovery of economy through working with the business community, promoting opportunities in digital to enable new ways of working, and skills development to address employment gaps in sectors such as health and care</li> <li>➤ Piloting an accredited course for young parents to aid them back into education or employment using Google classroom</li> <li>➤ Supporting communities to prepare Community Resilience Plans for the future</li> <li>➤ Working closely with partners, customers and communities to deliver inclusive, whole system redesign. Partnership work will be driven through both Community Planning Aberdeen and the north east Multi-Agency Transformation Management Group.</li> <li>➤ Development of the Council's proposed delivery plan for 22/23 taking into account past and present performance against outcomes and commissioning intentions.</li> </ul>
<b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	<ul style="list-style-type: none"> <li>➤ Review in June 2021 of the new approach to internal recruitment and movement of staff at Staff Governance Committee.</li> <li>➤ Collaboration with UNICEF to develop an accessible professional learning programme for the wider workforce which tracks impact on practice in respect of the United Nations Convention on the Rights of the Child (UNCRC)</li> <li>➤ Consideration of the flexibility of our workforce and the ability to respond to different demands and a different working environment. Much of this will be derived from the responses from our recent/ongoing Future of Work survey and the projects springing from this around worker styles. Digital engagement work will be evidence-based, looking at our adoption rates and how we digitally connect all of our staff, particularly the frontline.</li> </ul>

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



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

#### SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

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

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Groups', systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising, however there were no significant governance issues for the reporting period 2019/20. The Corporate Management Team further considers that there were no significant governance issues in 2020/21.

Table C

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

#### SECTION 5 LEVEL OF ASSURANCE OBTAINED

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

This review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and provides a clear pathway for the enhancement of our governance arrangements over the coming year. We are satisfied that the programme of improvement actions will help to raise the standard of governance and provide assurance to our internal and external auditors, and other bodies with a role to play in evaluating our structures. We are also satisfied that their implementation and operation will be monitored closely as part of the next annual review.

On behalf of Aberdeen City Council ,

Angela Scott  
Chief Executive

Councillor Laing  
Co-Leader of the Council

Councillor Lumsden  
Co-Leader of the Council

## Remuneration Report

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

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

### Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2020 (SSI No. 2020/26) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2019 (SSI No. 2019/23). The Regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2020/21, the salary of the Leader of Aberdeen City Council is £41,662. The Regulations permit the Council to remunerate one Lord Provost and sets out the maximum salary that may be paid. Council policy is to pay at the national maximum, £31,248.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £466,455. The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The maximum number of Senior Councillors that the Council can have is 19. Council policy is to pay each of the five principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £31,248, with the remaining Senior Councillors receiving 75 per cent of that sum, £23,436.

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

The Regulations also permit the Council to pay contributions covering other payments, as required, to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme.

The salary of senior employees is set by reference to local arrangements. During the recruitment of the Chief Executive in 2008/09, the Council agreed to pay the Chief Executive a salary based on local conditions at that time. This pay base line has not changed on any subsequent Chief Executive appointments.

The salaries of the Directors and Heads of Service are based on Aberdeen City Council's local job evaluation model and applied in conjunction with the national Chief Officer spinal column (Salary Scale) points. Functional Directors are based on Chief Officer spinal column point 53. The Chief Officers of Finance, Governance and Integrated Children's and Family Services are paid based on spinal column point 36. The Chief Officers of Strategic Place Planning and City Growth are paid based on spinal column point 34 and the Chief Education Officer on spinal column point 29. The Chief Social Workers are paid based on spinal column point 17 of the Local Authority Workers pay scale.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, Sport Aberdeen Ltd and Bon Accord Support Services Ltd only in so far as it is represented on the Board of Directors by elected members.

## Remuneration Disclosures:

**Table 1: In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000.**

This includes, where applicable, head teachers and other senior teaching staff.

	2019/20	2020/21		2019/20	2020/21
Remuneration Band	Number of Employees		Remuneration Band (cont'd)	Number of Employees	
£50,000 - £54,999	133	231	£155,000 - £159,999	2	-
£55,000 - £59,999	151	170	£160,000 - £164,999	1	2
£60,000 - £64,999	41	55	£165,000 - £169,999	-	-
£65,000 - £69,999	19	25	£170,000 - £174,999	-	-
£70,000 - £74,999	9	6	£175,000 - £179,999	-	-
£75,000 - £79,999	7	6	£180,000 - £184,999	-	1
£80,000 - £84,999	4	2	£185,000 - £189,999	-	-
£85,000 - £89,999	13	16	£190,000 - £194,999	1	-
£90,000 - £94,999	1	7	£200,000 - £204,999	-	-
£95,000 - £99,999	1	1	£205,000 - £209,999	-	-
£100,000 - £104,999	1	-	£210,000 - £214,999	-	-
£105,000 - £109,999	1	1	£220,000 - £224,999	1	-
£110,000 - £114,999	2	1	£225,000 - £229,999	-	-
£115,000 - £119,999	-	1	£230,000 - £234,999	-	-
£120,000 - £124,999	3	3	£235,000 - £239,999	-	-
£125,000 - £129,999	1	-	£240,000 - £244,999	1	-
£130,000 - £134,999	-	-	£245,000 - £249,999	-	-
£135,000 - £139,999	1	-	£250,000 - £254,999	-	-
£140,000 - £144,999	-	-	£255,000 - £259,999	-	1
£145,000 - £149,999	1	-			
£150,000 - £154,999	-	-	<b>Total</b>	395	529

Table 1 shows the total number of council employees receiving remuneration in each band, starting at £50,000. Remuneration includes early retirement/voluntary severance costs and pension strain costs. All of those over £125,000 (excluding the Chief Executive) are as a result of including pension strain costs.

**Table 2: Details of total remuneration paid to the Council's Councillors.**

	2019/20 £	2020/21 £
Salaries	957,736	982,516
Allowances	-	-
Expenses	39,134	5,344
<b>Total</b>	<b>996,870</b>	<b>987,861</b>

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

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

**Table 4: Details of remuneration paid to the Council's Senior Councillors.**

The 'Other Expenses' shown include the cost of travel and subsistence incurred or booked on behalf of Councillors travelling on Council business.

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

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

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

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

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

The senior employees included in Table 5 include any Council employee:

- Who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money), during the year to which the Report relates whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a Council subsidiary body, is £150,000 or more.

**Table 6: Details of remuneration paid to the Senior Employees of the Council's subsidiary bodies i.e. Sport Aberdeen Ltd and Bon Accord Support Services Ltd.**

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

Pension Benefits

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

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

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

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

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

The tiers and members contribution rates are as follows:



<b>Pensionable pay</b>	<b>Contribution rate 2019/20</b>	<b>Pensionable pay</b>	<b>Contribution rate 2020/21</b>
On earnings up to and including £21,300	5.5%	On earnings up to and including £21,800	5.5%
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,100 and up to £35,700	8.5%	On earnings above £26,700 and up to £36,600	8.5%
On earnings above £35,700 and up to £47,600	9.5%	On earnings above £36,600 and up to £48,800	9.5%
On earnings above £47,600	12%	On earnings above £48,800	12%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49<sup>th</sup> of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

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

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

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

#### Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 2021.

Table 8: Details of pension contributions made by the Council to the NESPF on behalf of Senior Employees of the Council, and their individual pension entitlements as at 31 March 2021.

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

Table 7: Pension Benefits – Senior Councillors

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

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by		Accrued Pension Benefits		
		For year to 31 March 2020* £	For year to 31 March 2021 £		As at 31 March 2021 £'000	Difference from 31 March 2020 £'000
Angela Scott	Chief Executive	30,098	30,001	Pension	76	3
Andy MacDonald	Director of Customer Services	23,378	24,079	Pension	30	2
Frank McGhee	Director of Commissioning (until 30 April 2019)	1,948	-	Lump Sum	17	-
Rob Polkinghorne	Chief Operating Officer	23,378	23,033	Pension	-	-
Steven Whyte	Director of Resources	23,378	24,079	Pension	8	6
Jonathan Belford	Chief Officer - Finance	17,242	17,759	Lump Sum	44	2
Fraser Bell	Chief Officer - Governance (Monitoring Officer)	17,242	17,759	Pension	61	2
Gale Beattie	Chief Officer - Strategic Place Planning	16,520	17,016	Pension	38	3
Richard Sweetnam	Chief Officer - City Growth	16,520	17,016	Lump Sum	61	2
Graeme Simpson	Chief Social Work Officer	17,242	17,760	Pension	18	2
Eleanor Sheppard	Chief Education Officer	16,027	21,124	Lump Sum	29	1
<b>TOTAL</b>		<b>202,973</b>	<b>209,626</b>	Pension	27	3
				Lump Sum	22	1
				Pension	34	2
				Lump Sum	48	2
				Pension	32	5
				Lump Sum	71	11
				<b>Pension</b>	<b>336</b>	<b>29</b>
				<b>Lump Sum</b>	<b>324</b>	<b>19</b>

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

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

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

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

Angela Scott  
Chief Executive

Councillor Douglas Lumsden  
Co-Leader of the Council

## PRIMARY FINANCIAL STATEMENTS

### Movement in Reserves Statement

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

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

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts & Receipts Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 31 March 2020 brought forward</b>	<b>(35,294)</b>	<b>(12,808)</b>	<b>(11,377)</b>	<b>(482)</b>	<b>(59,961)</b>	<b>(1,156,006)</b>	<b>(1,215,967)</b>
<b>Movement in Reserves during 2020/21</b>							
Total Comprehensive Income & Expenditure	(12,059)	1,839	0	0	<b>(10,220)</b>	(105,703)	<b>(115,923)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(21,749)	(3,347)	(2,380)	(1,748)	<b>(29,224)</b>	29,224	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(33,808)</b>	<b>(1,508)</b>	<b>(2,380)</b>	<b>(1,748)</b>	<b>(39,444)</b>	<b>(76,479)</b>	<b>(115,923)</b>
Transfers to/(from) Reserves	(2,506)	(399)	1,857	1,048	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>(36,314)</b>	<b>(1,907)</b>	<b>(523)</b>	<b>(700)</b>	<b>(39,444)</b>	<b>(76,479)</b>	<b>(115,923)</b>
<b>Balance at 31 March 2021</b>	<b>(71,608)</b>	<b>(14,715)</b>	<b>(11,900)</b>	<b>(1,182)</b>	<b>(99,405)</b>	<b>(1,232,485)</b>	<b>(1,331,890)</b>

**Comprehensive Income and Expenditure Statement**

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

2019/20				2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
331,792	(50,745)	281,047	Operations	355,364	(69,808)	285,556
101,141	(63,804)	37,337	Customer	102,386	(60,406)	41,980
13,991	(5,004)	8,987	Commissioning	41,824	(12,475)	29,349
107,510	(74,011)	33,499	Resources*	81,117	(61,088)	20,029
33,809	(9,547)	24,262	Place	0	0	0
5,613	(2,309)	3,304	Governance	0	0	0
236,585	(145,172)	91,413	Integration Joint Board	252,856	(158,586)	94,270
43,712	(821)	42,891	Corporate	25,480	(3,605)	21,875
125,166	(100,460)	24,706	Housing Revenue Account	142,712	(103,089)	39,623
<b>999,319</b>	<b>(451,873)</b>	<b>547,446</b>	<b>Cost of Services</b>	<b>1,001,739</b>	<b>(469,057)</b>	<b>532,682</b>
1,137	0	1,137	Other Operating Expenditure (note 8)	349	(1,495)	(1,146)
164,086	(54,307)	109,779	Financing and Investment Income and Expenditure (note 9)	97,088	(47,541)	49,547
0	(501,797)	(501,797)	Taxation and Non Specific Grant Income (note 10)	0	(591,303)	(591,303)
<b>1,164,542</b>	<b>(1,007,977)</b>	<b>156,565</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,099,176</b>	<b>(1,109,396)</b>	<b>(10,220)</b>
		(11,118)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			24,249
		0	(Surplus)/deficit on revaluation of available for sale financial assets			0
		(70,606)	Actuarial (gains)/losses on pension assets/liabilities			(129,952)
		(1,895)	Other (gains)/losses			0
		<b>(83,619)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(105,703)</b>
		<b>72,946</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(115,923)</b>

\* 19/20 figures for Resources have been restated to remove income and expenditure identified as agency.

The accompanying notes form an integral part of these financial statements

**Balance Sheet**

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

<b>1 April 2019 £'000</b>	<b>31 March 2020 £'000</b>		<b>Note</b>	<b>31 March 2021 £'000</b>
2,438,886	2,405,949	Property, Plant & Equipment	28	2,386,544
197,691	197,819	Heritage Assets	27	198,068
145,832	195,545	Investment Property	26	191,968
17,638	17,090	Long Term Investments	38	16,343
7,592	7,539	Long Term Debtors	38	742
<b>2,807,639</b>	<b>2,823,942</b>	<b>Long Term Assets</b>		<b>2,793,665</b>
70,520	101,542	Cash and Cash Equivalents	17	119,699
45,213	50,454	Short Term Investments	38	40,277
92,158	96,981	Short Term Debtors	33	139,614
1,832	2,017	Inventories	32	2,071
5,693	15,200	Assets Held for Sale	31	13,700
<b>215,416</b>	<b>266,194</b>	<b>Current Assets</b>		<b>315,361</b>
(197,228)	(208,162)	Short Term Borrowing	38	(232,391)
(80,860)	(99,260)	Short Term Creditors	34	(116,964)
(5,259)	(2,253)	Short Term Provisions	35	(549)
(4,230)	(3,020)	PPP Short Term Liabilities	30	(4,638)
(5,607)	(6,129)	Accumulated Absences Account	13	(7,423)
(2,989)	(712)	Grants Receipts in Advance - Revenue	37	(2,909)
(13,091)	(25,104)	Grants Receipts in Advance - Capital	37	(21,047)
<b>(309,264)</b>	<b>(344,640)</b>	<b>Current Liabilities</b>		<b>(385,921)</b>



<b>1 April 2019 £'000</b>	<b>31 March 2020 £'000</b>		<b>Note</b>	<b>31 March 2021 £'000</b>
(895,954)	(1,026,809)	Long Term Borrowing	38	(1,003,256)
(58,029)	(57,602)	Finance Lease	25	(57,141)
(13)	0	Long Term Creditors	38	0
(551)	(613)	Long Term Provisions	35	(551)
(138,223)	(135,202)	PPP Long Term Liabilities	30	(130,565)
(332,108)	(309,303)	Pension Liabilities	22	(199,702)
<b>(1,424,878)</b>	<b>(1,529,529)</b>	<b>Long Term Liabilities</b>		<b>(1,391,215)</b>
<b>1,288,913</b>	<b>1,215,967</b>	<b>Net Assets</b>		<b>1,331,890</b>
		Usable Reserves:		
(35,054)	(35,294)	General Fund Balance		(71,608)
(12,308)	(12,808)	Housing Revenue Account		(14,715)
(10,825)	(11,377)	Statutory and Other Reserves		(11,900)
(482)	(482)	Capital Grants Unapplied Account		(1,182)
(1,230,244)	(1,156,006)	Unusable Reserves	13	(1,232,485)
<b>(1,288,913)</b>	<b>(1,215,967)</b>	<b>Total Reserves</b>		<b>(1,331,890)</b>

The accompanying notes form an integral part of these financial statements



Jonathan Belford, CPFA  
Chief Officer – Finance  
12 May 2021

**Cash Flow Statement**

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
(156,565)	Net Surplus or (Deficit) on the provision of services	10,220
262,525	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	134,178
(30,015)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(80,383)
<b>75,945</b>	<b>Net cash flows from Operating Activities (note 14)</b>	<b>64,015</b>
(166,548)	Net cash flows from Investing Activities (note 15)	(34,065)
121,625	Net cash flows from Financing Activities (note 16)	(11,793)
<b>31,022</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>18,157</b>
70,520	Cash and cash equivalents at the beginning of the reporting period	101,542
<b>101,542</b>	<b>Cash and cash equivalents at the end of the reporting period (note 17)</b>	<b>119,699</b>

The accompanying notes form an integral part of these financial statements

## Notes to the Accounts

### 1. Accounting Policies

#### i Basis of Preparation

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

#### ii General Principles

The Annual Accounts summarises the Council’s transactions for the 2020/21 financial year and its position at the year ended 31 March 2021. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

#### iii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods and services is recognised in accordance with the terms and conditions of the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including those rendered by the Council’s officers) are recorded as expenditure when the services are received, rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of National Non Domestic Rates and Water Charges), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

#### **iv Carbon Reduction Commitment Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The CRC is a mandatory cap and trade emissions trading scheme for organisations whose electricity consumption is greater than 6000MWh or approximately £500k. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

#### **v Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand as they form an integral part of the Council's cash management.

#### **vi Charges to Revenue for Non Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service; and
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## vii Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

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

### Post Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Operations line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

#### *The Local Government Pension Scheme*

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 1.6%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price; and
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate; and
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
    - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

#### *Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **viii Events After the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are approved. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

#### **ix Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). The interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General

Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has provided several financial guarantees which are reflected as a contingent liability and disclosed as a note to the annual accounts. A suitable value is earmarked from the General Fund Balance to provide financial backing in the event of there being a call on these guarantees.

#### **x Financial Assets**

Financial assets are classified into two types according to the business model to which they relate. The business model determines how the asset will be treated in the financial statements

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

##### Financial assets measured at amortised cost

Loans are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest – except for the Council's Small Business Loan Scheme) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where an impairment allowance is made this will be charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value will be charged to the General Fund using the method outlined above.



**xi Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**xii Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

**xiii Heritage Assets**

The Council's Heritage Assets are held primarily in the City's Art Gallery and Museums. There are eight collections of heritage assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

- **Fine Art & Applied Art Collection**

The Art collection includes paintings (both oil and watercolour), installations and sculptures, decorative and applied art including silver, ceramics and glass etc and is reported in the Balance Sheet at valuation. There is no periodic programme of valuations although items in the collection are prompted for revaluation when they are loaned to exhibitions or if a similar item is sold at auction. The Council's Art Gallery and Museums' curators value the items and base this on commercial valuation. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation as provided by the Curators with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation which is based on valuation. These insurance valuations are updated on an ad hoc basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Art Gallery and Museum's curators in accordance with the Council's policy on valuations of Civic Insignia. Subsequent measurement is based on insurance valuation performed in line with the Council's Policy.

- **Archaeology**

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet. The Council's acquisitions are well focused with the aim of reflecting the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland. Future collecting will largely be due to continued excavation in Aberdeen City. The Council does not (normally) make any purchases of archaeological items.

- **Library and Information Services**

The collection of reference items which could be deemed to be held and maintained principally for their contribution to knowledge and culture include historical book collections, directories and local newspaper archives. The collection is not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £2,000.

- **Other Heritage Assets**

Collections outwith those stated above are reported in the Balance Sheet at valuation where possible as determined by the curator. This includes city monuments, maritime & social history, numismatics and science technology & industry. Acquisitions are rare and most additions are due to donations which are accepted provided suitable storage is available. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations of heritage assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xxi in this summary of significant accounting policies. Disposal of heritage assets is carried out occasionally following the procedures outlined in the Acquisition and Disposal Policy, approved by the Education Culture and Sport committee on 16 October 2010. The Policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the annual accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi in this summary of significant accounting policies).

**xiv Interests in Companies and Other Entities**

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

**xv Inventories**

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

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

**xvi Investment Properties**

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

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

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

**xvii Jointly Controlled Operations**

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

**xviii Leases**

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

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

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

arrangement is dependent on the use of specific assets.

#### The Council as Lessee

##### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

##### *Operating Leases*

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

#### The Council as Lessor

##### *Operating Leases*

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

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

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

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

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

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

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

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where there is a legal obligation.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and vehicles, plant and equipment – depreciated historical cost;
- community assets – historical cost or nominal value;
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- specialised properties – depreciated replacement cost (DRC);

- non-financial assets e.g. surplus assets and investment properties – fair value\*; and at cost, where appropriate
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

*\*Fair Value*

*Valuation Technique – All assets have been valued based on Level 2 of the Fair Value Hierarchy\*\*. This uses significant observable inputs.*

*There has been no change in the valuation techniques used during the year for either Investment Properties or Surplus Assets, except for the valuation of a new investment property, The Events Complex Aberdeen, as valuation at fair value is uncertain at this time, this investment property has been measured at cost..*

*\*\*Significant Observable Inputs – Level 2*

*Fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.*

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Disposals and Assets Held for Sale

When an asset is no longer held for the purposes of generating cash flows it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

#### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

#### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is not applied to an asset in the year of acquisition, revaluation nor to expenditure on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer; and

- infrastructure and vehicles, plant and equipment – straight-line allocation over the useful life as estimated by management.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

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

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

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

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

##### Provisions

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



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

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

#### **xxiii Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to set against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**xxiv Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

**xxv VAT**

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

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

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

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

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

**Accounting standards that have been issued but have not yet been adopted**

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

- IFRS 16 Leases will require local authorities that are lessees to recognise these leases on their balance sheets as right-of-use assets along with the corresponding lease liabilities, except for low value and short- term leases. As a result of the current Covid-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and Lochside Academy, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £190 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations	<p>In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'</p> <p>The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2021 and can be relied upon.</p>	<p>The uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Covid-19 may also have a further impact of the value of assets subsequent to the balance sheet date. There is to date, limited market evidence to indicate the impact on particular categories of non-current asset.</p>
Property, Plant and Equipment Depreciation	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 7.5%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.5m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £28.3m.
Aberdeen City Council Bond	The Council undertook a bond issuance from the Debt Capital Markets in November 2016. £370 million of index-linked bonds were issued to investors. The outstanding bonds are subject to indexation, which is based on movements in the Retail Price Index (RPI).	The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £4 million in amounts repayable.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £33.5 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 £34.1 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2021 the Council had a balance of short term debtors of £139.61 million. This is net of an allowance for the impairment of debt of £74.68million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £1.396 million.

## 5. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure (page 68) recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2019/20	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(41,920)	(31,900)	0	0	0	73,820
Revaluation losses on Property, Plant and Equipment	(24,075)	(32,147)	0	0	0	56,222
Capital grants and contributions applied	43,226	1,483	0	0	0	(44,709)
Write off carrying amount of non current assets sold	(1,837)	(111)	0	0	0	1,948
Write off carrying amount of non current assets scrapped	0	0	0	0	0	0
Statutory provision for the financing of Capital spend (3R's)	4,626	0	0	0	0	(4,626)
Movement in the fair value of Investment Properties	(60,341)	0	0	0	0	60,341
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	3,993	1,563	0	0	0	(5,556)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	(1,340)	30,496	0	0	0	(29,156)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(853)	813	0	40
Proceeds from sale of non current assets	1,324	111	0	(1,435)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(130)	(492)	0	622	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	431	0	0	0	0	(431)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	(80,491)	(1,605)	0	0	0	82,096
Employer's pensions contributions and direct payments to pensioners payable in the year	33,368	927	0	0	0	(34,295)
<b>Adjustments involving the Accumulated Absences Account:</b>						
Adjustments in relation to short term compensated absences	(524)	0	0	0	0	524
<b>Total Adjustments</b>	<b>(123,689)</b>	<b>(31,674)</b>	<b>(853)</b>	<b>0</b>	<b>0</b>	<b>156,217</b>

2020/21	Usable Reserves					Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000			
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(50,294)	(34,222)	0	0	0	84,516	
Revaluation losses on Property, Plant and Equipment	(2,616)	(47,602)	0	0	0	50,218	
Capital grants and contributions applied	42,855	44,184	0	0	0	(87,039)	
Write off carrying amount of non current assets sold	(1,188)	0	0	0	0	1,188	
Write off carrying amount of non current assets scrapped	0	0	0	0	0	0	
Statutory provision for the financing of Capital spend (3R's)	3,448	0	0	0	0	(3,448)	
Movement in the fair value of Investment Properties	(5,167)	0	0	0	0	5,167	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Loan principal repayments during the year	7,217	1,767	0	0	0	(8,984)	
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	265	33,390		0	0	(33,655)	
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(2,380)	2,334	0	46	
Proceeds from sale of non current assets	2,834	61	0	(2,895)	0	0	
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(151)	(410)	0	561	0	0	
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	1,748	0	0	0	(1,748)	0	
Application of grants/transformation costs to capital financing	0	0	0	0	0	0	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	432	0	0	0	0	(432)	
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(52,074)	(1,363)	0	0	0	53,437	
Employer's pensions contributions and direct payments to pensioners payable in the year	32,215	871	0	0	0	(33,086)	
<b>Adjustments involving the Accumulated Absences Account:</b>							
Adjustments in relation to short term compensated absences	(1,273)	(23)	0	0	0	1,296	
<b>Total Adjustments</b>	<b>(21,749)</b>	<b>(3,347)</b>	<b>(2,380)</b>	<b>0</b>	<b>(1,748)</b>	<b>29,224</b>	

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

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

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

	Balance at 31 March 2019 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000	Purpose of the Earmarked Reserve
<b>General Fund Continued</b>	<b>(23,287)</b>	<b>(4,717)</b>	<b>6,676</b>	<b>(21,328)</b>	<b>(6,110)</b>	<b>4,210</b>	<b>(23,228)</b>	
Community Justice Redesign Post	(12)			(12)		12	0	Ring Fenced funding for this post. Year 2 & Year 3 costs will exceed grant so this reserve will be needed to cover additional costs.
Building Services IT Upgrade	0			0			0	Specific equipment required for business/service needs, and to help drive forward productivity and efficiencies with in mobile working
Approved Project Funding	(143)		42	(101)		101	0	Funding carried forward to support a variety of projects, previously approved
Contribution to Environmental Body	(43)			(43)			(43)	To make payment to environmental body in due course, if required
Various Projects 2019/20	(1,231)		1,231	0			0	Provide funding to support a variety of projects approved in the 2019/20 Budget
Repairs & Maintenance Fund	0	(900)		(900)	(285)		(1,185)	Provide funding to support a variety of projects approved in the 2020/21 Budget
Public Analyst - James Hutton Institute	0	(125)		(125)			(125)	Provide funds in 2020/21 to complete the Public Analyst move to James Hutton Institute
Children's Social Work - Mental Health Services	0	(63)		(63)		37	(26)	Provide ring fenced funding to support Children's Social Work - Mental Health Services.
Rapid Rehousing Transition Plan	0	(311)		(311)			(311)	Provide ring fenced funding to support Rapid Housing Transition Plan.
Additional Support for Learning	0	(507)		(507)		507	0	Provide Funding for Additional Support for Learning
Mental Health Day					(6)		(6)	To provide staff with support for Mental Health
Co Op Business Development Fund					(75)		(75)	To establish a cooperative to offer further supportive ways of providing food.
Socio Economic Recovery					(67)		(67)	to support implementation of actions within the Socio-Economic Rescue Plan agreed at the Urgent Business Committee on 30 <sup>th</sup> June.
ADM - Education					(385)		(385)	is for items/services requested by schools using staffing underspends for 20/21 that they have not received by year end
Grants-Covid					(33,742)		(33,742)	To provide support to local business & individuals as a result of Covid 19.
<b>Total General Fund</b>	<b>(24,716)</b>	<b>(6,623)</b>	<b>7,949</b>	<b>(23,390)</b>	<b>(40,670)</b>	<b>4,867</b>	<b>(59,193)</b>	



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

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

#### Other Statutory Funds:

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

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

## 7. Expenditure and Funding Analysis

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

2019/20			2020/21			
Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Services	Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000
257,653	23,394	281,047	Operations	263,317	22,239	285,556
31,852	5,485	37,337	Customer	34,968	7,012	41,980
8,086	901	8,987	Commissioning	22,082	7,267	29,349
6,246	27,253	33,499	Resources	5,890	14,139	20,029
15,533	8,729	24,262	Place	0	0	0
2,994	310	3,304	Governance	0	0	0
89,432	1,981	91,413	Integration Joint Board	92,467	1,803	94,270
23,898	18,993	42,891	Corporate	27,176	(5,301)	21,875
(7,747)	32,453	24,706	Housing Revenue Account	(7,373)	46,997	39,624
<b>427,947</b>	<b>119,499</b>	<b>547,446</b>	<b>Net Cost of Services</b>	<b>438,527</b>	<b>94,156</b>	<b>532,683</b>
			Other Income and Expenditure	(474,889)	(68,014)	(542,903)
(426,746)	35,865	(390,881)				
			<b>(Surplus) or Deficit on Provision of Services</b>	<b>(36,362)</b>	<b>26,142</b>	<b>(10,220)</b>
1,201	155,364	156,565	Opening General Fund and HRA Balance at 31 March 2020	(48,102)		
			(Surplus)/deficit on General Fund and HRA Balance in Year	(36,362)		
(47,362)			To/From Other Statutory Reserves	(1,859)		
1,201			<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(86,323)</b>		
(1,941)						
(48,102)						

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

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

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

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operations	15,136	6,623	480	22,239
Customer	5,497	1,364	151	7,012
Commissioning	6,392	792	83	7,267
Resources	13,526	546	67	14,139
Place	0	0	0	0
Governance	0	0	0	0
Integration Joint Board	651	1,043	109	1,803
Corporate	14	1,766	(7,081)	(5,301)
Housing Revenue Account	81,824	307	(35,134)	46,997
<b>Net Cost of Services</b>	<b>123,040</b>	<b>12,441</b>	<b>(41,325)</b>	<b>94,156</b>
Other Income and Expenditure from the Funding Analysis	(75,470)	7,911	(455)	(68,014)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b>	<b>47,570</b>	<b>20,352</b>	<b>(41,780)</b>	<b>26,142</b>

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

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

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

2019/20 £'000		2020/21 £'000
53,367	Interest payable and similar charges	45,440
7,848	Pensions interest cost and expected return on pensions assets	7,025
(2,019)	Interest receivable and similar income	(538)
53,971	Income and Expenditure in relation to investment properties and changes in their fair value	(601)
(3,388)	Other Investment income	(1,778)
<b>109,779</b>	<b>Total</b>	<b>49,548</b>

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

2019/20 £'000		2020/21 £'000
(122,817)	Council Tax Income	(123,401)
(262,344)	Non domestic rates	(164,025)
(71,926)	Non ring-fenced government grants	(216,138)
(44,710)	Capital grants and contributions	(87,039)
0	Capital grants and receipts unapplied	(700)
<b>(501,797)</b>	<b>Total</b>	<b>(591,303)</b>

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

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

In 2020/21 the Council received additional grant funding of £96 million from the Scottish Government in relation to the Covid-19 pandemic. £51 million of this funding was treated as agency income and expenditure and does not impact upon the figures in the CIES. The remaining £45 million was treated as grant income, and is included in the CIES along with the related expenditure. Grant income not spent in 2020/21 has been earmarked for spending in future years.

### 12. Balance Sheet – Usable Reserves

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

### 13. Balance Sheet – Unusable Reserves

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
(947,601)	Revaluation Reserve	(900,739)
(538,432)	Capital Adjustment Account	(553,034)
14,595	Financial Instruments Adjustment Account	14,163
309,303	Pensions Reserve	199,702
6,129	Accumulated Absences Account	7,423
<b>(1,156,006)</b>	<b>Total</b>	<b>(1,232,485)</b>

#### Revaluation Reserve

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

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

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

2019/20			2020/21	
£'000	£'000		£'000	£'000
	<b>(960,318)</b>	<b>Balance at 1 April</b>		<b>(947,601)</b>
(35,673)		Upward revaluation of assets	(139,023)	
24,555		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	163,271	
	(11,118)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		24,248
23,764		Difference between fair value depreciation and historical cost depreciation	22,624	
71		Accumulated gains on assets sold or scrapped	0	
	23,835			22,624
	0	Amounts written off to the Capital Adjustment Account		(10)
	<b>(947,601)</b>	<b>Balance at 31 March</b>		<b>(900,739)</b>

#### Capital Adjustment Account

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

2019/20 £'000		2020/21	
		£'000	£'000
<b>(622,668)</b>	<b>Balance at 1 April</b>		<b>(538,432)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
73,820	Charges for depreciation and impairment on non current assets	84,517	
56,222	Revaluation losses on Property, Plant and Equipment	50,218	
1,949	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,188	
131,991		135,923	
<b>(23,835)</b>	Adjusting amounts written out of the Revaluation Reserve	<b>(22,613)</b>	
108,156	Net written out amount of the cost of non current assets consumed in the year		113,310
	Capital financing applied in the year:		
40	Use of the Capital Receipts Reserve to finance new capital expenditure	47	
<b>(44,709)</b>	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(87,039)</b>	
<b>(5,556)</b>	Loans Fund principal repayments	<b>(8,983)</b>	
<b>(31,156)</b>	Capital expenditure charged against the General Fund and HRA balances	<b>(33,656)</b>	
<b>(4,627)</b>	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	<b>(3,448)</b>	
<b>(86,008)</b>			<b>(133,079)</b>
0	Deferred Capital Receipt		0
60,341	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		5,167
<b>(253)</b>	Written off		0
2,000	Grant Funding		0
<b>(538,432)</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(553,034)</b>

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

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

Financial Instruments Adjustment Account

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

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

Pensions Reserve

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

2019/20		2020/21	
		£'000	£'000
<b>332,108</b>	<b>Balance at 1 April</b>		<b>309,303</b>
(70,606)	Remeasurements of the net defined benefit liability		(129,952)
82,096	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		53,437
(34,295)	Employer's pensions contributions and direct payments to pensioners payable in the year		(33,086)
<b>309,303</b>	<b>Balance at 31 March</b>		<b>199,702</b>



Accumulated Absences Account

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

2019/20		2020/21	
		£'000	£'000
<b>5,607</b>	<b>Balance at 1 April</b>		<b>6,129</b>
(5,607)	Settlement or cancellation of accrual made at the end of the preceding year	(6,129)	
6,129	Amounts accrued at the end of the current year	7,423	
522	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,294
<b>6,129</b>	<b>Balance at 31 March</b>		<b>7,423</b>

## 14. Cash Flow Statement – Operating Activities

2019/20		2020/21
£'000		£'000
(156,565)	Net surplus or (deficit) on the provision of services ^	10,220
<b>(156,565)</b>		<b>10,220</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
73,820	Depreciation	84,517
56,222	Impairment, downward revaluations & non sale derecognitions	50,218
(185)	(Increase)/Decrease in Stock	(54)
(4,770)	(Increase)/Decrease in Debtors	(35,835)
28,616	Increase/(Decrease) in Creditors	17,104
47,801	Movement in Pension Liability	20,351
1,949	Carrying amount of non current assets sold	1,188
(1,269)	Contributions to Other Reserves/Provisions	(8,478)
60,341	Movement in value of investment properties	5,167
<b>262,525</b>		<b>134,178</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(44,710)	Receipt of Capital Grants and Contributions	(87,039)
(811)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(2,334)
15,506	Bond Effective Interest Rate Adjustment	8,990
<b>(30,015)</b>		<b>(80,383)</b>
<b>75,945</b>	<b>Net cash flows from operating activities</b>	<b>64,015</b>

^ includes the following:

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

## 15. Cash Flow Statement – Investing Activities

2019/20		2020/21
£'000		£'000
(207,375)	Purchase of property, plant and equipment, investment properties and heritage assets	(134,363)
(4,693)	Purchase/(Sale) of short term and long term investments	10,925
1,433	Proceeds from the sale of property, plant and equipment and investment properties	2,895
(622)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(561)
44,709	Capital grants and contributions received	87,039
<b>(166,548)</b>	<b>Net cash flows from investing activities</b>	<b>(34,065)</b>

## 16. Cash Flow Statement – Financing Activities

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

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

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

## 18. Trading Operations

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

Significant Trading Operations		2018/19	2019/20	2020/21	Cumulative (Surplus) /Deficit
		£'000	£'000	£'000	£'000
<b>Provision and Management of Car Parking Facilities</b>  Responsible for the management and operation of pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over the last three operational financial years: £8.287 million.	<b>Turnover</b>	(7,869)	(8,154)	(3,717)	
	<b>Expenditure</b>	4,981	4,077	2,814	
	<b>Interest</b>	(213)	(103)	(103)	
	<b>Net (Surplus)/Deficit</b>	<b>(3,101)</b>	<b>(4,180)</b>	<b>(1,006)</b>	<b>(8,287)</b>
<b>Letting of Industrial, Commercial and Other Properties</b>  Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates. Cumulative deficit in the last three financial years: £46.395 million.	<b>Turnover</b>	(11,908)	(14,713)	(13,206)	
	<b>Expenditure</b>	2,752	8,803	7,886	
	<b>Exceptional Items *</b>	2,822	60,341	5,167	
	<b>Interest</b>	(641)	(460)	(448)	
	<b>Net (Surplus)/Deficit</b>	<b>(6,975)</b>	<b>53,971</b>	<b>(601)</b>	<b>46,395</b>
<b>Net (Surplus)/Deficit on Significant Trading Operations</b>		<b>(10,076)</b>	<b>49,791</b>	<b>(1,607)</b>	<b>38,108</b>
Other Trading Operations		2018/19	2019/20	2020/21	Cumulative (Surplus) /Deficit
		£'000	£'000	£'000	£'000
<b>Building and Maintenance</b>  Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative deficit over the last three financial years: £1.234 million.	<b>Turnover</b>	(30,264)	(30,915)	(30,434)	
	<b>Expenditure</b>	31,479	31,706	29,662	
	<b>Interest</b>	0	0	0	
	<b>Net (Surplus)/Deficit</b>	<b>1,215</b>	<b>791</b>	<b>(772)</b>	<b>1,234</b>

\*The exceptional items relate to revaluations of the property portfolio and reflect conditions in the market at this time – see Note 28 -Property, Plant & Equipment on page 101.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement within the Financing and Investment Income and Expenditure line. The properties held within the Letting of Industrial, Commercial and Other Properties are classed as Investment Properties and thus the results of this operation are included within this category.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Net (Surplus)/Deficit on trading operations	(8,576)	50,582	(2,379)
Investment Properties	(6,975)	53,971	(601)
Other Investment Income	(1,886)	(3,389)	(1,778)
<b>Net Surplus credited to Financing and Investment Income and Expenditure (note 9)</b>	<b>(8,861)</b>	<b>50,582</b>	<b>(2,379)</b>

#### 19. Agency Services

- The Council has an agreement with Scottish Water whereby it collects water and waste water charges in conjunction with collection of Council Tax. The income received from this service in 2020/21 was £0.776 m (2019/20, £0.760 m).
- The Council act as Managing Agent for payment of the annual unitary charge to Aberdeen Roads and fully recovers the amount from Transport Scotland. The payment made for 20/21 was £44.597m (2019/20 109.660m)
- The Council issued Covid-related grants on behalf of the Scottish Government during 20/21 to the value of £51.023m. No covid grants were paid out during 19/20.

#### 20. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and any non-audit services provided by the Council's external auditor

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

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

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

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

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

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 22. The Council is not liable to the scheme for any other entities' obligations under the plan.

## 22. Defined Benefit Pension Schemes

The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

The Main Fund was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. It is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).

Employees of admitted bodies can join the scheme subject to their individual admission criteria which are outwith the control of Aberdeen City Council.

There are 10 scheduled bodies and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, North East Scotland College, Moray College, Grampian Valuation Joint Board and Nestrans.

The Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

Under the Local Government Pension Scheme (Administration) (Scotland) Regulations, there is a requirement for the Council to publish a pension fund annual report from 2011. The report covers, amongst other things, a report by the Chief Officer - Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under [www.nespf.org.uk](http://www.nespf.org.uk) or on request from the Chief Officer, Marischal College, Broad Street, Aberdeen, AB10 1AB.

## Participation in pension schemes

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

The Council participates in two post employment schemes:

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

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

### Discretionary post retirement benefits

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

### Guaranteed Minimum Pension (GMP) Equalisation

In considering the potential impact of GMP equalization, the advice and responses provided by the Council's actuarial advisors and NESPF has been that currently no provision is required for the impact of GMP equalization following the HM Treasury advice that public sector pension schemes already have a method in place to equalize GMP benefits. There may be future costs to Local Government Pension Schemes resulting from the GMP ruling, however, at this time it is still being determined if this is the case.

### Transactions relating to post employment benefits

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

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
	2019/20	2020/21	2019/20	2020/21
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	51,001	44,180	0	0
• administration expenses	545	574	0	0
• past service costs	16,508	299	0	0
• loss from settlements / curtailments	6,194	1,359	0	0
Financing and Investment Income and Expenditure				
• net interest expense	7,156	6,403	692	622
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>81,404</b>	<b>52,815</b>	<b>692</b>	<b>622</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	61,831	(399,271)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(95,523)	(4,519)	(1,035)	(93)
• actuarial gains and losses arising on changes in financial assumptions	(29,491)	316,811	(681)	3,599
• other	(5,511)	(46,051)	(196)	(428)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,710</b>	<b>(80,215)</b>	<b>(1,220)</b>	<b>3,700</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(81,404)	(52,815)	(692)	(622)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	30,524	29,342	0	0
• retirement benefits payable to pensioners	2,078	2,085	1,693	1,659



**Pension Assets and Liabilities recognised in the Balance Sheet**

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

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Present value of the defined benefit obligation	(1,660,387)	(1,600,665)	(1,912,644)	(46,084)	(42,181)	(39,676)
Fair value of plan assets	1,357,938	1,318,108	1,741,729	0	0	0
Sub total	(302,449)	(282,557)	(170,915)	(46,084)	(42,181)	(39,676)
Scottish Teachers Superannuation Scheme	(29,659)	(26,746)	(28,787)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(332,108)</b>	<b>(309,303)</b>	<b>(199,702)</b>	<b>(46,084)</b>	<b>(42,181)</b>	<b>(39,676)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £199.702 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit are as follows:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £30.6 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2022 are £4.3 million.

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

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

	<b>Total Assets: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits Arrangements £'000</b>	
	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Opening fair value of scheme assets</b>	<b>1,357,938</b>	<b>1,318,108</b>	<b>0</b>	<b>0</b>
Interest income	32,471	31,555	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(61,831)	399,271	0	0
• Other	(545)	(574)	0	0
Contributions from employer	32,602	31,427	2,383	2,398
Contributions from employees into the scheme	8,285	8,721	0	0
Benefits paid	(50,812)	(46,779)	(2,383)	(2,398)
<b>Closing fair value of scheme assets</b>	<b>1,318,108</b>	<b>1,741,729</b>	<b>0</b>	<b>0</b>
	<b>Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2019/20</b>	<b>2020/21</b>		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,693	1,659		
Benefits paid	(1,693)	(1,659)		
<b>Closing fair value of scheme assets</b>	<b>0</b>	<b>0</b>		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £(423.726) million (2019/20, £29.36m).

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

	<b>Total Liabilities: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits £'000</b>	
	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Opening balance at 1 April</b>	<b>(1,660,387)</b>	<b>(1,600,665)</b>	<b>(46,084)</b>	<b>(42,181)</b>
Current service cost	(51,001)	(44,180)	0	0
Interest cost	(39,627)	(37,958)	(1,077)	(983)
Contributions from scheme participants	(8,285)	(8,721)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	95,523	4,519	1,907	108
• Actuarial gains/losses arising from changes in financial assumptions	29,491	(316,811)	483	(4,879)
• Other	5,511	46,051	207	5,861
Past service cost	(16,508)	(299)	0	0
Losses/(gains) on settlement/curtailment	(6,194)	(1,359)	0	0
Benefits paid	50,812	46,779	2,383	2,398
<b>Closing balance at 31 March</b>	<b>(1,600,665)</b>	<b>(1,912,644)</b>	<b>(42,181)</b>	<b>(39,676)</b>

	<b>Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>	
	<b>2019/20</b>	<b>2020/21</b>
<b>Opening balance at 1 April</b>	<b>(29,659)</b>	<b>(26,746)</b>
Interest cost	(692)	(622)
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	1,035	93
• Actuarial gains/losses arising from changes in financial assumptions	681	(3,599)
• Other	196	428
Benefits paid	1,693	1,659
<b>Closing balance at 31 March</b>	<b>(26,746)</b>	<b>(28,787)</b>

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2019/20 £'000	%	Fair value of scheme assets 2020/21 £'000	%
Cash and cash equivalents	26,191	2.0%	51,381	2.9%
Equity instruments:				
• UK quoted and unquoted	207,675		251,157	
• Global quoted and unquoted	207,270		412,267	
• Global Frontier Fund	0		0	
• Pooled UK & Global	313,883		326,923	
Sub total equity	728,828	55.3%	990,347	56.9%
Bonds:				
• Corporate	25,527		17,592	
• Government	86,503		94,053	
Sub total bonds	112,030	8.5%	111,645	6.4%
Property:				
• UK Direct	96,294		111,819	
• Property funds - Global	0		0	
• Property funds - UK	0		0	
Sub total property	96,294	7.3%	111,819	6.4%
Private equity:				
• European	0		0	
• UK	111,243		133,591	
• Global	16,219		63,747	
Sub total private equity	127,462	9.7%	197,338	11.3%
Other investment funds:				
• Infrastructure	28,232		34,486	
• Diversified Growth Funds	88,371		107,639	
• Other Loan Fund	0		0	
• Multi Asset Credit	110,700		137,074	
Sub total other investment funds	227,303	17.2%	279,199	16.1%
<b>Total assets</b>	<b>1,318,108</b>	<b>100.0%</b>	<b>1,741,729</b>	<b>100.0%</b>

### Basis for estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5	21.5	21.5	21.5
Women	24.2	24.2	24.2	24.2
Longevity at 65 for future pensioners:				
Men	23.1	23.1	-	-
Women	26.3	26.3	-	-
Rate of inflation	2.1%	2.3%	2.1%	2.3%
Rate of increase in salaries	3.6%	3.8%	3.6%	3.8%
Rate of increase in pensions	2.2%	2.4%	2.2%	2.4%
Rate for discounting scheme liabilities	2.4%	1.6%	2.4%	1.5%

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

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

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Net Liability £'000
Longevity (increase by 1 year in life expectancy)	59,915
Rate of inflation (increase by 0.1%)	34,077
Rate of increase in salaries (increase by 0.1%)	3,955
Rate for discounting scheme liabilities (increase by 0.1%)	(33,481)

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### 23. Events after the Balance Sheet Date

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

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

No such adjustments have been required.

### 24. Related Parties

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

#### Central Government

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

#### Members

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

#### Other Public Bodies

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

For 2020/21 the Council paid £33.086 million to the Pension Fund representing its employer contributions in respect of current and former employees (2019/20, £34.032 million).

Entities Controlled or Significantly Influenced by the Council

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

Organisation	2019/20		2020/21		Debtors		Creditors	
	Receipts	Payments	Receipts	Payments	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grampian Valuation Joint Board	0	1,689	0	1,786	0	0	0	0
Common Good	4,509	205	2,013	66	0	0	(20,702)	(31,433)
Trust Funds	4,032	40	4,288	16	0	0	(3,984)	(4,239)
Aberdeen Sports Village	30	1,729	4	1,296	0	0	0	0
Sport Aberdeen	310	5,562	128	-5,930	1	0	(2,698)	(2,915)
Aberdeen Heat & Power	18	3,305	17	3,378	0	0	0	0
NESTRANS	1,300	719	793	685	719	48	(1,300)	(79)
SDPA	0	30	0	0	0	0	0	0
Scotland Excel	0	147	0	175	0	0	0	0
Bon Accord Care	6	81	17	-113	0	0	(36)	(19)
Bon Accord Support Services	895	31,758	963	-31,403	7,174	8,308	(3,352)	(1,290)
Aberdeen City Integration Joint Board	132,730	95,649	147,647	98,170	24	0	0	(1,013)
<b>Total</b>	<b>143,830</b>	<b>140,914</b>	<b>155,869</b>	<b>68,126</b>	<b>7,918</b>	<b>8,355</b>	<b>(32,072)</b>	<b>(40,988)</b>

The majority of these bodies form part of the Council's group accounts which are set out on pages 154 to 172.

## 25. Leases

Council as Lessee*Finance Leases*

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

<b>Finance Lease Liabilities</b>	<b>31 March 2020</b>	<b>31 March 2021</b>		
	<b>£'000</b>	<b>£'000</b>		
Current	427	461		
Non Current	57,602	57,141		
Finance costs payable in Future Years	99,515	94,976		
Minimum Lease Payments	157,544	152,578		
<b>The minimum lease payment will be payable over the following periods:</b>				
	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	5,000	5,000	427	461
Later than one year not later than five years	20,000	20,000	2,074	2,238
Later than five years	137,116	132,116	55,528	54,903
	162,116	157,116	58,029	57,602

*Operating Leases*

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

	<b>Land and Buildings</b>		<b>Vehicles</b>	
	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020 *</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	355	321	122	106
Later than one year and not later than five years	811	622	153	47
Later than five years	4,357	4,288	0	0
	5,523	5,231	275	153
* 2019/20 restated to include vehicles previously omitted.				



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

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

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

#### Council as Lessor

##### *Operating Leases*

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

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

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

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

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

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. During the year, The Event Complex Aberdeen (TECA) opened, the Aloft and Hilton hotels, development land and the energy centre have been classified as an investment properties.

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

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

## 27. Heritage Assets

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

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
<b>Cost or valuation</b>							
At 1 April 2019	608	1,669	17	0	195,097	300	197,691
Disposals	0	0	0	0	14	0	14
Revaluations	0	35	0	0	79	0	114
<b>At 31 March 2020</b>	<b>608</b>	<b>1,704</b>	<b>17</b>	<b>0</b>	<b>195,190</b>	<b>300</b>	<b>197,819</b>
<b>Cost or valuation</b>							
At 1 April 2020	608	1,704	17	0	195,190	300	197,819
Additions	0	0	0	0	11	0	11
Revaluations	0	4	0	0	234	0	238
<b>At 31 March 2021</b>	<b>608</b>	<b>1,708</b>	<b>17</b>	<b>0</b>	<b>195,435</b>	<b>300</b>	<b>198,068</b>

**City Monuments**

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

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

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

**Art Collection**

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

**Civic Insignia**

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

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

**City Monuments**

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

**Maritime & Social History**

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

**Numismatics**

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

**Science, technology and industry**

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

**Fine Art Collection**

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

### **Applied and Decorative Art**

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

### **Civic Insignia**

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

### **Archaeology**

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

### **Library & Information Services**

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

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

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

### **Preservation and Management**

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

## 28. Property, Plant and Equipment

Movements in 2019/20:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2019</b>	<b>997,883</b>	<b>911,118</b>	<b>62,209</b>	<b>350,346</b>	<b>29,773</b>	<b>5,228</b>	<b>361,805</b>	<b>2,718,362</b>	<b>213,006</b>
Additions	50,527	9,635	10,781	19,604	520	103	116,190	207,360	524
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,053)	2,762	0	0	0	(765)	0	944	(6,821)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,147)	(39,497)	0	0	0	(1,278)	0	(72,922)	(14,112)
Derecognition – Disposals	0	0	(2,391)	0	0	0	0	(2,391)	0
Derecognition – Other	0	0	0	0	0	0	0	0	0
Reclassifications and Transfers	3,655	293,503	0	0	0	5,519	(424,180)	(121,503)	0
<b>At 31 March 2020</b>	<b>1,018,865</b>	<b>1,177,521</b>	<b>70,599</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,815</b>	<b>2,729,850</b>	<b>192,597</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2019</b>	<b>(86,845)</b>	<b>(44,070)</b>	<b>(38,340)</b>	<b>(110,221)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(279,476)</b>	<b>(12,326)</b>
Depreciation charge	(31,900)	(22,812)	(7,508)	(11,600)	0	0	0	(73,820)	(3,673)
Depreciation written out to the Revaluation Reserve	0	10,061	0	0	0	0	0	10,061	2,497
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	16,698	0	0	0	0	0	16,698	12,911
Derecognition – Disposals	0	0	2,383	0	0	0	0	2,383	0
Derecognition – Other	0	0	0	0	0	0	0	0	0
Reclassifications and Transfers	0	253	0	0	0	0	0	253	0
<b>At 31 March 2020</b>	<b>(118,745)</b>	<b>(39,870)</b>	<b>(43,465)</b>	<b>(121,821)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(323,901)</b>	<b>(591)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>900,120</b>	<b>1,137,651</b>	<b>27,134</b>	<b>248,129</b>	<b>30,293</b>	<b>8,807</b>	<b>53,815</b>	<b>2,405,949</b>	<b>192,006</b>
<b>At 31 March 2019</b>	<b>911,038</b>	<b>867,048</b>	<b>23,869</b>	<b>240,125</b>	<b>29,773</b>	<b>5,228</b>	<b>361,805</b>	<b>2,438,886</b>	<b>200,680</b>

## Property, Plant and Equipment

Movements in 2020/21:

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

*Valuations*

The Events Complex Aberdeen opened in 2019/20 with several buildings on site. The classification and method of valuation is detailed below:

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

The Council commissioned a valuation for 31 March 2021 which was performed in November 2020. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2021 and can be relied upon.

*Depreciation – Useful Lives*

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – up to 25 years
- Other Land and Buildings – up to 75 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years



*Capital Commitments*

As at 31 March 2021, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments amounting to £1 million or more are detailed below with equivalent figures provided for 31 March 2021.

<b>Major Capital Contractual Commitments</b>	<b>As at 31 March 2020 £'000</b>	<b>As at 31 March 2021 £'000</b>
Aberdeen Western Peripheral Route (main contract awarded December 2012)	14,443	14,443
TECA (all main contracts awarded 31/03/19)	3,500	8,176
Union Terrace Gardens redevelopment (contract signed July 2019)	19,556	17,149
Energy from Waste (contract signed August 2019)	51,477	42,055
Early Learning & Childcare Expansion (main contractor appointed September 2019)	19,405	7,088
	<b>108,381</b>	<b>88,911</b>

*Componentisation*

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

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

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

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

**Revaluations**

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

The significant assumptions applied in estimating the fair values are:

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

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

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2021	856,949	0	0	0	0	10,190	0	867,139
31 March 2020	2,714	249,278	0	0	0	8,807	0	260,799
31 March 2019	6,130	222,944	0	0	0	10,127	0	239,201
31 March 2018	0	271,716	0	0	0	11,397	0	283,113
31 March 2017	9,562	205,166	0	0	0	9,852	0	224,580
<b>Total cost or valuation</b>	<b>929,761</b>	<b>870,315</b>	<b>68,484</b>	<b>191,110</b>	<b>21,359</b>	<b>68,949</b>	<b>16,161</b>	<b>2,166,139</b>

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

## 29. Capital Expenditure and Capital Financing

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

	HRA	General Fund	Total	HRA	General Fund	Total
	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>242,854</b>	<b>972,074</b>	<b>1,214,928</b>	<b>261,159</b>	<b>1,077,136</b>	<b>1,338,295</b>
<i>Capital investment</i>						
Property, Plant and Equipment	51,466	155,894	207,360	56,696	84,399	141,095
Heritage Assets	0	14	14	0	11	11
Assets Held for Sale	0	2	2	0	0	0
Aberdeen Harbour Board	0	2,000	2,000	0	0	0
Loan for National Housing Trust Initiative	0	0	0	0	(6,742)	(6,742)
<i>Sources of finance</i>						
Capital receipts	(111)	(341)	(452)	(61)	(302)	(363)
Government grants and other contributions	(1,483)	(43,226)	(44,709)	(44,184)	(42,856)	(87,040)
Sums set aside from revenue:						
• Direct revenue contributions	492	0	492	410	0	410
• Capital for Current Revenue (CFCR)	(30,496)	(660)	(31,156)	(33,390)	(266)	(33,656)
• Loans fund principal	(1,563)	(3,994)	(5,557)	(1,767)	(7,217)	(8,984)
• PPP liability/Finance Lease repayments	0	(4,627)	(4,627)	0	(3,448)	(3,448)
<b>Closing Capital Financing Requirement</b>	<b>261,159</b>	<b>1,077,136</b>	<b>1,338,295</b>	<b>238,863</b>	<b>1,100,715</b>	<b>1,339,578</b>
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	18,305	109,688	127,993	(22,296)	27,028	4,732
Assets acquired under PFI/PPP contracts	0	(4,627)	(4,627)	0	(3,448)	(3,448)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>18,305</b>	<b>105,061</b>	<b>123,366</b>	<b>(22,296)</b>	<b>23,580</b>	<b>1,284</b>

### 30. Public Private Partnerships (PPP) and Similar Contracts

#### 3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

The Council has entered into a 30 year PPP contract for the construction or renovation, maintenance and operation of ten schools. The schools came into operation between May 2009 and April 2011. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

#### Lochside Academy

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

#### Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 29.

#### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	3R's				Lochside Academy			
	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2020/21	5,725	3,374	6,587	15,687	475	1,263	2,102	3,840
Payable within two to five years	31,303	11,364	24,379	67,046	2,258	5,570	7,750	15,577
Payable within six to ten years	40,817	21,282	27,591	89,690	4,447	7,482	8,072	20,001
Payable within eleven to fifteen years	43,821	30,749	22,343	96,912	5,111	9,495	6,056	20,662
Payable within sixteen to twenty years	26,028	26,190	11,759	63,977	5,584	12,402	3,423	21,409
Payable within twenty one to twenty five years	0	0	0	0	3,214	6,032	478	9,724
Payable within twenty six to thirty years	0	0	0	0	0	0	0	0
<b>Total</b>	<b>147,694</b>	<b>92,959</b>	<b>92,659</b>	<b>333,312</b>	<b>21,089</b>	<b>42,243</b>	<b>27,881</b>	<b>91,214</b>

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

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

### 31. Assets Held for Sale

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

## 32. Inventories

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

## 33. Short Term Debtors

	31 MARCH 2020 £'000	31 MARCH 2021 £'000
Central government bodies	20,482	18,523
Other local authorities	6,083	13,190
NHS bodies	864	8,263
Public corporations and trading funds	65	865
Other entities and individuals	138,354	173,450
<b>Gross Total</b>	<b>165,849</b>	<b>214,291</b>
Deduct: Provision for Impairment	(68,868)	(74,677)
<b>Net Total</b>	<b>96,981</b>	<b>139,614</b>

## 34. Short Term Creditors

	31 MARCH 2020 £'000	31 MARCH 2021 £'000
Central government bodies	(18,301)	14,739
Other local authorities	(1,258)	(1,240)
NHS bodies	(41)	(1,730)
Public corporations and trading funds	(1,815)	(3,021)
Other entities and individuals	(77,845)	(125,712)
<b>Total</b>	<b>(99,260)</b>	<b>(116,964)</b>

## 35. Provisions

	Note 1 Compensation Payments - Voluntary Severance/Early Retirement and Equal Pay £'000	Note 2 Property - Asset Management £'000	Note 3 Housing Benefit Subsidy £'000	Note 4 Other £'000	Total £'000
<b>Balance at 1 April 2020</b>	<b>(1,097)</b>	<b>(613)</b>	<b>(100)</b>	<b>(1,055)</b>	<b>(2,865)</b>
Additional provisions made in 2020/21	(5)	0	0	(5)	(10)
Amounts used in 2020/21	916	62	0	23	1,001
Unused amounts reversed in 2020/21	(12)	0	0	786	774
<b>Balance at 31 March 2021</b>	<b>(198)</b>	<b>(551)</b>	<b>(100)</b>	<b>(251)</b>	<b>(1,100)</b>
<i>Represented by:</i>					
<b>Current provisions</b>	<b>(198)</b>	<b>0</b>	<b>(100)</b>	<b>(251)</b>	<b>(549)</b>
<b>Long term provisions</b>	<b>0</b>	<b>(551)</b>	<b>0</b>	<b>0</b>	<b>(551)</b>

**Notes on Provisions –****1. Compensation Payments - Equal Pay and Severance - £0.198 million**

A provision of £3.407 million created under the terms of the Scottish Government statutory guidance (per Local Government in Scotland Act 2003) for a Voluntary Severance /Early Retirement scheme was carried forward from 18-19 - £2.307 million of this provision was used in 2019-20, with the remaining £1.100 million in 2020-21 in respect of the statutory element of severance costs. A further £0.916m of this provision was used in 2020-21, and the remaining balance of £0.193m was carried forward to 2021-22

**2. Property-Asset Management - £0.551 million**

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2020 and 2021. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation. A further amount is held to reimburse a third party for costs incurred by them on demolishing a council owned building.

**3. Housing Benefit Subsidy - £0.100 million**

This provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing Benefit Subsidy Grant. The full liability could be called upon in 2021/22.

**4. Other**

- **Legal Cases - £0.035 million**

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

- **Holiday Pay - £0.059 million**

This is a provision for arrears of Holiday Pay due based on the decision in the case of Lock v British Gas Trading Ltd which reviewed the basis of calculation for holiday pay. The full liability could be paid out in 2021/22.

- **IFRS Impairment - £0.158 million**

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

**36. Contingent Assets and Liabilities****Contingent Assets**

A contingent asset arises where an event takes place which gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. At 31 March 2021, the Council had material contingent assets as undernoted:



- **Marischal Square Development**

In November 2017, the Marischal Square development was completed. The Council has a contingent asset in relation to development profit, which is held in escrow and payable to the Council upon the occurrence of uncertain future events, not wholly within its control. The financial effect and timing cannot be disclosed as it is not practicable to do so.

#### **Contingent Liabilities**

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

At 31 March 2021 the Council had material contingent liabilities as undernoted. An estimate of the contingent liability has been provided where it is practicable to do so.

#### **Guarantees**

- **Aberdeen Science Centre (formerly Satrosphere)**

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,654 in support of an overdraft facility and card guarantee facility until 30 September 2022, as approved at a meeting of full Council on 10 March 2021.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000, as approved at Council on 10 March 2021. This guarantee will remain in force until 30 September 2022.

- **Sport Aberdeen**

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

- **Aberdeen Performing Arts**

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

- **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed a number of such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen International Youth Festival, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

- **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

- **Integration Joint Board (IJB)**

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

### **Contractual**

- **Waste Disposal**

The Council has a long term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run for 25 years.

The Council is currently part of a three-authority project in partnership with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract commenced in 2019 with the facility coming on line summer 2022, and will run for 20 years.

- **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The Landfill Allowance Scheme in Scotland is currently suspended and it is expected that the Waste (Scotland) Regulations 2012 will take over the requirement for the control of landfilling biodegradable municipal waste. However, until such a repeal is formalised there remains a potential liability on the Council.

- **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The Supreme Court's recent judgement in relation to the Strategic Transport Fund (STF), which was funded through developer obligations, has significant implications for the Council, as there are several large scale projects in development which had expected to rely on STF funding. Delivery of these projects is now at risk unless an alternative funding solution can be identified.

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

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

- **Our Generation – Solar Panels**

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

- **Aberdeen Art Gallery**

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

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

- **Scottish Child Abuse Enquiry**

The Scottish Parliament is introducing a redress Bill (April 2021) for survivors of abuse in care in Scotland. The stage 1 debate took place on 17 December 2020 where members considered the general principles of the Bill. Survivors as an alternative to civil litigation may choose to apply for redress. Financial contributions may be requested from Local Authorities to support the redress scheme. Ongoing discussions will take place to assess any proposed level of contribution from the Council and the mechanism by which this is met. The Council will continue to receive civil claims relating to periods of time in care. These have the potential for significant costs to be incurred and alongside the contribution to the scheme will give rise to future financial liability, although unquantifiable at this time.

- **COVID-19 Impact**

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

## 37. Grant Income

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

Grant Income	2019/20	2020/21
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Total revenue Funding Grant	334,270	335,226
Total revenue Funding Grant - COVID	-	44,937
	<b>334,270</b>	<b>380,163</b>
<b>Credited to Services</b>		
Department of Work and Pensions		
Housing Benefit Grant	48,426	44,461
Housing Benefit Admin Grant	629	727
Discretionary Housing Payment	230 *	408
Other	-	-
National Health Service		
Integrated care funding	36,062	51,461
Other	78	3
Other Local Authorities		
Western Peripheral Route Works	3,954	3,823
Other	52	-
Scottish Government		
ELC Expansion	6,685	26,073
S27 Community Justice Grant	5,190	4,955
Pupil Equity Fund	4,103	3,327
Winter Grant Vulnerable Children	-	3,025
Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	2,731	2,741
Space for People	-	1,476
COVID Discretionary Funding	-	1,305
Attainment Challenge	902	976
COVID Funding - Additional School Staffing	-	968
COVID Funding - Health and Care Payment (£500)	-	937
Additional Support For Learning	-	507
HEEPS - Home Insulation	3,394	420
COVID Funding - Christmas FSM	-	395
Education Maintenance	280	331
COVID Funding - Food Fund FSM	-	287
JIVE Project - Hydrogen Buses	-	273
COVID Funding - Other	-	140
Chargeplace Scotland	297	80
Other	828 **	915
European Funding		
Civitas	594	685
HECTOR Waste Vehicle	-	616
Hydrogen Bus Project	813	209
Other	21	447
Home Office		
Syrian Refugee Resettlement Programme	128	287
Other	41	98
Sport Scotland	397	408
Creative Scotland	251	180
Other	544 ***	303
<b>Total</b>	<b>116,628</b>	<b>153,245</b>
		<b>533,408</b>
* 2019/20 'Department of Work and Pensions Other' has been restated as Discretionary Housing Payment identified separately in 2020/21.		
** 2019/20 'Scottish Government Other' has been updated to include Opportunities for All Grant		
*** 2019/20 'Other' has been updated to include the grant from Transport Scotland		
2019/20 'Transport Scotland' Aberdeen Peripheral Route Works has been removed as now classified as Agency Payment.		

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

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

## 38. Financial Instruments

*-Categories of Financial Instruments*

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

Financial Instruments Balances	Long term		Current	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
<b>Investments</b>				
Loans and receivables	0	0	50,454	40,277
Interest in group entities	17,090	16,343	0	0
<b>Total investments</b>	<b>17,090</b>	<b>16,343</b>	<b>50,454</b>	<b>40,277</b>
<b>Debtors</b>				
Loans and receivables	7,539	742	0	0
Financial assets carried at contract amount	0	0	96,981	139,614
<b>Total debtors</b>	<b>7,539</b>	<b>742</b>	<b>96,981</b>	<b>139,614</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(1,026,809)	(1,003,256)	(208,162)	(232,391)
<b>Total borrowings</b>	<b>(1,026,809)</b>	<b>(1,003,256)</b>	<b>(208,162)</b>	<b>(232,391)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(142,453)	(130,565)	(3,020)	(4,638)
<b>Total other long term liabilities</b>	<b>(142,453)</b>	<b>(130,565)</b>	<b>(3,020)</b>	<b>(4,638)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(95,301)	(116,964)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(95,301)</b>	<b>(116,964)</b>

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

**Income, Expense, Gains and Losses**

Financial Instruments Gains/(Losses)	2019/20			2020/21		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(54,738)	0	(54,738)	(45,440)	0	(45,440)
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(54,738)</b>	<b>0</b>	<b>(54,738)</b>	<b>(45,440)</b>	<b>0</b>	<b>(45,440)</b>
Interest income	0	3,513	3,513	0	538	538
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>3,513</b>	<b>3,513</b>	<b>0</b>	<b>538</b>	<b>538</b>
<b>Net Interest</b>	<b>(54,738)</b>	<b>3,513</b>	<b>(51,225)</b>	<b>(45,440)</b>	<b>538</b>	<b>(44,902)</b>

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

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

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

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

## Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2021 of 1.57% to 10.50% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis at that date;
- no early repayment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

From 2015/16, the Fair Value of borrowings is shown at both Premature Repayment rates and New Loan rates. In prior years, the Fair Value of borrowings had been shown only on a New Loans rates basis.

Fair Value of Liabilities	31 March 2020					31 March 2021				
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000
PWLB – maturity	(485,434)	(6,716)	(492,150)	(1,007,090)	(640,930)	(480,434)	(6,891)	(487,325)	(850,779)	(688,306)
LOBOs	(93,893)	(708)	(94,601)	(226,652)	(140,990)	(93,893)	(691)	(94,584)	(191,765)	(143,116)
Bond Issuance	(363,140)	(1,457)	(364,597)	(429,981)	(447,847)	(352,632)	(1,200)	(353,833)	(433,679)	(415,145)
Bond EIR	(47,342)	0	(47,342)	(47,342)	(47,342)	(56,473)	0	(56,473)	(56,473)	(56,473)
Bond Premium	(39,383)	0	(39,383)	(39,383)	(39,383)	(37,757)	0	(37,757)	(37,757)	(37,757)
Transfer Interest to Short Term in line with Code requirements	0	8,881	8,881	0	0	0	8,782	8,782	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements			5,000	0	0			20,515	0	0
Financial Instrument Adjustments			(2,618)	0	0			(2,581)	0	0
<b>Total Long Term Borrowing</b>	<b>(1,029,191)</b>	<b>0</b>	<b>(1,026,810)</b>	<b>(1,750,448)</b>	<b>(1,316,492)</b>	<b>(1,021,189)</b>	<b>(0)</b>	<b>(1,003,256)</b>	<b>(1,570,453)</b>	<b>(1,340,797)</b>
Short term borrowing	(195,455)	(318)	(195,773)	(195,773)	(195,773)	(204,218)	(42)	(204,260)	(204,260)	(204,260)
Transfer Interest from Long Term in line with Code requirements	0	(7,389)	(7,389)	0	0	0	(7,616)	(7,616)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements			(5,000)	0	0			(20,515)	0	0
<b>Total Short Term Borrowing</b>	<b>(195,455)</b>	<b>(7,707)</b>	<b>(208,162)</b>	<b>(195,773)</b>	<b>(195,773)</b>	<b>(204,218)</b>	<b>(7,658)</b>	<b>(232,391)</b>	<b>(204,260)</b>	<b>(204,260)</b>

Fair Value of Assets	31 March 2020				31 March 2021			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
Deposits with banks/building societies	128,326	432	128,758	128,758	127,220	275	127,495	127,495



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

### 39. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in its annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £30 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

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

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

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

<b>Credit Risk A</b>					
<b>Estimated maximum exposure at 31 March 2020 £'000</b>		<b>Amount at 31 March 2021 £'000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2021 %</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2021 £'000</b>
		A	B	C	(A x C)
0	Deposits with banks and building societies	127,495	0	0	0
4,881	Customers	47,570	4.46%	4.46%	2,122
<b>4,881</b>					<b>2,122</b>

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

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

#### **Liquidity risk**

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

The maturity analysis of financial liabilities is as follows:

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

In the "More than 10 years" category in the table above there are £28.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be paid in less than one year.

### **Market risk**

#### Interest rate risk

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

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

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

£352.6 million of the Council's borrowings are in the form of a bond which is index-linked to RPI. The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £0.4 million in amounts repayable.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	289
Increase in interest receivable on variable rate investments	(892)
Impact on Surplus or Deficit on the Provision of Services	<b>(603)</b>
Share of overall impact debited to the HRA	<b>(120)</b>
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>209,307</b>
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	0

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

#### Foreign exchange risk

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

## Loans Fund

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

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2020/21, the average interest rates were 2.84% for capital (2019/20, 3.56%), 0.09% for revenue advances (2019/20, 0.62%) and 0.02% for expenses (2019/20, 0.02%) on raising loans.

The management of all money and capital market transactions in connection with cash and funding resources for the Council has been carried out in accordance with the Council's Treasury Policy Statement as recommended by the CIPFA Code of Practice for Treasury Management in Local Authorities.

### Amounts Borrowed from the Loans Fund

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	408,526	402,839	397,654	396,557	397,314	413,355	538,587	667,392	804,437	911,505	939,559
Trading Operations	23,257	22,678	24,282	23,083	21,283	20,486	19,207	15,107	13,083	14,621	14,678
Housing Revenue Account	185,923	193,225	196,880	196,665	196,675	193,692	189,118	187,479	202,165	220,468	198,172
<b>Total</b>	<b>617,706</b>	<b>618,742</b>	<b>618,816</b>	<b>616,305</b>	<b>615,272</b>	<b>627,533</b>	<b>746,912</b>	<b>869,978</b>	<b>1,019,685</b>	<b>1,146,594</b>	<b>1,152,409</b>

Loans Fund Revenue Account			Loans Fund Balance Sheet as at 31 March		
2019/20 £'000		2020/21 £'000	2020 £'000		2021 £'000
	<b>Expenditure</b>			<b>Assets</b>	
39,657	Interest paid to External Bodies	32,708		Advances to:	
629	Interest paid to Other Council Accounts	112	1,146,594	Aberdeen City Council for Capital Expenditure	1,152,409
242	General Expenses	261	2	Other Bodies	2
<b>40,528</b>		<b>33,081</b>	12,422	Rescheduled Premiums	12,025
	<b>Income</b>		1,159,018		1,164,436
	Interest & Expenses charged to Aberdeen City Council			<b>Current Assets</b>	
(31,100)	General Fund	(26,439)	128,300	Temporary Investments	127,170
(7,467)	Housing Revenue Account	(5,878)	458	Sundry Debtors	283
(466)	Trading Operations	(410)	2,480	Bank	3,925
(1,495)	From Temporary Investments	(354)	1,290,256		1,295,814
<b>(40,528)</b>		<b>(33,081)</b>		<b>Less: Current Liabilities</b>	
			83,961	Temporary Advances from Council Services	99,031
			7,771	Sundry Creditors	7,616
			91,732		106,647
			<b>1,198,524</b>	<b>Net Assets</b>	<b>1,189,167</b>
				<b>Financed by:</b>	
			(485,434)	Public Works Loan Board	(480,434)
			(93,893)	Market Loans	(93,893)
			(363,140)	Negotiable Bonds	(352,632)
			(39,383)	Bond Premium	(37,757)
			(47,342)	Bond EIR	(56,473)
			(2)	Stock Issue & Gas Annuities	(2)
			(169,330)	Temporary Loans	(167,976)
			<b>(1,198,524)</b>		<b>(1,189,167)</b>



Jonathan Belford, CPFA  
Chief Officer – Finance  
12 May 2021

**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**

2019/20		2020/21	
		£'000	£'000
	<b>Income</b>		
(86,785)	Dwelling Rents	(90,629)	
(2,200)	Non dwelling Rents	(2,034)	
(2,127)	Other Income	(2,210)	
<b>(91,112)</b>			<b>(94,873)</b>
	<b>Expenditure</b>		
807	Staff Costs	661	
<b>807</b>			<b>661</b>
	Premises Costs:		
26,106	Repairs and Maintenance	27,159	
3,207	Maintenance of amenity areas	3,362	
3,372	Bad debts written off/provisions	2,387	
2,240	Loss of rent vacant periods	3,017	
1,805	Other costs	1,964	
<b>36,730</b>			<b>37,889</b>
	Administration Costs:		
8,703	Management and Administration	8,755	
690	Other costs	555	
<b>9,393</b>			<b>9,310</b>
	Supplies and Services:		
3,609	Communal Lighting and Heating, etc.	3,608	
180	Information Technology	188	
131	Other Costs	263	
<b>3,920</b>			<b>4,059</b>

	Agencies:		
156	Contributions	167	
0	Supporting People Contribution	0	
572	Tenant's Participation/Helplines	453	
<b>728</b>			<b>620</b>
	Capital Charges:		
31,900	Depreciation	34,222	
32,147	Impairment of Non Current Assets	47,602	
<b>64,047</b>			<b>81,824</b>
<b>115,625</b>	<b>Gross Expenditure</b>		<b>134,363</b>
24,513	<b>Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement</b>		39,490
163	Corporate and Democratic Core	134	
			134
<b>24,676</b>	<b>Net Cost of HRA Services</b>		<b>39,624</b>
492	(Gain) / Loss on Sale of HRA Non Current Assets	349	
7,468	Interest payable and similar charges	5,878	
(223)	Interest and investment income	(13)	
222	Pensions interest and return on assets	185	
(1,483)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(44,184)	
<b>31,152</b>	<b>(Surplus)/deficit for the year on HRA Services</b>		<b>1,839</b>



**Movement on the Housing Revenue Account Statement**

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

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(492)	Gain or (loss) on sale of HRA non-current assets	(349)
30,496	Capital expenditure funded by the HRA	33,390
0	Transfer to/from the Capital Adjustment Account:	0
(64,047)	Depreciation and Impairment	(81,824)
1,483	Capital Grants and Contributions	44,184
1,563	Repayment of Debt	1,767
(656)	HRA share of contributions to or from the Pensions Reserve	(493)
1	Adjustment involving the Accumulated Absences Account	(22)
0	Other Adjustments	1
<b>(31,652)</b>		<b>(3,346)</b>

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

<b>2019/20 £'000</b>		<b>Notes</b>	<b>2020/21 £'000</b>
(12,296)	Balance on the HRA at start of Year		(12,796)
31,152	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		1,839
(31,652)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(3,346)
(500)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(1,507)
0	Transfers to or (from) Reserves	2	0
(500)	(Increase) or Decrease in Year on the HRA		(1,507)
<b>(12,796)</b>	<b>Balance on the HRA at end of Year</b>		<b>(14,303)</b>

**3. Housing Stock**

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

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

**4. Rent Arrears**

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

**5. Impairment of Debtors**

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

**National Non Domestic Rates**

National Non Domestic Rates (NNDR) income is collected by local authorities and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

Occupiers of non-domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non domestic rate (NDR) poundage for 2020/21, which is set annually by the Scottish Ministers, is 49.8 pence. Properties with rateable value of above £95,000 Higher property rate of 2.6p on top of the poundage. Properties with rateable value of between £51,000 and £95,000 will now be charged an additional 1.3p on the rates on top of the poundage. In 2019/20, the NDR poundage rate was set at 49 pence and the supplement was 2.6 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

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

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

<b>Category</b>	<b>Number of Subjects</b>	<b>Rateable Value at 1 April 2021 £'000</b>
Shops	2,191	103,978
Public Houses	159	8,179
Offices Including Banks	2,845	198,693
Hotels etc.	348	24,381
Industrial Factories, Warehouses, Stores	1,964	146,729
Leisure Entertainment, Caravans, Hol.Sites	210	15,010
Garages and Petrol Stations	210	5,241
Cultural	12	913
Sporting Subjects	83	482
Education & Training	161	35,115
Public Service Subjects	195	20,119
Communications (non Formula)	31	3,237
Quarries, Mines etc	9	128
Petrochemical	2	792
Religious	134	2,708
Health Medical	127	16,150
Other	875	11,717
Care Facilities	116	5,930
Advertising	133	515
Undertaking	13	2,036
<b>Total Non Domestic Rates Subjects</b>	<b>9,818</b>	<b>602,054</b>

**Council Tax**

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

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

**Council Tax Income Account**

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

The calculation of the Council Tax Base 2020/21:

	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A (subject to disabled relief)			2			2	200/360	2
Band A	24,293	(4,567)	24	(3,177)	(871)	15,703	240/360	10,506
Band B	28,180	(2,396)	(57)	(3,489)	(1,207)	21,031	280/360	16,976
Band C	19,554	(1,451)	(1)	(1,870)	(753)	15,480	320/360	13,952
Band D	16,514	(1,994)	7	(1,534)	(935)	12,058	360/360	12,531
Band E	15,005	(638)	(5)	(1,194)	(504)	12,664	473/360	16,934
Band F	8,908	(212)	0	(553)	(215)	7,928	585/360	12,969
Band G	7,846	(137)	(30)	(351)	(189)	7,140	705/360	14,062
Band H	1,081	(18)	(2)	(32)	(45)	985	882/360	2,421
							<b>Total</b>	<b>100,353</b>
							Band D Equivalent Council Tax Reduction	(11,821)
							Contributions in Lieu	12
							Provision for Bad Debts (2.4%)	(2,509)
							<b>Council Tax Base</b>	<b>86,035</b>

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



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

## Common Good Fund

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

### Movement in Reserves Statement

	Common Good Fund	Reserves Fund	Total Common Good
	£'000	£'000	£'000
<b>Balance at 1 April 2019</b>	<b>(120,479)</b>	<b>(68)</b>	<b>(120,547)</b>
<b>Movement in Reserves during 2019/20</b>			
(Surplus) or Deficit on provision of services	(6,163)	0	(6,163)
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,163)</b>	<b>0</b>	<b>(6,163)</b>
<b>Balance at 31 March 2020</b>	<b>(124,081)</b>	<b>(68)</b>	<b>(124,149)</b>
<b>Movement in Reserves during 2020/21</b>			0
(Surplus) or Deficit on provision of services	(5,668)	0	(5,668)
<b>Total Comprehensive Expenditure and Income</b>	<b>(5,668)</b>	<b>0</b>	<b>(5,668)</b>
<b>Balance at 31 March 2021</b>	<b>(129,749)</b>	<b>(68)</b>	<b>(129,817)</b>

## Comprehensive Income and Expenditure Statement

2019/20		2020/21			
Net (Income) Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000	Notes
747	Grants & Contributions to External Organisations	758		758	
94	External Organisations Rents	112		112	
615	Promoting Aberdeen	270		270	
162	Grants/Services Provided by Aberdeen City Council	98		98	
657	Civic Service Funding	607		607	
65	Duthie Park HLF	54		54	
3,130	Specific Projects	997	(10)	987	
22	Earmarked Reserves	40		40	
<b>5,492</b>	<b>Cost Of Services</b>	<b>2,937</b>	<b>(10)</b>	<b>2,927</b>	1
0	Other Operating Expenditure			0	2
(3,284)	Financing and Investment Income and Expenditure			(2,664)	3
<b>2,208</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>263</b>	
(5,810)	(Surplus) or Deficit on revaluation of investment property			(5,931)	4
<b>(3,602)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(5,668)</b>	

## Balance Sheet

31 March 2020			31 March 2021
£'000			£'000
93,850	Investment Property		95,396
<b>93,850</b>	<b>Long Term Assets</b>		<b>95,396</b>
29,707	Investments in Aberdeen City Council Loans Fund		33,775
0	Investment Property Held for Sale		0
1,079	Short Term Debtors		961
<b>30,785</b>	<b>Current Assets</b>		<b>34,736</b>
(486)	Short Term Creditors		(315)
<b>(486)</b>	<b>Current Liabilities</b>		<b>(315)</b>
<b>124,149</b>	<b>Net Assets</b>		<b>129,817</b>
(124,081)	Common Good Fund		(129,750)
(68)	Reserve Fund		(68)
<b>(124,149)</b>	<b>Total Reserves</b>		<b>(129,817)</b>



Jonathan Belford, CPFA  
Chief Officer - Finance  
12 May 2021

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## Trust Funds and Endowments

The Council is responsible for the administration of various Trusts. They have been created by bequest or by public subscription and are utilised for a variety of purposes in line with the trusts purposes identified in their governing documents. The money earned from the investments of the trusts is used for the maintenance of graves and monuments, the administration of the Guildry and its awards, school prizes and the advancement of art and the purchase of works of art. As well as administering the trusts, the Council is also the appointed trustee for all the trusts with the exception of Marguerite McBey Trust which has two Councillors on the Board of Trustees.

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

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

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

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

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

## Movement in Funds

Charity	Balance as at 31 March 2020 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2021 £'000
EEIF	(147)	0	(16)	(131)	3	(291)
Guildry	(2,631)	0	6	(5)	18	(2,613)
Bridge of Don	(1,220)	0	4	0	3	(1,214)
Alexander MacDonald Bequest	(31)	0	0	0	1	(30)
Aberdeen Art Gallery Trust	(26)	0	0	(0)	4	(22)
Lands of Skene	(1,130)	0	4	(32)	32	(1,125)
Lands of Torry	(1,274)	0	(127)	(167)	167	(1,400)
McBey Trust	(496)	0	0	(2)	6	(492)
<b>Total - Charitable Trusts</b>	<b>(6,954)</b>	<b>0</b>	<b>(128)</b>	<b>(338)</b>	<b>233</b>	<b>(7,187)</b>
Non Charity	Balance as at 31 March 2020 £'000	Transfer between Funds	Revaluation of Investments	Income	Expenditure	Balance as at 31 March 2021 £'000
Educational Trusts	(1,244)	0	(122)	(82)	82	(1,366)
Endowment Funds						
- Educational	(737)	0	(80)	(10)	1	(826)
- Social Work	(314)	0	(34)	(4)	6	(346)
Arts & Heritage	(74)	0	0	(0)	1	(73)
Graveyards	(17)	0	0	(0)	2	(15)
Monuments	(7)	0	0	(0)	0	(7)
John Rickart	(53)	0	0	(0)	1	(53)
McBey Trust	(71)	0	0	(0)	1	(71)
Glover House Ltd	0	0	0	0	0	0
Aberdeen Japan Trust	(493)	0	0	0	8	(485)
<b>Total - Non Charitable Trusts</b>	<b>(3,009)</b>	<b>0</b>	<b>(236)</b>	<b>(98)</b>	<b>101</b>	<b>(3,242)</b>
<b>Total</b>	<b>(9,964)</b>	<b>0</b>	<b>(364)</b>	<b>(435)</b>	<b>334</b>	<b>(10,429)</b>

## Investment of Funds

Charitable Trusts	Non-Charitable Trusts	Total		Charitable Trusts	Non-Charitable Trusts	Total
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
4,097	493	<b>4,590</b>	Land & Buildings	4,332	485	<b>4,817</b>
88	627	<b>715</b>	Equities - Listed	168	677	<b>845</b>
5	36	<b>41</b>	Gilt Edged Securities	8	32	<b>40</b>
-	387	<b>387</b>	Bank	-	463	<b>463</b>
2,485	1,571	<b>4,056</b>	Council Loans Fund	2,606	1,667	<b>4,273</b>
400	-	<b>400</b>	Other Investments - ACGIA	200	-	<b>200</b>
53	-	<b>53</b>	Debtors	52	-	<b>52</b>
(174)	(105)	<b>(279)</b>	Creditors	(179)	(82)	<b>(260)</b>
<b>6,954</b>	<b>3,009</b>	<b>9,963</b>		<b>7,187</b>	<b>3,241</b>	<b>10,429</b>
				7,187	3,242	10,429
-	-	-	Share Capital	-	-	-
(4,454)	(2,600)	<b>(7,054)</b>	Unrestricted Funds	(4,547)	(2,709)	<b>(7,256)</b>
(97)	(410)	<b>(507)</b>	Endowment Funds	(114)	(532)	<b>(647)</b>
(2,403)	-	<b>(2,403)</b>	Designated Funds - Common Good Fund	(2,526)	-	<b>(2,526)</b>
-	-	-	Designated Funds - Grampian Health Board	-	-	-
<b>(6,954)</b>	<b>(3,010)</b>	<b>(9,964)</b>		<b>(7,187)</b>	<b>(3,241)</b>	<b>(10,429)</b>

Jonathan Belford, CPFA  
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**Group Accounts**

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

**Group Movement in Reserves Statement**

<b>Balance at 31 March 2019</b>	<b>(58,669)</b>	<b>(1,230,244)</b>	<b>(1,288,913)</b>	<b>(114,899)</b>	<b>(1,403,812)</b>
					0
<b>Movement in Reserves during 2019/20</b>	<b>156,565</b>	<b>(83,619)</b>	<b>72,946</b>	<b>2,046</b>	<b>74,992</b>
Adjustments between accounting basis & funding basis under regulations	(156,215)	156,215	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>350</b>	<b>72,596</b>	<b>72,946</b>	<b>2,046</b>	<b>74,992</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	(1,642)	1,642	0	0	0
<b>Increase/Decrease in Year</b>	<b>(1,292)</b>	<b>74,238</b>	<b>72,946</b>	<b>2,046</b>	<b>74,992</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(59,961)</b>	<b>(1,156,006)</b>	<b>(1,215,967)</b>	<b>(112,853)</b>	<b>(1,328,820)</b>
<b>Movement in Reserves during 2020/21</b>	<b>(10,220)</b>	<b>(105,703)</b>	<b>(115,923)</b>	<b>(21,976)</b>	<b>(137,899)</b>
Adjustments between accounting basis & funding basis under regulations	(29,223)	29,223	0		0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>(39,443)</b>	<b>(76,480)</b>	<b>(115,923)</b>	<b>(21,976)</b>	<b>(137,899)</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>(39,443)</b>	<b>(76,480)</b>	<b>(115,923)</b>	<b>(21,976)</b>	<b>(137,899)</b>
<b>Balance at 31 March 2021</b>	<b>(99,405)</b>	<b>(1,232,485)</b>	<b>(1,331,890)</b>	<b>(134,829)</b>	<b>(1,466,720)</b>



## Group Comprehensive Income and Expenses Statement

2019/20			2020/21			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Continued Operation</b>			
343,864	(58,000)	285,864	Operations	329,564	(52,280)	277,284
101,096	(63,805)	37,291	Customer	102,969	(60,461)	42,508
13,805	(5,004)	8,800	Commissioning	42,185	(12,598)	29,587
217,282	(182,211)	35,071	Resources	81,758	(62,218)	19,540
34,737	(9,547)	25,190	Place	0	0	0
5,613	(2,309)	3,304	Governance	0	0	0
236,584	(145,171)	91,412	Integration Joint Board	252,855	(158,586)	94,269
43,706	(821)	42,885	Corporate	25,480	(3,608)	21,872
125,166	(100,460)	24,707	Housing Revenue Account	142,712	(103,089)	39,623
<b>1,121,853</b>	<b>(567,328)</b>	<b>554,525</b>	<b>Cost of Services</b>	<b>977,523</b>	<b>(452,840)</b>	<b>524,683</b>
1,137	0	0	Other Operating Expenditure	0	(1,146)	(1,146)
61,531	48,547	110,078	Financing and Investment Income and Expenditure	97,435	(47,548)	49,886
0	(501,797)	(501,797)	Taxation and Non Specific Grant Income	0	(591,303)	(591,303)
<b>1,184,521</b>	<b>(1,020,578)</b>	<b>163,943</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,074,958</b>	<b>(1,092,837)</b>	<b>(17,880)</b>
		2,250	Share of (surplus) or deficit on the provision of services of Associates and JV			(5,646)
		<b>166,193</b>	<b>Group (Surplus)/Deficit</b>			<b>(23,526)</b>
		(10,644)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			24,007
		(5,810)	(Surplus)/deficit on revaluation of available for sale financial assets			(5,931)
		(71,763)	Actuarial (gains)/losses on pension assets/liabilities			(131,677)
		(1,089)	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(771)
		(1,896)	Other (gains)/losses			(1,646)
		(91,202)	Other Comprehensive Income and Expenditure			(114,372)
		<b>74,991</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(137,898)</b>

## Group Balance Sheet

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
2,407,908	Property ,Plant and Equipment (note xi)	2,388,124
291,582	Investment Property (note xii)	289,655
28,445	Long Term Investments and/or Investments in Associates and Joint Ventures	27,401
197,819	Heritage Assets	198,068
7,540	Long Term Debtors	742
<b>2,933,293</b>	<b>Long Term Assets</b>	<b>2,903,990</b>
50,454	Short Term Investments	40,276
2,446	Inventories	2,930
94,460	Short Term Debtors	132,540
106,810	Cash and Cash Equivalents	128,682
15,561	Assets held for Sale	14,061
<b>269,731</b>	<b>Current Assets</b>	<b>318,489</b>
(183,949)	Short Term Borrowing	(195,669)
(100,861)	Short Term Creditors	(118,743)
(2,253)	Provisions	(549)
(3,020)	PPP Short Term Liabilities	(4,638)
(25,164)	Capital Grants Receipts in Advance	(21,047)
(712)	Revenue Grants Receipts in Advance	(2,909)
(6,129)	Other Short Term Liabilities	(7,423)
<b>(322,088)</b>	<b>Current Liabilities</b>	<b>(350,978)</b>

## Group Balance Sheet

<b>31 March 2020</b> <b>£'000</b>		<b>31 March 2021</b> <b>£'000</b>
0	Long Term Creditors	0
(613)	Provisions	(551)
(1,026,805)	Long Term Borrowing	(1,003,257)
(1,300)	Liabilities in Associates and Joint Ventures	(1,302)
(135,202)	PPP Long Term Liabilities	(130,565)
(57,602)	Other Long Term Liabilities	(57,194)
(330,592)	Pension Liabilities	(211,912)
<b>(1,552,114)</b>	<b>Long Term Liabilities</b>	<b>(1,404,781)</b>
<b>1,328,820</b>	<b>Net Assets</b>	<b>1,466,720</b>
(59,966)	Usable Reserves	(99,405)
(1,156,004)	Unusable Reserves	(1,232,484)
4,938	Group - Usable Reserves	(2,838)
(117,790)	Group - Unusable Reserves	(131,993)
<b>(1,328,820)</b>	<b>Total Reserves</b>	<b>(1,466,720)</b>



Jonathan Belford, CPFA  
Chief Officer - Finance  
12 May 2021

**Group Cash Flow**

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(166,193)	Net surplus or (deficit) on the provision of services	23,526
274,253	Adjust net surplus or deficit on the provision of services for non cash movements	124,754
(45,521)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(80,383)
<b>62,539</b>	<b>Net cash flows from Operating Activities (note 13)</b>	<b>67,897</b>
(167,075)	Net cash flows from Investing Activities (note 14)	(34,233)
137,131	Net Cash flows from Financing Activities (note 15)	(11,793)
<b>32,595</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>21,871</b>
74,214	Cash and Cash equivalent at the beginning of the reporting period	106,810
<b>106,810</b>	<b>Cash and Cash equivalent at the end of the reporting period</b>	<b>128,682</b>

## Notes to the Group Accounts

### Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity, except in the following cases:

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2021, and due to the nature and age of the buildings it is anticipated that there would be no material impact of undertaking a revaluation as at the point of the assets becoming operational.
- Aberdeen Exhibition and Conference Centre Ltd, and Aberdeen Sports Village Ltd are not required to prepare their annual accounts on an IFRS basis and, on the grounds of materiality, no consolidation adjustments have been made to the group accounts.

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line by line basis. Associates have been incorporated using the equity method where the Council's investment in the associates is adjusted each year by the Council's share of the associate's results and other gains and losses. Joint Ventures have been incorporated using the gross equity method.

The accounting periods for all entities are from 1 April 2020 to 31 March 2021, with the exception of ASV Ltd, whose accounting year end is 31 July, in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the annual accounts produced at 28 February 2020, 31 July 2020 and 28 February 2021. This means that a 12 month period of activity is incorporated into the Group Accounts.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors and creditors.

### Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

Aberdeen City Council has an interest in a number of Subsidiaries, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. Included as Joint Ventures are Aberdeen Sports Village (the joint venture with The University of Aberdeen) and the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

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**Subsidiaries****Common Good**

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

**Trust Funds**

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

**Sport Aberdeen**

Sport Aberdeen Limited is a charity and constitutes a limited company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity, under chapter 9 of the Code the Council have determined that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited appears to be operating as a structured entity of the Council as defined by IFRS 12.

In the event that Sport Aberdeen incurs any reasonable and properly incurred losses or liabilities, damage claims, demand, costs, expenses, penalties, legal and other professional fees, the council will indemnify Sport Aberdeen on demand for these losses.

Aberdeen City Council as the Scheme employer of the North East Scotland Pension Fund in which Sport Aberdeen is an Admission Body guarantees to discharge on demand the guaranteed obligations by making immediate payment to the fund.

**Bon Accord Care and Bon Accord Support Services**

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% held by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

## Joint Ventures

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts. ASV currently has Net Assets of £33 million in 2020/21 (2019/20 £34.2 million).

ASV Ltd was incorporated on 17 July 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian. During financial year 2020/21, the partners contributed £366 million in funding to the IJB (£327 million 2019/20).

## Associates

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

Grampian Valuation Joint Board    39%

There is no share capital issued by the Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to the Board.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

## Distribution of Reserves

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from Sport Scotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

## Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £135 million (2019/20, increase of £114 million).

**Note iv Group Entities**

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2020/21	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	129,817	(263)	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,885	101	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	246	393	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(8,296)	7,311	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(1,055)	118	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	32,688	(1,544)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregation Joint Board	50	50	15,442	12,842	50 Frederick Street, Aberdeen, AB24 5HY
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(3,339)	(4,023)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX



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

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

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole guarantor. Control of the Company rests with the Board of Directors which is independent from Aberdeen City Council. The Council is entitled to appoint 2 out of 10 directors i.e. 20% of the Board. In the event that AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2021, AH&P Ltd made a profit of £626,829 (2019/20, £564,431 profit) and the net assets of the company were £4,720,090.51(2019/20, £4,203,314). Turnover was £4,597,949.59 (2019/20, £4,461,502). Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2019/20, Aberdeen City Council contributed £195,000 (2018/19, £81,000) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The audited accounts for 2019/20 show a surplus of £563,000 (2018/19, £193,000 deficit) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance. The accounts for 2020/21 are being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2020 net assets amounted to £303,659 (2018/19, £300,696) with a loss for the year of £2,963 (2018/19, £1,436 loss). The accounts for 2018/19 are being prepared. It is anticipated that there will be no significant changes as at March 2020. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities–region planning authorities. The current legislative position of SDPA prevents it from retaining a surplus and reserves. In 2020/21, Aberdeen City Council did not make any material contributions to the SDPA. In 2019/20, £30,000 was contributed towards the costs of the organisations.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2020/21, Aberdeen City Council contributed £175,464 (2019/20, £147,414) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
53,684	Interest payable and similar charges	45,787
7,848	Pensions interest cost and expected return on pensions assets	7,025
(2,035)	Interest receivable and similar income	(546)
53,971	Income and expenditure in relation to investment properties and changes in their fair value	(601)
(3,390)	Other investment income	(1,778)
<b>110,078</b>	<b>Total</b>	<b>49,887</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
(166,193)	* Net surplus or (deficit) on the provision of services	23,526
<b>(166,193)</b>	*	<b>23,526</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
73,982	Depreciation	85,095
56,222	Impairment, downward revaluations & non sale derecognitions	50,218
(202)	(Increase)/Decrease in Stock	(484)
(447)	(Increase)/Decrease in Debtors	(33,933)
29,506	Increase/(Decrease) in Creditors	11,201
47,801	Payments to Pension fund	20,351
0	Carrying amount of non current assets sold	1,188
1,949	Carrying amount of written off assets	0
(1,269)	Contributions to Other Reserves / Provisions	(8,478)
60,341	Movement in value of investment properties	5,167
6,370	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(5,571)
<b>274,254</b>		<b>124,754</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(44,710)	Receipt of Capital Grants and Contributions	(87,039)
(811)	Proceeds from the sale of PP&E, investment property and intangible assets	(2,334)
15,506	Bond EIR adjustment	8,991
<b>(30,015)</b>		<b>(80,382)</b>
<b>78,046</b>	<b>Net cash flows from operating activities</b>	<b>67,899</b>

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

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

(207,924)	Purchase of property, plant and equipment, investment property and intangible assets	(134,561)
(4,693)	Purchase/(Sale) of short term and long term investments	10,925
1,433	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,925
(601)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(561)
44,710	Capital grants and contributions received	87,039
<b>(167,075)</b>	<b>Net cash flows from investing activities</b>	<b>(34,233)</b>

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

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

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

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

<b>31 March 2020</b> <b>£'000</b>		<b>31 March 2021</b> <b>£'000</b>
38	Cash held by officers	34
106,772	Bank current accounts	128,648
<b>106,810</b>	<b>Total cash and cash equivalents</b>	<b>128,682</b>

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

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PP Assets Included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
<b>At 1 April 2019</b>	<b>997,885</b>	<b>912,609</b>	<b>62,627</b>	<b>350,346</b>	<b>29,773</b>	<b>5,227</b>	<b>361,801</b>	<b>2,720,268</b>	<b>213,006</b>
Additions	50,527	10,184	10,781	19,604	520	103	116,190	<b>207,909</b>	365
Revaluations	(33,201)	(36,735)	0	0	0	(2,042)	0	<b>(71,978)</b>	(20,775)
Derecognition / Disposals	0	0	(2,391)	0	0	0	0	<b>(2,391)</b>	0
Transfers	3,656	293,503	0	0	0	5,519	(424,178)	<b>(121,500)</b>	0
<b>At 31 March 2020</b>	<b>1,018,867</b>	<b>1,179,561</b>	<b>71,017</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,732,308</b>	<b>192,596</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2019</b>	<b>(86,846)</b>	<b>(44,231)</b>	<b>(38,513)</b>	<b>(110,224)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(279,814)</b>	<b>(12,326)</b>
Depreciation Charge	(31,900)	(22,886)	(7,598)	(11,600)	0	0	0	<b>(73,984)</b>	(3,673)
Depreciation & Impairment written out	0	26,759	0	0	0	0	0	<b>26,759</b>	15,408
Derecognition / Disposals	0	0	2,384	0	0	0	0	<b>2,384</b>	0
Transfers	0	253	0	0	0	0	0	<b>253</b>	0
<b>At 31 March 2020</b>	<b>(118,746)</b>	<b>(40,105)</b>	<b>(43,727)</b>	<b>(121,824)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(324,401)</b>	<b>(591)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>900,121</b>	<b>1,139,456</b>	<b>27,290</b>	<b>248,126</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,407,905</b>	<b>192,005</b>
<b>At 31 March 2019</b>	<b>911,039</b>	<b>868,378</b>	<b>24,114</b>	<b>240,122</b>	<b>29,773</b>	<b>5,227</b>	<b>361,801</b>	<b>2,440,453</b>	<b>200,680</b>

Movements in 2020/21:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	<b>1,018,867</b>	<b>1,179,287</b>	<b>71,291</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,732,308</b>	<b>192,596</b>
Additions	56,526	22,154	9,389	13,818	201	(3,754)	38,757	137,091	1,431
Revaluations	(218,443)	(86)	0	0	0	(2,711)	0	(221,240)	0
Derecognition / Disposals	0	0	(13,439)	(1,012)	0	0	0	(14,451)	0
Transfers	0	(9,064)	0	0	0	7,849	0	(1,215)	0
<b>At 31 March 2021</b>	<b>856,950</b>	<b>1,192,291</b>	<b>67,241</b>	<b>382,756</b>	<b>30,494</b>	<b>10,191</b>	<b>92,570</b>	<b>2,632,493</b>	<b>194,027</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2020</b>	<b>(118,746)</b>	<b>(40,105)</b>	<b>(43,727)</b>	<b>(121,824)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(324,401)</b>	<b>(591)</b>
Depreciation Charge	(34,222)	(28,492)	(10,158)	(12,221)	0	0	0	(85,093)	0
Depreciation & Impairment written out	149,960	778	0	0	0	0	0	150,738	0
Derecognition / Disposals	0	0	13,376	1,012	0	0	0	14,388	0
Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>(3,008)</b>	<b>(67,819)</b>	<b>(40,509)</b>	<b>(133,033)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(244,368)</b>	<b>(591)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>853,943</b>	<b>1,124,472</b>	<b>26,732</b>	<b>249,724</b>	<b>30,494</b>	<b>10,191</b>	<b>92,570</b>	<b>2,388,124</b>	<b>193,436</b>
<b>At 31 March 2020</b>	<b>900,121</b>	<b>1,139,182</b>	<b>27,564</b>	<b>248,127</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,407,907</b>	<b>192,005</b>

**Note xii Investment Properties**

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

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

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	239,246	291,582
Additions:		
• Purchases	0	0
Disposals	(1,830)	(1,125)
Net gains/losses from fair value adjustments	(57,718)	(2,018)
Transfers:		
• to/from Inventories	127,084	1,216
• to/from Property, Plant and Equipment	0	0
• to/from Assets Held for Sale	(15,200)	0
<b>Balance at end of the year</b>	<b>291,582</b>	<b>289,655</b>

**Note xiii**

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

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

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

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

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

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



<b>2019/20</b>	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Total Assets £'000</b>	<b>Total Liabilities £'000</b>	<b>Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	214	554	(1,854)	(1,300)
<b>Associates Total</b>	<b>214</b>	<b>554</b>	<b>(1,854)</b>	<b>(1,300)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	548	22,917	(5,827)	17,090
Integration Joint Board	1,490	1,314	(13)	1,301
<b>Joint Ventures Total</b>	<b>2,038</b>	<b>24,231</b>	<b>(5,840)</b>	<b>18,391</b>
<b>2020/21</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Share of Total Assets £'000</b>	<b>Share of Total Liabilities £'000</b>	<b>Share of Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	2	828	(2,131)	(1,303)
<b>Associates Total</b>	<b>2</b>	<b>828</b>	<b>(2,131)</b>	<b>(1,303)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	772	21,782	(5,438)	16,344
Integration Joint Board	(6,421)	7,721		7,721
<b>Joint Ventures Total</b>	<b>(5,649)</b>	<b>29,503</b>	<b>(5,438)</b>	<b>24,065</b>

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

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

**Subsidiaries**

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension surplus for the year is £1,725,000 (2019/20, £2,140,000 deficit).

**Bon Accord Care (BAC) and Bon Accord Support Services (BASS)** participate as admitted bodies, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. In 2020/21 BASS made a surplus of £118,000 while BAC realised a surplus of £7,311,000.

### Joint Ventures

**Aberdeen Sports Village Limited (ASV Ltd)** participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year 2019/20 was £141,000 (2018/19, £72,000).

### Associates

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

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

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

#### Note xvii Net Pension Liabilities

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

	2019/20 £'000	2020/21 £'000
ACC	(309,303)	(199,703)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(1,668)	(1,668)
<b>Total</b>	<b>(310,971)</b>	<b>(201,371)</b>

**Glossary of Terms**

**Revenue Expenditure:** *This is expenditure incurred in providing services in the current year and which benefits that year only.*

**Capital Expenditure:** *This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising income from the sale of existing assets.*

**CIPFA:** *The Chartered Institute of Public Finance and Accountancy.*

**COSLA:** *Convention of Scottish Local Authorities*

**LASAAC:** *The Local Authority (Scotland) Accounts Advisory Committee.*

**SeRCOP:** *CIPFA's Service Reporting Code of Practice 2020/21.*

**PWLB:** *Public Works Loans Board, a Government agency that provides loans to the Council.*

**IFRS:** *International Financial Reporting Standards.*

**IAS:** *International Accounting Standard.*

**OSCR:** *Office of the Scottish Charity Regulator*

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## **Charitable Trusts**

Annual Report and Financial Statements

For the year ended  
31 March 2021

Registered Numbers:

Gildry - SC011857  
Bridge of Don Fund - SC018551  
Alexander MacDonald's Bequest - SC018568  
Aberdeen Art Gallery Trusts - SC018575  
Lands of Skene – SC018533  
Lands of Torry – SC021299  
Education Endowment Investment Funds (EEIF) – SC025063

## **Aberdeen City Council Charitable Trusts Trustees Annual Report 2019/20**

Aberdeen City Council acts as the sole trustee for the charities in this report.

Aberdeen City Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet. However, they are included in the Annual Accounts of the Council and its group.

### **Reference and administration details**

At the end of the year the Council acts as the sole trustee for 7 trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The charity names, charity numbers, purposes of the charities, and where available details of governing document for the charities covered by this report are given in Appendix 1 of this document.

### **Principal Address**

Aberdeen City Council,  
Marischal College,  
Broad Street,  
Aberdeen  
AB10 1AB

### **External Auditor**

KPMG LLP,  
St Vincent Street,  
Glasgow,  
G2 5AS

### **Secretary**

Fraser Bell  
Chief Officer - Governance,  
Aberdeen City Council

### **Treasurer**

Jonathan Belford, CPFA  
Chief Officer - Finance,  
Aberdeen City Council.

## Trustees

As per guidance provided by OSCR, “Trustees” of the Charitable Trusts are those who have “general control and management” of the charity. Decisions regarding the general control and management of the Charitable Trusts are made by the full Council. For the purposes of this report it is our interpretation of the aforementioned that all elected members are Charity Trustees.

The Trustees are the Councillors of Aberdeen City Council, and are as follows:-

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

All the Trustees are normally elected or re-elected at local government elections. By-elections are held when elected members vacate their positions, to elect new members, who automatically become Trustees. New members are supplied with training as part of their induction process.

## **Structure, governance and management**

The Charitable Trusts are constituted in a variety of ways. The type of governing document is shown at Appendix 1, where they are available. Information regarding some of the trusts is not available owing to their antiquity and the fact that they have been administered by a number of government bodies since coming into public control.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

## **Risk**

The trustees have overall responsibility for the Charitable Trusts system of internal control, including financial reporting and compliance with laws and regulations. The trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## **Objectives and activities**

Information on the purpose and nature of the trusts is given below.

### Bridge of Don Fund

The fund, more properly known as the Brig O' Balgownie Trust Fund, was set up in 1605 and its original purpose was for the "repair and upholding of the Brig O' Balgownie". Modern charity legislation does not include bridge maintenance as a charitable purpose and OSCR have deemed that the purpose of this trust is the advancement of heritage.

In August 2016 the trust adopted a new constitution.

The Bridge of Don Fund has a 30% interest in the Lands of Skene with the remainder of its funds being invested in the Aberdeen City Council Loans Fund.

### Alexander MacDonald's Bequest

This fund was established in 1882 for the purchase of works of art for the Aberdeen Art Gallery and Museum collection following the death of Mr. MacDonald.

Trust funds are invested in the Aberdeen City Council Loans Fund.

### Aberdeen Art Gallery Trusts

This trust was reorganised in March 2014 by the adoption of a new trust deed and funds are used for the advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum.

Trust funds are invested in the Aberdeen City Council Loans Fund.



## Guildry

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 which recognised the financial assistance scheme to Burgesses and their family members and a new scheme of educational bursaries. Educational bursaries have not been awarded for a number of years and the Dean of the Guild has been working with Aberdeen University, Robert Gordon University and the North East Scotland College to identify potential candidates for bursaries.

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.

In recent years, a number of properties have been sold off and funds have been invested in the Aberdeen City Loans Fund.

The free revenue from the Lands of Skene is split between the following:

Guildry Funds – 40%  
Bridge of Don Trust – 30%  
Common Good Fund – 30%

This is believed to represent the share of investment in the original purchase of the lands.

## Lands of Torry

The Lands of Torry goes back to at least 1704 when they were purchased on behalf of certain accounts:

Duncan Liddel's Mortification – Professor of Mathematics – 25%  
Duncan Liddel's Mortification – Library of College – 2%  
James Cargill's Mortification – Bursary Fund – 10%  
Patrick Copland's Mortification – Professor of Divinity – 12%  
Common Good Fund – 51%.

The annual surplus from this fund is now split between the following:

Common Good Fund – 51%

University of Aberdeen Bursary Fund – 49%.

### Education Endowment Investment Funds (EEIF)

The EEIF comprises over 60 smaller trusts, bequests and legacies split over 3 general areas.

- Education – primarily concerned with prizes or awards at schools
- Social Work – largely to provide comforts at residential homes
- John Murdoch Henderson Bequest – to be used for the purchase of music of intrinsically Scottish interest for the Central Library, Aberdeen.

In general, the charities activities are limited to the accrual of income from investments for use as appropriate given the purposes of the charity.

While reviewing records as part of the Council's reorganisation of charitable trusts, OSCR advised that only a small number of trusts previously reported as part of the EEIF were registered as charities. Only accounts in relation to these registered charities are contained in this document. A review will take place of all trusts that were previously reported as part of the EEIF to consider a reorganisation in consultation with OSCR.

The charitable trust now comprises of the trusts listed in appendix 2, sixteen of these trusts relate to prizes or awards at school while the other trust is for the purchase of music.

The John Murdoch Henderson Trust adopted a new constitution in 2015 which allows for the purchase of a wider range of music. This trust has funded the subscription to on-line music services for Aberdeen City Library Service users. This trust will be wound up once its funds have been expended.

### **Financial Review**

The Trusts' total income increased from £281k in 2019/20 to £338k in 2020/21.

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

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

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

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

The following financial statements for all the Charitable Trusts have been prepared using the connected charities provision. They show the income and expenditure for

the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

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

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

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

### **Reserves Policy**

The Charitable Trusts have no explicit reserves policy, but as a general principle the "capital" of the funds is held effectively as a permanent endowment with only the annual income available for disbursement in the year.

The exceptions to this rule are for charities with little funds and a governing document that specifically states that the capital can be expended. An example of this would be the John Murdoch Henderson Bequest, which as noted above adopted a new constitution to enable the expenditure of the entire capital.

Aberdeen City Council Charitable Trusts hold unrestricted reserves totalling £7,949 million which are made up of unrestricted funds of £4.076 million and designated funds of £3.873 million. There are no restricted funds. Designated funds are those funds which relate to Aberdeen City Council non-charitable trusts which have invested in the Lands of Skene and Torry and at present no plans exist to spend this money.

### **Achievements and performance**

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

### **Future plans**

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

have taken place with OSCR. Work continues to have this ready for trustee approval as soon as possible.

The EEIF is currently being reviewed as a number of school prizes relate to schools that no longer exist.

The limited funds held by the Alexander MacDonald Bequest will be used to fund the purchase of a work of art. The future of this trust and the Aberdeen Art Gallery Trusts will be reviewed in due course as both trusts have minimal funds.

**STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

The Trustees are responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 and the provisions of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed on behalf of the trustees on 30 June 2021.

.....  
Douglas Lumsden

## Appendix 1

### Charity Name, Number and Purpose

<b>Charity Name</b>	<b>Charity Number</b>	<b>Purpose</b>	<b>Governing Document</b>
Guildry	SC011857	Support the Guildry activities including financial assistance scheme and educational bursaries	Court of Session decision 1996
Bridge of Don Fund	SC018551	The advancement of Heritage	Constitution dated August 2016
Alexander MacDonald's Bequest	SC018568	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed March 2014
Lands of Skene	SC018533		Unavailable
Lands of Torry	SC021299	The advancement of Education	Unavailable
Education Endowment Investment Funds	SC025063	The advancement of Education and the advancement of the Arts, Heritage, Culture and Science	Unavailable except for John Murdoch Henderson Trust Deed of May 2015

## APPENDIX 2

### EEIF Charitable Trusts

D M Andrew Bequest	For prizes in Classics at Aberdeen Grammar School
Miss Elizabeth H Bain Bequest	For music tuition and for instruments to pupils in city schools
Mrs Athol Benzie Prize Fund	For best all round pupil in fifth year at Aberdeen Academy
Edith and David R Bishop Prize Fund	For prizes to pupils at Aberdeen Grammar School selected by the rector
Mrs Mina Brooks Memorial Prize	For prizes for children's theatre
Miss Lucy Cruickshank Prize Fund	For prize to best pupil or pupils in French or German at High School for Girls
Jessie Durno Prize Fund	For prize in Mathematics at Aberdeen Academy
Mary Durno Prize Fund	For prize in English at Aberdeen Academy
Margaret Duthie Memorial Prize Fund	For pupil showing the greatest endeavour at Dyce School
Miss Margaret C Harper Prize Fund	For best pupil in German at Aberdeen Academy
Miss Bessie Heriot Prize Fund	For prize to best girl at Kaimhill Secondary School
John M Robertson Memorial Prize Fund	For prize to best pupil in commercial subjects at Aberdeen Grammar School
Kenneth MacIntosh Bequest	For paying or supplementing the expenses of pupils at Aberdeen Grammar School who might otherwise not be able to afford the cost of school trips
Dr Charles McLeod Trust	For purchase of books on Physical Science or Astronomy at Aberdeen Grammar School
William Meston Bursary Fund	For bursary to pupil of merit at Culter School taking a secondary course
Dr George MacKenzie Prize Fund	For prize to best pupil in German in Aberdeen Academy
John M Henderson Bequest	To purchase music of intrinsically Scottish interest for the Central Library, Aberdeen

**Aberdeen City Council Charitable Trusts**  
**Statement of Financial Activities**  
**For the year ended 31 March 2021**

		Unrestricted Funds 2020/21 £'000	Restricted Funds 2020/21 £'000	Endowment Funds 2020/21 £'000	<b>Total Funds 2020/21 £'000</b>	<b>Total Funds 2019/20 £'000</b>
	<u>Note</u>					
<b>Income and endowments from:</b>						
Incoming resources from generated funds						
Donations & Legacies		129	-	-	<b>129</b>	<b>1</b>
Investments	2	209	-	-	<b>209</b>	<b>280</b>
Total		<u>338</u>	<u>-</u>	<u>-</u>	<b>338</b>	<b>281</b>
<b>Expenditure on:</b>						
Charitable Activities	3,4	231	-	-	<b>231</b>	<b>289</b>
Total		<u>231</u>	<u>-</u>	<u>-</u>	<b>231</b>	<b>289</b>
Net income/expenditure		107	-	-	<b>107</b>	<b>(8)</b>
<b>Other recognised gains/(losses):</b>						
Gains/(losses) on investment assets		234	-	16	<b>250</b>	<b>(415)</b>
Net movement in funds		<u>341</u>	<u>-</u>	<u>16</u>	<b>357</b>	<b>(423)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward		7,589	-	97	<b>7,686</b>	<b>8,109</b>
<b>Total funds carried forward</b>		<u><b>7,929</b></u>	<u><b>-</b></u>	<u><b>113</b></u>	<b>8,043</b>	<b>7,686</b>



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

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

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

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

.....  
Douglas Lumsden

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

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

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

**1 - Accounting policies**

**Accounting convention**

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

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

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

**Going concern**

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

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

**Recognition of revenue and expenditure**

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

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

**1 - Accounting policies (continued)**

**Incoming resources**

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it relates. Interest on invested funds is included when it is paid or when it is notified as being due.

Rent from properties is recognised as it is due.

**Resources expended**

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis based on the size of the fund.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

**Funds**

Unrestricted funds include incoming resources receivable or generated for the objectives of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustees.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the Trustees Annual Report.

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

**1 - Accounting policies (continued)**

**Funds (continued)**

Endowment funds represent those Assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objectives of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. These funds are to be used in accordance with the specific restrictions imposed by donors.

**Taxation**

The Trusts are recognised by HM Revenue and Customs as charities and because of the tax reliefs available, income is not liable to taxation.

**Investments**

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

**Trustee Remuneration and Staff Costs**

The Trusts have no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

**Interest & Management Charges**

Interest & Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charities during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

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

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

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
5 TANGIBLE FIXED ASSETS		
Market Value at 1 April	4,190	4,602
Net investment gains/(losses)	250	(415)
Purchases	-	3
Disposals	-	-
Market Value at 31 March	<u>4,440</u>	<u>4,190</u>
Investments at market value Comprised:		
Investment Properties	4,332	4,097
Gilts	7	5
Equities	101	88
	<u>4,440</u>	<u>4,190</u>

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

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

6 DEBTORS		
Prepayments & accrued income	<u>52</u>	<u>53</u>
7 INVESTMENTS HELD AS CURRENT ASSETS		
City of Aberdeen Loan Funds	<u>3,529</u>	<u>3,237</u>

The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.

8 CREDITORS: Amounts falling due within one year		
Accruals and deferred income	179	174
Short Term Loan - Aberdeen City Council	-	-
	<u>179</u>	<u>174</u>

9 ANALYSIS OF NET ASSETS IN FUNDS	<b>Tangible fixed assets</b>	<b>Current assets (liabilities)</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Unrestricted funds	<u>4,440</u>	<u>3,602</u>	<u>8,043</u>	<u>7,686</u>

10 CONTROLLING INTEREST	
Each charity is under the control of its trustees.	

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

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



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

14 ANALYSIS OF CHARITABLE TRUSTS

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

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

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

# Aberdeen City Council Charitable Trusts

## Notes to the Accounts

### For the year ended 31 March 2021

#### 15 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

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

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

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



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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk & Scrutiny
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	RIPSA - Quarterly Report – Quarter 1 2021
<b>REPORT NUMBER</b>	COM/21/098
<b>DIRECTOR</b>	Chief Executive
<b>CHIEF OFFICER</b>	Fraser Bell – Chief Officer Governance
<b>REPORT AUTHOR</b>	Jessica Anderson - Team Leader
<b>TERMS OF REFERENCE</b>	5.2

### 1. PURPOSE OF REPORT

- 1.1 To ensure that Elected Members review the Council's use of covert surveillance on a quarterly basis in order to provide assurance that it is used consistently in accordance with the Corporate Protocol and Procedure on Covert Surveillance.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the update within the report in respect of the Council's covert surveillance activity during Quarter 1 of the current year.

### 3. BACKGROUND

- 3.1 There are a range of situations in which Council's employees, in the course of their duties, require to carry out investigations and activities which by their very nature are covert, i.e. they are concealed, secret or clandestine. In accordance with the Human Rights Act 1998, it is essential that covert investigations are compatible with Article 8 of the European Convention on Human Rights (ECHR) which states that: "Everyone has the right to respect for his private and private life, his home and his correspondence".

- 3.2 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), provides a legal framework for covert surveillance by public authorities and an independent inspection regime to monitor these activities. RIPSA sets out a process for the authorisation of covert surveillance by designated officers, for the duration of that authorisation and for the review, renewal or termination of authorisations. It gives the Council powers to conduct two types of covert surveillance:

1. Directed Surveillance (is covert surveillance in places other than residential premises or private vehicles); and
2. the use of a Covert Human Intelligence Source (the use of an undercover officer).

- 3.3 The Council has a Corporate Protocol and Procedure in place which governs the use and management of covert surveillance. Further, all members of staff wishing to use RIPSAs, are required to undertake training prior to being able to make an application to undertake covert surveillance.

#### **QUARTER 1- 2021**

- 3.4 In the period from 1 January until 31 March 2021, there was one authorisation for Directed Surveillance.
- 3.5 The application during Quarter 1 was from the Trading Standards team and related to the alleged selling of counterfeit goods offences under section 92 of the Trade Marks Act 1994.
- 3.6 Authorisations are executed in accordance with the Council's policy and procedure on Covert Surveillance and are thereafter audited by Legal Services – Regulatory and Compliance Team as is normal practice. The Regulatory and Compliance Team raise any matters of good practice, policy or procedure with the Authorising Officer and the Applicant after every audit. Officers within Legal services do not interfere with the Authorisation process as that responsibility lies with the Authorising Officer. This approach has been agreed and is supported by the Investigatory Powers Commissioner.
- 3.7 Although authorised, the surveillance did not go ahead for operational reasons and the application was then cancelled by the Authorising Officer.
- 3.8 There have been no further applications for covert surveillance made or approved within this quarter.
- 3.9 There have been no changes to the Protocol and it still remains fit for purpose.

#### **TRAINING**

- 3.10 As noted on 24 February 2021, the aim is to deliver full training during Q2. Refresher training will be completed by the end of Q3.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no financial implications arising from this report.

#### **5. LEGAL IMPLICATIONS**

- 5.1 The Scottish Government Code of Practice on Covert Surveillance sets an expectation that elected members review and monitor the use of RIPSAs on a quarterly basis. This is also a matter which is taken into account by the Investigatory Powers Commissioner when they carry out their inspections.
- 5.2 A review of the Council's RIPSAs activity by elected members provides assurance that the Council's use of RIPSAs is being used consistently and that

the standards set by its policy remain fit for purpose.

- 5.3 The management, knowledge and awareness of those involved with RIPSA activity was something which was commended by the Commissioner in his inspection in 2020. The reporting of RIPSA activity to Committee provides another level of scrutiny and assurance on the use of RIPSA.

## 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	There are no strategic risks arising from this report.	N/A	
<b>Compliance</b>	That the Council's use of RIPSA is not legally compliant.	L	This Committee receives quarterly and annual reports on RIPSA activity and related policy mitigates this risk highlighted in this section.
<b>Operational</b>	Employees are not suitably trained for RIPSA work Failure to report to and update Committee on RIPSA activity means that it would undermine public confidence in the Council and how it operates.	L	Appropriate and mandatory training arms staff with the correct skills to carry out surveillance and thus, there is little to no risk to staff. All requests for training are met.  Reporting to Committee occurs quarterly on RIPSA activity.
<b>Financial</b>	There are no financial risks arising from this report.	N/A	
<b>Reputational</b>	Failure to update Committee on RIPSA activity would mean that the Council would be at risk of reputational damage when this is raised by the IPCO in their inspection.	L	External inspections on RIPSA activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSA. The Inspection Report is shared with Committee and an Action Plan created (where necessary) and is endorsed and approved by Committee.
<b>Environment / Climate</b>	There are no environmental/	N/A	

	climate risks arising from this report.		
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## 7. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	The report does not have an impact on the Policy Statement.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	The use of RIPSAs by the Council as an investigatory tool may have an impact on the economy as a result of enforcement action taken by services such as Trading Standard, e.g. such as in enforcing the law around counterfeit goods.
Prosperous Place Stretch Outcomes	Enforcement activity undertaken by the Council by using, where appropriate, its powers under RIPSAs, may have an impact on this theme by tackling the selling of counterfeit goods.
<b>Regional and City Strategies</b>	
	This report does not have an impact on the Regional and City Strategies.
<b>UK and Scottish Legislative and Policy Programmes</b>	
	This report does not have an impact on the UK and Scottish Legislative and Policy Programmes.



## 8. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Impact Assessment</b>	The purpose of this report is to update Committee on the Council's use of RIPSAs. Further, there is no requirement to consider the Fairer Scotland Duty as this report does not seek approval for any Strategic decisions and is merely providing Committee with an update RIPSAs activity.
<b>Data Protection Impact Assessment</b>	The purpose of this report is to update Committee on the Council's use of RIPSAs. As such, a Data Protection Impact Assessment is not required.

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES

None.

## 11. REPORT AUTHOR CONTACT DETAILS

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