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

Town House,
ABERDEEN 23 June 2022

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Council Chamber - Town House** on **THURSDAY, 30 JUNE 2022 at 2.00 pm.** **This is a hybrid meeting and Members may also attend remotely.**

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

FRASER BELL
CHIEF OFFICER - GOVERNANCE

B U S I N E S S

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 AND TRANSPARENCY STATEMENTS

- 3.1. Members are requested to intimate any declarations of interest or transparency statements.

DEPUTATIONS

- 4.1. Where requested

MINUTE OF PREVIOUS MEETING

- 5.1. Minute of Previous Meeting of 22 February 2022 (Pages 5 - 12)

COMMITTEE PLANNER

- 6.1. Committee Business Planner (Pages 13 - 16)

NOTICES OF MOTION

- 7.1. There are none at this time

REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

- 8.1. There are none at this time

COMMITTEE BUSINESS

Risk Management

- 9.1. ALEO Assurance Hub - COM/22/119 (Pages 17 - 36)

Annual Accounts

- 9.2. External Audit - Audit Status Update (Pages 37 - 48)

- 9.3. Unaudited Annual Accounts 2021/22 (Pages 49 - 262)

Internal Audit

- 9.4. Internal Audit Annual Report - IA/22/005 (Pages 263 - 284)

- 9.5. School Estate and Pupil Security - AC2108 (Pages 285 - 300)

- 9.6. Capital Project Management - AC2118 (Pages 301 - 324)

9.7. Budget Monitoring - AC2208 (Pages 325 - 340)

9.8. Learning Disabilities - AC2210 (Pages 341 - 356)

EXEMPT/CONFIDENTIAL BUSINESS

10.1. none at this time

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

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

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Audit, Risk and Scrutiny Committee

ABERDEEN, 22 February 2022. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Alex Nicoll, Convener; Councillor Yuill, Vice-Convener; and Councillors Allard, Copland (as substitute for Councillor Mennie), Cross, Duncan, Graham, MacKenzie and Mason (as substitute for Councillor 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.

ANNOUNCEMENT

1. In relation to the Service Update - Aberdeen Crematorium Centre of Excellence for Training, the Convener congratulated all staff for their achievements in this area and welcomed the news that Aberdeen would become the third Centre of Excellence Training Centre in Scotland providing specialist training to Crematorium Technicians.

DECLARATIONS OF INTEREST

2. There were no declarations of interest intimated.

MINUTE OF PREVIOUS MEETING OF 2 DECEMBER 2021

3. The Committee had before it the minute of its previous meeting of 2 December 2021.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

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

The Committee resolved:-

- (i) to note that item 14 (Transformational Programme (IJB Risk, Audit and Performance Committee), would be presented to this Committee after it had been discussed at the IJB Risk, Audit and Performance Committee;
- (ii) to note that item 15 (Pensions System) would be reported to the Pensions Committee;
- (iii) to note that items 16 (School/Pupil Security), 17 (Children with Disabilities – Contracts and Direct Payments), 18 (Consilium System – HRA Building

AUDIT, RISK AND SCRUTINY COMMITTEE

22 February 2022

- Maintenance System); 19 (Commissioning); 20 (Capital Project Management) and 21 (Revenue Budget Monitoring) had been delayed until June 2022; and
- (iv) to otherwise note the content of the business planner.

ALEO ASSURANCE HUB - COM/22/039

5. The Committee had before it a report by the Director of Commissioning which presented the Arm's Length External Organisations (ALEO) Assurance Hub workplan for 2022 including the dates for reporting.

The report recommended:-

That the Committee -

- (a) note the workplan for the ALEO Assurance Hub in 2022 which had been reviewed by the Risk Board and consulted upon with the ALEOs and the relevant Conveners; and
- (b) note the Terms of Reference for the ALEO Assurance Hub which had been reviewed by the Risk Board.

Members sought clarification over the definition of an ALEO whereby the Chief Officer – Governance advised that the Council used the Accounts Commission definition and that there was an open dialogue with the Accounts Commission to provide comments and suggestions. He further advised that following today's meeting he would liaise with the Accounts Commission and COSLA to provide an overview of the comments raised.

The Committee resolved:-

- (i) to amend number 16 from the Terms of Reference to read "The Hub shall monitor high level employment practices" and to otherwise note the Terms of Reference which had been reviewed by the Risk Board; and
- (ii) to note the workplan for the ALEO Assurance Hub in 2022 which had been reviewed by the Risk Board and consulted upon with the ALEOs and the relevant Conveners.

CORPORATE RISK REGISTER AND ASSURANCE MAPS - COM/22/035

6. The Committee had before it a report by the Chief Officer – Governance which presented the Corporate Risk Register, Cluster Assurance Maps and Inspection Planner which provided assurance on the Council's system of risk management.

The report recommended:

That the Committee –

- (a) note the Corporate Risk Register set out in Appendix A;
- (b) note the Cluster Assurance Maps provided at Appendix B; and
- (c) note the Inspections Planner provided at Appendix C.

AUDIT, RISK AND SCRUTINY COMMITTEE

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Members thanked officers for the concise, easy to read and understand report.

The Committee resolved:-

to approve the recommendations contained in the report.

RISK APPETITE STATEMENT REVIEW - COM/22/036

7. The Committee had before it a report by the Chief Officer – Governance which presented the updated Risk Appetite Statement (RAS).

The report recommended:-

That the Committee -

- (a) to approve the updated Risk Appetite Statement as attached at Appendix A;
- (b) to note the progress to embed the Risk Appetite Statement during 2021; and
- (c) to note the training and engagement activities for 2022.

Members thanked officers for the concise, easy to read and understand report.

Members sought additional information on the risk appetite and whether the change was due to having a more robust risk management process or a pragmatic approach, wherein the Chief Officer – Governance advised that it was a mixture of both with the risk management system being stronger as well as more focus on the risks and mitigations against the risks. He further advised that the new risk appetite statement reflected where the Council were at in relation to the management of risk.

The Committee resolved:-

to approve the recommendations contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/22/001

8. With reference to article 8 of the minute of its previous meeting, the Committee had before it a report by the Chief Internal Auditor which advised on the progress against the 2020/21 and 2021/22 Internal Audit plans.

The report recommended:-

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

The Convener requested an update in relation to the current staffing levels within the Internal Audit team, wherein the Chief Internal Auditor advised that the team were currently fully staffed.

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The Committee resolved:-

- (i) to thank the Internal Audit team for their efforts over the previous 20 months under difficult circumstances with staff shortages and the pandemic;
- (ii) to note the update provided in relation to the staffing situation within Internal Audit; and
- (iii) to otherwise note the content of the report.

INTERNAL AUDIT RECOMMENDATIONS - IA/22/002

9. With reference to article 9 of the minute of its previous meeting, the Committee had before it a report by the Chief Internal Auditor which advised on the progress made by Services with implementing the recommendations that had been agreed in Internal Audit reports.

The Committee resolved:-

to note the content of the report.

INTERNAL AUDIT PLAN 2022 - 2025 - IA/22/003

10. The Committee had before it a report by the Chief Internal Auditor which presented the Internal Audit Plan for 2022-2025.

The report recommended:-

That the Committee -

- (a) approve the attached Internal Audit Plan for 2022-2025; and
- (b) delegate authority for the Chief Internal Auditor to bring forward or defer audits between years within the plan duration as they deem appropriate and following consultation with the relevant Chief Officer with updates presented to the subsequent Committee.

The Committee resolved:-

- (i) to approve recommendation (a); and
- (ii) to delegate authority to the Chief Internal Auditor following consultation with the Convener and relevant Chief Officer, to bring forward or defer audits between years within the plan duration as they deem appropriate and report updates to this Committee.

INTERNAL AUDIT CHARTER - IA/22/004

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

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The report recommended:-

that the Committee approve the attached Internal Audit Charter.

The Committee resolved:-

to approve the recommendation contained in the report.

PLANNING AND BUILDING STANDARDS FEE INCOME - IA/AC2207

12. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Planning and Building Standards Fee Income which was undertaken to provide assurance that there were adequate systems in place to control fee income in respect of both Planning and Building Standards and that they were being complied with.

The report recommended:-

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

The Committee resolved:-

- (i) to endorse the recommendations for improvement as agreed by the relevant function; and
- (ii) to note that for future reports, where a recommendation is agreed, considered but deemed not beneficial or appropriate that the text under Implementation Date would say 'considered, not implemented'.

EXTERNAL AUDIT STRATEGY

13. The Committee had before it a report by the External Auditor which presented the planned external audit work for 2021/22.

The Committee resolved:-

to note the content of the External Audit Strategy.

USE OF INVESTIGATORY POWERS ANNUAL REPORT - COM/22/038

14. The Committee had before it a report by the Director of Commissioning which was presented to ensure that Elected Members considered a statement of the Council's use of Investigatory Powers policy and statistical information on relevant activity on an annual basis. The report provided an overview of RIPSAs compliance, progress made in 2021 and set out the workplan for 2022.

The report recommended:-

That the Committee note the content of the report.

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The Committee resolved:-

to approve the recommendation contained in the report.

REVIEW OF ITEMS RECORDED AS 'MISSING' FROM ART GALLERY & MUSEUMS COLLECTIONS - COM/22/028

15. The Committee had before it a report by the Director of Commissioning which (1) provided assurance on the current position of items recorded as missing from the Art Gallery and Museums collection; (2) identified steps being taken to continue to review their status; and (3) provided detailed information on the robustness of the processes in place to reduce risk to the status of collections going forward.

The report recommended:-

That the Committee –

- (a) notes the controls in place for the management of the Council's Art Gallery and Museums' collections;
- (b) notes the improvement actions at Section 3.39 of this report and that the Chief Officer – City Growth intends to undertake research, reconciliation, recording and re-location (where possible) of missing items in the collection; and
- (c) note that the Chief Officer City Growth is to apply for external funding to support the work highlighted above.

Members asked various questions to gain assurance that the systems in place were robust to prevent similar issues in the future wherein the Chief Officer – City Growth advised that the systems were more robust and that any discrepancies in the future would be easier to identify and manage.

Members also asked questions relating to specific items that were recorded as missing, wherein the Service Manager – Archives, Galleries and Museums provided an update in relation to each of the items, including current values of items.

The Committee resolved:-

- (i) to note the controls in place for the management of the Council's art gallery and museums' collections;
- (ii) to note the improvement actions at Section 3.29 of the report and that the Chief Officer - City Growth intended to undertake research, reconciliation, recording and re-location (where possible) of missing items in the collection;
- (iii) to note that the Chief Officer - City Growth was to apply for external funding to support the work highlighted above;
- (iv) to note that Aberdeen City Council's Art and Museum collection were valued at £198million;
- (v) to agree that the missing items were historic, some going back to the 1980s and agree that despite the theft of 76 objects being reported to Grampian Police in 1989 these objects still remained missing today;

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- (vi) to agree that the number of 'missing' objects would be expected to reduce as the improvement actions, including research and reconciliation, continued as per (ii) above, alongside existing controls; and
- (vii) to note the assurance that had been given to date and requested officers to provide a Service Update within two committee cycles outlining progress made with reconciling items.

VALEDICTORY

16. The Convener noted that it was the final meeting of the Committee prior to the local government elections and stated that he therefore wished to give his sincere thanks to Councillor Yuill, Vice Convener, External Audit, Internal Audit, and officers who attended the Committee for their work and support throughout his time as Convener.

Councillor Yuill, also put his thanks on record, and thanked the Convener for how he had conducted the meetings during his time in the chair.

- COUNCILLOR ALEX NICOLL, Convener

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	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	30 June 2022								
4	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Jamie Dale	Governance	Commissioning	2.2	R	This has been incorporated into the Annual Assurance Report and Chief Internal Auditor Opinion 2021-22
5	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Jamie Dale	Governance	Commissioning	2.3	R	This has been incorporated into the Annual Assurance Report and Chief Internal Auditor Opinion 2021-22
6	Annual Assurance Report and Chief Internal Auditor Opinion 2021-22	To provide the Committee with the Chief Internal Auditor's Annual Opinion and Report for the year. This also includes an update on progress against the audit plan, audit recommendation follow up, KPIs and other relevant matters for the Committee.	a report is on the agenda	Jamie Dale	Governance	Commissioning	2.3		
7	Use of Investigatory Powers Quarterly Report	to present the quarterly use of investigatory powers report		Jess Anderson	Governance	Commissioning	5.2	R	There have been no authorisations for covert surveillance this year. Refresher training will be rolled out to staff from June 2022 onwards by the Regulatory and Compliance Team, Legal Services and all staff who are trained to undertake covert surveillance will be required to attend
8	Annual Accounts 2021/22	To present the unaudited annual accounts for 2021/22.		Lesley Fullerton	Finance	Resources	4.1		
9	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	R	There have been no SPSO decisions published since the last report to Committee.
10	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	Commissioning	1.2		

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11	Payroll and HR System Amendments	To obtain assurance over the accuracy and completeness of the payroll as a result of changes to the workforce		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress, with delays due to late starting of the fieldwork. Will be the September Committee that this is reported to.
12	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.		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress, with delays due to late starting of the fieldwork. Will be the September Committee that this is reported to.
13	Care Management Recording and Transactions	To obtain assurance over coordination, recording and payment for care services.		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress, with delays due to late starting of the fieldwork. Will be the September Committee that this is reported to,
14	IT Infrastructure Systems	To obtain assurance over the procurement and adequacy of the Council's IT Infrastructure Systems		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress, with delays due to late starting of the fieldwork. Will be the September Committee that this is reported to,
15	Following the Public Pound	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		Jamie Dale	Governance	Commissioning	2.2	R	Review deferred to future years as part of the 2022-25 Annual Audit Plan
16	Recovery Arrangements for Sundry Debt	To ensure that procedures for recovering debts are adequate, efficient and consistently applied		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress, with delays due to late starting of the fieldwork. Will be the September Committee that this is reported to,
17	School Estate/Pupil Security	to provide assurance that the Council had adequate arrangements regarding school security.	a report is on the agenda	Jamie Dale	Governance	Commissioning	2.2		
18	Learning Disabilities	To obtain assurance that care is being arranged and paid for in accordance with procedure to secure best value outcomes.	a report is on the agenda	Jamie Dale	Governance	Commissioning	2.2		
19	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.		Jamie Dale	Governance	Commissioning	2.2		Draft report with management and will be finalised in the coming weeks and presented to the Committee in September

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20	Commissioning	Review of plans and progress with implementation of the Council's Strategic Commissioning Approach set out in the Council Delivery Plan		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress, with delays due to late starting of the fieldwork. Will be the September Committee that this is reported to,
21	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.	a report is on the agenda	Jamie Dale	Governance	Commissioning	2.2		
22	Revenue Budget Monitoring	To ensure that robust procedures are in place for monitoring the revenue budget.	a report is on the agenda	Jamie Dale	Governance	Commissioning	2.2		
23	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.		Jamie Dale	Governance	Commissioning	2.2	D	Review in progress. Will be the September Committee that this is reported too.
24	27 September 2022								
25	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Jamie Dale	Governance	Commissioning	2.2		
26	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Jamie Dale	Governance	Commissioning	2.3		
27	Internal Audit Reports	To present the completed internal audit reports		Jamie Dale	Governance	Commissioning	2.2		
28	Transformational Programme (IJB Risk Audit & Performance Committee)	To provide assurance that the IJB is continuing to make progress with delivery of its transformation agenda.	In line with previous agreement between Aberdeen City Council and the IJB, the report will be presented to the next RAPC in June and this Committee in September.	Jamie Dale	Governance	Commissioning	2.2		
29	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		
30	Annual Accounts 2021/22	to present the audited annual accounts for 2021/22.		Lesley Fullerton	Finance	Resources	4.1		

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31	External Audit Annual Report	to present the external audit annual report		Michael Wilkie	Governance	Commissioning	3.1		
32	Use of Investigatory Powers Quarterly Report	to present the quarterly use of investigatory powers report		Jess Anderson	Governance	Commissioning	5.2		
33	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		
34	13 December 2022								
35	Internal Audit Progress Report	To provide an update on progress for the 2020/21 and 2021/22 audits		Jamie Dale	Governance	Commissioning	2.2		
36	Internal Audit Follow Up on Recommendations	To provide an update on where Services are with implementing agreed recommendations		Jamie Dale	Governance	Commissioning	2.3		
37	Use of Investigatory Powers Quarterly Report	to present the quarterly use of investigatory powers report		Jess Anderson	Governance	Commissioning	5.2		
38	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		
39	TBC								
40	Transport Arrangements for Education and Social Care	To obtain assurance over procurement, provision and management of transport for educational and social care needs.		Jamie Dale	Governance	Commissioning	2.2	R	Review deferred to future years as part of the 2022-25 Annual Audit Plan
41	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.		Jamie Dale	Governance	Commissioning	2.2	R	Review deferred to future years as part of the 2022-25 Annual Audit Plan
42	Inspections, Aids and Adaptions	To ensure that adequate control is being exercised over income and expenditure		Jamie Dale	Governance	Commissioning	2.2	R	Review deferred to future years as part of the 2022-25 Annual Audit Plan
43	Financial Administration - Waste	To obtain assurance over financial administration including payroll, timesheets and purchasing.		Jamie Dale	Governance	Commissioning	2.2	R	Review deferred to future years as part of the 2022-25 Annual Audit Plan

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	30 June 2022
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	GOV-22-119
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	Remit - 1.2

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; and
- 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.
- 2.3 Notes that the Council agreed to form a Joint Venture with bp to develop a hydrogen hub in the city, agrees that the ALEO Assurance Hub provide oversight of bp Aberdeen Hydrogen Energy Limited, and notes that the Assurance Hub Terms of Reference will be amended accordingly.

3. CURRENT SITUATION

- 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 April and identified the following key assurance areas, in accordance with the workplan previously reported to the Committee:-

Governance

1. Details of any recent or planned structure changes and training plans for Board members, to provide assurance around capability, capacity, conduct and induction of new members.
2. Assurance required that key policies are in place with a review schedule in place, and that policies are developed using a risk-based approach.

Finance

1. Assurance that accounts are being managed within budget and the level of financial risk to the Council is low, through quarterly trading accounts.
2. Assurance that ALEOs have prepared a medium-term financial plan or had incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures.
3. Assurance that accounts are being managed within budget, are in line with statutory requirements and that the level of financial risk to the Council is low.

Risk and Resilience

1. Assurance required that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion and are linked to the achievement of outcomes for the ALEO and the Council. This area will be explored in more depth in the December cycle, however ALEOs were asked to provide a high-level summary of the current impact of the cost of living and longer lasting impacts of COVID.
2. Internal and external audit plans and evidence of the process for monitoring and completing internal and external audit recommendations. Assurance sought that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council, through confirmation that there were no high graded audit recommendations on the back of internal or external audit, or any regulatory activity, in the last 12 months.

- 3.4 The Assurance Standards and Risk Ratings are set out at **Appendix A**. The Hub's assessment of each ALEO, based on the information returned, has been attached within the summary report at **Appendix B**. **Appendices C-G** provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings. These have been agreed with the ALEOs, with follow up 121s offered to ensure agreement on the position taken by the Hub.

- 3.5 Medium risk ratings reflect the commercial and economic challenges resulting from COVID recovery and the increases in costs of living. This is taking effect on all ALEOs to some extent or another, however their financial stewardship arrangements are robust and present as low risk to the Council.

- 3.6 On 3 February 2022, the City Growth and Resources Committee agreed to form a Joint Venture (JV) with bp to develop a hydrogen hub in the city. The JV, bp Aberdeen Hydrogen Energy Limited, is a company with two shareholders: bp and Aberdeen City Council. It is likely to meet the Group Entity test and that will form a basis for incorporation of its financial performance within the Chief Finance Officer's quarterly reporting to City Growth and Resources Committee and for incorporation within the budget annual accounts.
- 3.7 The Council will require to have arrangements in place that can provide assurance back to the Council over the JV's arrangements for governance, risk and finance. Given that the JV meets the Council's definition of an ALEO - that is a company that is separate from the Council but subject to its control or influence - it is proposed that the ALEO Assurance Hub provide the necessary oversight.
- 3.8 It is anticipated that the Hub's report scheduled for Audit, Risk and Scrutiny Committee on 13 December 2022 will incorporate commentary of the JV.

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 a further layer of assurance to the Council's existing Bond governance arrangements.

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of ALEOs to support the Council in meeting its strategic outcomes.	The Assurance Hub process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers.	M	Yes
Compliance	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes. Non-compliance against GDPR, Health and Safety and other statutory responsibilities.	Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose. The Strategic Commissioning Committee has oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements. 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	L	Yes

		<p>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 Committee on ALEOs' management of this risk.</p>		
Operational	Failure of ALEOs to deliver services according to agreed Service Level Agreements	Monitored by Strategic Commissioning Committee which has oversight of ALEO strategic business plans.	L	Yes
Financial	Financial failure of ALEOs impacting on the Council and its credit rating.	<p>ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor.</p> <p>One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.</p> <p>City Growth and Resources Committee monitors financial performance and viability, including business planning.</p>	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes

Environment / Climate	Service delivery impacting negatively on City net zero targets.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes
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7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Full impact assessment not required.
Data Protection Impact Assessment	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 Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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	Overall Risk Rating									
	Mar-18	Sep-18	Feb-19	June-19	Dec-19	Oct-20	May-21	Sept-21	June-22	
Aberdeen Heat and Power	Low/ Medium	Low/ Medium	Low	Very Low/ Low	Very Low/ Low	Low/ Medium	Very Low/ Low	Very Low/ Low	Low/ Medium	
Aberdeen Performing Arts	Low/ Medium	Low	Low/ Medium	Low/ Medium	Low/ Medium	High	Medium	Medium	Low/ Medium	
Aberdeen Sport Village	Low/ Medium	Low/ Medium	Low/ Medium	Low	Very Low/ Low	Low/ Medium	Very Low/ Low	Very Low/ Low	Low/ Medium	
Bon Accord Care	Low/ Medium	Low/ Medium	Low/ Medium	Very Low/ Low	Very Low/ Low	Low/ Medium	Low/ Medium	Very Low/ Low	Very Low/ Low	
Sport Aberdeen	Low/ Medium	Low	Low	Very Low	Very Low/ Low	Medium	Very Low/ Low	Very Low/ Low	Low/ Medium	

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	Assurance Request	ALEO Response and Hub Commentary	Risk Rating
Governance	<p>Assurance required on training and development of Board members including any changes to Board structure, rationale for any structure changes, and training plans for Board members.</p> <p>Please provide details of any recent or planned structure changes and training plans for Board members.</p>	<p>The Hub noted the key Governance document which indicated that the Board structure had last been updated in May 2022, and which explained the structure of the Board and its remit. The Board noted that document was extensive in nature and provided a good level of assurance. The Hub was also provided with details of a New Board Member Induction Day which had been held on 11 February 2022.</p>	Very Low
	<p>Assurance required that key policies are in place with a review schedule in place, and that policies are developed using a risk-based approach.</p> <p>Evidence that key organisational policies are in place and regularly reviewed, in particular policies which regulate internal controls such as Health and Safety, Fraud Prevention/Detection, Data Protection, etc This may be evidenced through a policy register or schedule and it would be helpful to see a sample of policies also.</p>	<p>The Hub had been provided with an Internal Audit Report for 2021/22 produced by Wylie and Bisset, which stated that the organisation had, amongst other things, adequate and effective governance processes to manage its achievement of its objectives.</p> <p>The Hub noted the Document Register which indicated when key policies and other documents had last been reviewed and were due for review. The Hub noted the Health and Safety and Environmental Policy Manual which had been provided and agreed, by way of follow-up next cycle, that key policies such as Fraud Prevention/Detection and Data Protection policies be provided in order that the Hub could review them and receive adequate assurance.</p>	Low
Risk	<p>Assurance required that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council.</p> <p>This area will be explored in more depth in the December cycle, however could you provide a high level summary of the current impact of the cost of living and longer lasting impacts of COVID.</p>	<p>The Hub reviewed the risk registers provided. The main risk register identifies risks that relate to inflationary pressures including Energy Cost Fluctuations and Failure to Collect Revenue/Bad debt. Current gas price sensitivity is also captured within the AHP May Financial Review.</p> <p>Covid-19 risks were captured and monitored within the Covid specific risk register, however, any on-going Covid related risks have now been integrated into the main risk register.</p>	Very Low
	<p>Assurance required that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion.</p> <p>Assurance sought that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.</p> <p>Please provide a summary of AH&P's internal and external audit plans for the current year (and beyond, if available) and detail the process that is followed to close off audit recommendations. Provide details of any high graded recommendations on the back of internal or external audit, or any regulatory activity, in the last 12 months.</p> <p>As a follow up to the last submission, please also provide an update on the Business Continuity and Disaster Recovery audit.</p>	<p>The Hub was advised that Internal Audit activities previously undertaken by Wylie & Bisset will now be carried out by an in-house team. The in-house team will focus on the AH&P quality system by undertaking a review of all policies and procedures to ensure that they remain fit for purpose in the current operating environment. The in-house team shall meet on a monthly basis and will record and track progress of its activities.</p> <p>The Hub noted that as the group has recently been established no plan or schedule of its activities was currently available, this will be followed up in the next reporting cycle.</p> <p>AH&P advise that the annual External (Financial) Audit will be carried out by Anderson Anderson Brown (AAB). AAB visited the AH&P offices w/e 5th June to discuss and plan the activities required for the current audit that will be finalised by August/September 2022.</p> <p>The Hub was advised that audit recommendations are reviewed by the Policy and Operations Board, recommendations that are accepted are added to a tracker document that is maintained and monitored by office staff. A copy of the tracker was provided and records various detail relating to the progress and status of recommendations.</p> <p>AH&P currently have 4 Internal Audit recommendations including the recommendation from the Business Continuity and Disaster Recovery Audit. The Hub will follow up progress on these recommendations in the next reporting cycle.</p>	Low
	<p>Assurance requested that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub confirmed that detailed forecast figures for financial year 2021-22 formed part of the Management Accounts which are reviewed by the Board and it is likely that AHP's final 2021-22 figures will be in line with budget. It was noted that the financial data provided to the Board is extensive and includes monthly, Year to Date and prior year comparisons as well as a year end forecast. Also included are details around debtors, creditors and accruals for review/discussion by the Board as appropriate. The Board have been made aware of potential challenges to the 2022-23 budget caused by fluctuating energy prices and these were discussed at a recent May 2022 Board meeting set up for this purpose.</p>	Low

Finance	<p>Assurance sought that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.</p>	<p>AH&P have prepared a budget for 2022-23, utilising appropriate advice from their broker in respect of potential gas prices when the current contract ends on 30 October 2022. AH&P currently have an exposure period of 30th October 2022 until 1st April 2023 as a new contract is not yet in place. AH&P informed the Hub that they have also taken some mitigation steps to lessen the impact of any losses that may be accrued if ultimately the gas contract is for a higher rate than budgeted. AH&P do have strong reserves, but in an extremely volatile gas market the final effect cannot be quantified. AH&P have rightly identified this issue as being of extremely high importance and held an extraordinary Board to discuss their approach to energy supply contracts. The Hub noted that the AH&P pricing structure will be linked to contractual gas prices from April 2023 onwards which will reduce the current risk around the October to March period.</p>	Medium
	<p>Assurance requested that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.</p>	<p>The Hub noted that the audited accounts for financial year 2020-21 were submitted to companies House within the due deadline. There were no matters of concern raised by the auditors. Detailed Draft accounts for 2021-22 would indicate the final trading position will be in line with estimates, although these still remain subject to final audit.</p>	Low

Aberdeen Performing Arts - Appendix D

	Assurance Request	ALEO Response and Hub Commentary	Risk Rating
Governance	<p>Assurance required on training and development of Board members including any changes to Board structure, rationale for any structure changes, and training plans for Board members.</p> <p>Please provide details of any recent or planned structure changes and training plans for Board members. In particular, provide assurance around handover to the new Chief Executive and how this is being planned and prepared for.</p>	<p>The Hub noted that APA had a small number of vacancies on their Board and would be undertaking a round of board recruitment over the summer which would include the recruitment of a Chair Designate as a result of the Board Chair being due to step down in August 2023. The Hub was advised that a full induction plan was being developed in preparation for the new Chief Executive joining APA in August 2022 and the current Chief Executive had held a number of discussions and meetings with the new Chief Executive as part of this process.</p> <p>The Hub noted that arrangements had been put in place for the APA Leadership Team to provide cover during the six week period between the current Chief Executive leaving and the new Chief Executive starting, with additional support from a named Board member, as well as the Chair, where required. The Hub agreed that an update on board recruitment and the induction of the new Chief Executive should be sought for the December Hub meeting.</p>	Low
	<p>Assurance required that key policies are in place with a review schedule in place, and that policies are developed using a risk-based approach.</p> <p>Evidence that key organisational policies are in place and regularly reviewed, in particular policies which regulate internal controls such as Health and Safety, Fraud Prevention/Detection, Data Protection, etc This may be evidenced through a policy register or schedule and it would be helpful to see a sample of policies also.</p>	<p>The Hub reviewed the Policy Review Tracker, which is a simple yet effective tool which identifies which member of staff is responsible for each Policy, when it was last reviewed, approved and when it is next due for review. A small number of policies was also provided which included APA's Data Protection Policy and Health and Safety Policy and Procedures and the Hub was assured accordingly. It was noted that these policies are risk-based in that the purpose and scope section within each of the policies establish the risk within the aims of the policy, and have been created with risk/s in mind and are being used as a control to mitigate the risk/s identified.</p> <p>The Hub in particular noted that Health and Safety Champions were identified within the Health and Safety Policy which was an example of good practice, and they supported the Operations Manager and Departmental Managers with regard to health and safety matters. The Policy had been recently reviewed in May 2022, as had the Criminal Facilitation of Tax Policy.</p>	Very Low
Risk	<p>Assurance required that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council.</p> <p>This area will be explored in more depth in the December cycle, however could you provide a high level summary of the current impact of the cost of living and longer lasting impacts of COVID.</p>	<p>The Hub was provided with a high level summary that outlined APA's current assessment of concurrent risks, including the on-going effects of Covid-19 and inflationary pressures. APA has identified the risks and the potential operational impacts. Risk mitigation activities are identified and in place, these include; income and data monitoring and increased capacity in key staffing areas to cover increased absence due to Covid-19.</p>	Very Low
	<p>Assurance required that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion.</p> <p>Assurance required that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.</p> <p>Please provide a summary of APA's internal and external audit plans for the current year (and beyond, if available) and detail the process that is followed to close off audit recommendations. Provide details of any high graded recommendations on the back of internal or external audit, or any regulatory activity, in the last 12 months.</p>	<p>The Hub was advised that Anderson Anderson Brown (AAB) will commence annual audit activities on 20th June 2022 in preparation for the statutory accounts being signed off by the Board in November. APA confirmed that no significant recommendations were made during the 2021 audit and confirmed the process in place that would be utilised to monitor and manage any recommendations made.</p> <p>APA confirmed that a Health & Safety audit has been commissioned with Worknest, the audit will commence in June 2022 and the outputs from the audit will used to form APA's 3-year Health and Safety Plan.</p> <p>Internal audit and review activities being undertaken include a review of People/HR data and Internal IT information. Three audits will be completed in total. This complies with the Board's wish to have a minimum of two areas per year to be internally audited annually, which is in line with pre-Covid levels.</p>	Very Low
	<p>Assurance required that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub noted that detailed quarterly forecasts and cashflows are reported both to the Finance, Property and Audit Sub Committee and the Board at each scheduled meeting. Minutes of the Finance Sub Committee indicate a close examination and discussion takes place around these figures, with any suggestions then passed to the Board. Draft 2021-22 figures suggest APA has performed better than previously budgeted.</p>	Low

Finance	<p>Assurance required that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.</p> <p>Please provide a copy of APA's Business Plan, to support evidence of medium term financial planning.</p>	<p>The current version of 5 year draft Business Plan will be reviewed by the Board at its 30 May 2022 meeting. A review of the assumptions around this, combined with cashflow projections for 2022/23 indicate adequate controls are in place. It is acknowledged that Covid is still an issue in this sector both in terms of staff absence and productions. Board papers and cashflow projections include the repayment of a Social Enterprise Scotland loan plus the guarantee provided by Aberdeen City Council (£356k) does not require to be renewed. APA have applied for any relevant funding which is applicable to their sector. During the year APA have taken the opportunity to review and update their Reserves Policy, including proposing an Energy Reserve as this is seen as a fluctuating cost which needs to be mitigated.</p>	Medium
	<p>Assurance required that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.</p>	<p>The 2020-21 Annual accounts were submitted in line within the required statutory deadlines and the auditors raised no areas of concern. Draft 2021-22 Accounts have been provided but these are still subject to audit and will be reported to a future committee.</p>	Low

Aberdeen Sports Village - Appendix E

	Assurance Request	ALEO Response and Hub Commentary	Risk Rating
Governance	<p>Assurance required on training and development of Board members including any changes to Board structure, rationale for any structure changes, and training plans for Board members.</p> <p>Please provide details of any recent or planned structure changes and training plans for Board members.</p>	<p>The Hub noted that ASV had made no changes to its Board structure in the last 12 months, however four of the Board's Non-Executive Directors were due to be replaced in the coming weeks and all new Board members would participate in a rigorous induction process. The Hub was advised that future training for all ASV Board members would include Health and Safety at work (Corporate and Board responsibility), Sustainable Development Goals (Board awareness and responsibility) and Board appraisals in December 2022. The Hub agreed that an update on Board recruitment be sought for the December meeting.</p>	Low
	<p>Assurance sought that key policies are in place with a review schedule in place, and that policies are developed using a risk-based approach.</p> <p>Evidence that key organisational policies are in place and regularly reviewed, in particular policies which regulate internal controls such as Health and Safety, Fraud Prevention/Detection, Data Protection, etc This may be evidenced through a policy register or schedule and it would be helpful to see a sample of policies also.</p>	<p>The Hub was provided with a sample of internal control policies which included ASV's Health Safety and Wellbeing Policy and Data Protection Policy. The Hub noted from the Health Safety and Wellbeing Policy that ASV's Health and Safety Committee met quarterly and that a Health and Safety Improvement Team meets quarterly, providing a good level of assurance.</p> <p>The Hub noted that an Integrated Management System (IMS) aided ASV with regard to timely reviews of all of their agreements, policies and procedures.</p> <p>Policies are risk based in that the purpose and scope section within each of the policies establish the risk within the aims of the policy. There is evidence that the policies reviewed have been created with risk/s in mind and are being used as a control to mitigate the risk/s identified.</p>	Low
Risk	<p>Assurance required that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council.</p> <p>This area will be explored in more depth in the December cycle, however could you provide a high level summary of the current impact of the cost of living and longer lasting impacts of COVID.</p>	<p>The Hub was provided with the March 2022 Board Papers which included the Business Risk Register. The Risk Register was supported by a covering report that summarises and provides an overview of top risks affecting the business which includes increasing energy costs and local economic impacts. Risk scores have been adjusted to reflect cost of living pressures and it is clear that ASV are monitoring the impacts on the business closely and regularly.</p>	Very Low
	<p>Assurance that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion.</p> <p>Assurance that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.</p> <p>Please provide a summary of ASV's internal and external audit plans for the current year (and beyond, if available) and detail the process that is followed to close off audit recommendations. Provide details of any high graded recommendations on the back of internal or external audit, or any regulatory activity, in the last 12 months.</p>	<p>The Hub was advised that a planning meeting will be arranged with ASV's external auditors, Johnston Carmichael to schedule the audit and ensure preparedness. It is expected that the audit will be scheduled mid-September 2022.</p> <p>ASV confirmed that there were no audit recommendations resulting from the 20/21 external audit.</p> <p>ASV confirmed that they have an annual audit plan and that internal and external audit recommendations are captured and tracked to completion via action planners that form part of business improvement plans and would include H&S audit recommendations, risk assessment updates and policy updates.</p>	Low
	<p>Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub noted that financial monitor data is provided to the ASV Board on a regular basis. The Hub noted that this is both detailed and timeous and discussions take place around potential mitigations where required/possible.</p>	Low

Finance	<p>Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub noted that a 3 year Business Plan has been formulated and submitted to the ASV Board. The Business Plan forecasts a break even operating position by the close of 2022-23. Lifecycle charges were originally reduced as part of the mitigation of the effect of Covid on the organisation and it is planned that these will have been restored by the end of year 3. The Business Plan expects income to move to pre covid levels within the next 12 months as individual and groups continue to return to ASV for their fitness and wellbeing requirements. Overall student numbers at Aberdeen University have not changed are expected to return to previous levels in the new term. The organisation has been tracking income and customer levels in the various categories of its operations on a monthly basis and there are positive signs that income levels are increasing. These will be continue to be monitored and reported to the ASV Board on a regular basis. ASV feels its prices are competitive and they remain an affordable option for the majority of their customers.</p>	Medium
	<p>Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.</p>	<p>The Hub noted that ASV's audited annual accounts for 2020-21 were submitted timeously and the auditors raised no matter of concern. As the financial year for ASV ends on June 2022, no draft annual accounts are available although in line with the ASV Board papers, detailed financial data to February 2022 has been provided. The full year, audited results will be reported to committee when available.</p>	Low

	Assurance Request	ALEO Response and Hub Commentary	Risk Rating
Governance	<p>Assurance required on training and development of Board members including any changes to Board structure, rationale for any structure changes, and training plans for Board members.</p> <p>Please provide details of any recent or planned structure changes and training plans for Board members. In particular, provide assurance around the integration of the new Managing Director from other Board members' perspective.</p>	<p>The Hub noted that there had been no recent or planned changes to the BAC Board. All Non-Executive Directors, with one exception, have been appointed since the start of 2021 following a detailed recruitment process and the Hub noted that BAC had commenced work on the continuous development of its Board members, which included Board Development days covering topics such as risk, financial risk and health and safety.</p> <p>The Hub was advised that since joining in July 2021, the BAC Managing Director had ensured significant interaction with the BAC Board and the Chair, as well as the Chairs of the BAC Committees. The Hub noted that the Managing Director had been assisting the Board with considerable improvements made to the overall BAC Governance and Assurance frameworks which were now in place and the Hub was assured that BAC would be providing an analysis of this work in advance of the Hub meeting in December. In particular, BAC are producing a Local Code of Governance and Governance Handbook which have been reviewed by the Council's Chief Officer - Governance. The Hub will review this at the December cycle of meetings as well as evidence of how these are being embedded in the organisation.</p>	Very Low
	<p>Assurance sought that key policies are in place with a review schedule in place, and that policies are developed using a risk-based approach.</p> <p>Evidence that key organisational policies are in place and regularly reviewed, in particular policies which regulate internal controls such as Health and Safety, Fraud Prevention/Detection, Data Protection, etc This may be evidenced through a policy register or schedule and it would be helpful to see a sample of policies also.</p>	<p>The Hub was advised that BAC had a Quality Management System in place which underpinned its operations across the organisation. The QMS contains BAC's key organisational policies and procedures across the following areas - (1) business (quality and finance); (2) operations; (3) facilities management; (4) HR; and (5) learning and development.</p> <p>The Hub noted that the QMS had been built up in accordance with ISO9001 accreditation and BAC had been audited and had retained the accreditation since it had been awarded.</p> <p>The Hub was provided with an overview of various policies (which were also provided) which included Health and Safety and Data Protection and agreed that this provided a good level of assurance. With regard to fraud prevention/detection, the Hub noted that a number of processes and controls were in place to prevent/mitigate against fraud, however BAC did not currently have a formal Counter Fraud Policy in place and steps were being taken to address this. In that regard, the Hub agreed that an update be provided on its development for the December meeting.</p>	Low
	<p>Assurance required that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council.</p> <p>This area will be explored in more depth in the December cycle, however could you provide a high level summary of the</p>	<p>The Hub was provided with an overview of the effects of the Cost of Living and the on-going effects of Covid-19. BAC have identified these risks and potential impacts from both a staffing and a service delivery/operational perspective and provided detail of mitigating activities including increasing budgets in specific areas and monitoring activities by the BAC Wellbeing Team.</p>	Very Low

Risk	<p>Assurance sought that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion.</p> <p>Assurance sought that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.</p> <p>Please provide a summary of BAC's internal and external audit plans for the current year (and beyond, if available) and detail the process that is followed to close off audit recommendations. Provide details of any high graded recommendations on the back of internal or external audit, or any regulatory activity, in the last 12 months.</p>	<p>BAC confirmed that there are no external audit recommendations resulting from the external audit conducted by Johnston & Carmichael and confirmed that any recommendations would be raised and progressed via the Audit and Assurance Committee.</p> <p>The Hub was advised that Anderson, Anderson & Brown have been appointed as new external auditors for a 3-year period.</p> <p>Henderson Loggie have recently been appointed as BAC's internal auditors for a 3-year period. A copy of Henderson Loggie proposal document was provided which detailed the "Audit+" risk based approach to audit planning for BAC.</p> <p>The details provided evidence of improvements to the arrangements for both external and internal audit.</p>	Very Low
Finance	<p>Assurance required that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub noted that the detailed budget monitoring and full year forecasts were updated on a monthly basis and detailed monitoring reports are submitted to the Board on each area of operation for their review and discussion, with the need to achieve a balanced budget discussed. This is in line with best practice. During 2020-21 and 2021-22 Covid has obviously been a major challenge as BAC deal directly with elderly and vulnerable service users and an enhanced hygiene/contact regime had to be put in place with access to additional Scottish Government funding being required to minimise these additional costs. The Board papers provided indicate that potential challenges and progress on in year savings, as well as any potential knock on effect of Scottish Government funding initiatives were also highlighted to the Board as they arose.</p>	Low
	<p>Assurance sought that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of</p>	<p>The Hub noted that the current 2020 BAC medium-term financial plan (MTFP) is scheduled to be updated during Q2 and Q3 following finalisation of ACHSCP's Strategy for 2022 – 2025. Work on updating the MTFP will be undertaken in conjunction with the strategic review. The Hub will review and report on this as it becomes available..</p>	Low
	<p>Assurance sought that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.</p>	<p>The Hub noted that the 2020-21 annual accounts were submitted timeously and the auditors had raised no matters of concern. there is evidence that BAC accessed all Covid related funding available during 2021-22 and met their 2021-22 saving targets. High Level draft figures for 2021/22 have been submitted to ACC but these are still subject to audit. The outcome of this audit will be reported to the next appropriate committee meeting.</p>	Low

	Assurance Request	ALEO Response and Hub Commentary	Risk Rating
Governance	<p>Assurance required on training and development of Board members including any changes to Board structure, rationale for any structure changes, and training plans for Board members.</p> <p>Please provide details of the training event held for Board members in the Autumn, which was to include a self-assessment of trustees. Could you provide a summary of the event, including any outcomes and actions identified. In addition, provide details of any recent or planned structure changes and further training plans for the Board.</p>	<p>The Hub noted a paper which provided details of the actions required following the SA Board review day held in November 2021. This resulted in a revised meeting schedule being approved for 2022, and a review of the means by which Trustees could make a more significant contribution to company business away from the formality of meetings.</p> <p>The Hub was also provided with a skills matrix which had been completed by the Board Directors at the end of 2021 and the Board Governance Review Action Plan 2021/22 which had been approved in January 2022 following the Governance Review Day. The Hub noted the independent report on the Governance Review which had been completed by the Chair of Community Leisure UK Scotland and which stated that in the Chair's opinion "the governance of the charity was strong and healthy". The Hub agreed that the action plan and independent report provided a good level of assurance with regard to overall governance arrangements in terms of the Board.</p>	Very Low
	<p>Assurance required that key policies are in place with a review schedule in place, and that policies are developed using a risk-based approach.</p> <p>Evidence that key organisational policies are in place and regularly reviewed, in particular policies which regulate internal controls such as Health and Safety, Fraud Prevention/Detection, Data Protection, etc This may be evidenced through a policy register or schedule and it would be helpful to see a sample of policies also.</p>	<p>The Hub noted the Corporate and Governance Policies Review Schedule dated May 2022 which identified a number of key policies, the policy owner and details of when they were last reviewed, the frequency of review and when they were next due for review. In that regard, the Hub noted the various policies which had been provided which included the Health and Safety Policy and Data Protection Policy and observed that a number of key policies had recently been approved by the Board at its meeting in March 2022. The Hub agreed that this provided a good level of assurance and that the policies reviewed are risk-based.</p>	Very Low
Risk	<p>Assurance required that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council.</p> <p>This area will be explored in more depth in the December cycle, however could you provide a high level summary of the current impact of the cost of living and longer lasting impacts of COVID.</p>	<p>SA confirmed that the Strategic Risk Register is reviewed on a 6 monthly basis and provided a copy of the report to the board which covered the last review in March.</p> <p>The report summarised the review of Risk Register and also noted that new risks had been added to the Strategic Risk Register that relate to increased cost of living costs/inflationary pressures resulting from increased utilities costs and increased NI employer NI contributions.</p> <p>The Hub was advised that the Corporate Governance Committee will review/discuss an agenda item relating to increased utility costs, cost of living and recruitment challenges at its meeting in June.</p>	Very Low
	<p>Assurance required that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion.</p> <p>Assurance also required that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.</p> <p>Please provide a summary of Sport Aberdeen's internal and external audit plans for the current year (and beyond, if available) and detail the process that is followed to close off audit recommendations. Provide details of any high graded recommendations on the back of internal or external audit, or any regulatory activity, in the last 12 months.</p>	<p>The Hub was advised that the annual external audit is currently underway and that any resulting recommendations would be presented to the Corporate Governance Committee. SA provided a paper dated May 2022 that provided an update on recommendations that resulted from a GDPR audit conducted in Spring 2021.</p> <p>SA advised that the internal audit programme will commence in the autumn and will cover the following areas:</p> <ul style="list-style-type: none"> •Invoice, bookings, cash handling and banking •Inventories and stock control •Management of contractors •Cybersecurity •Absence management 	Very Low

Finance	Assurance required that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.	The Hub noted that quarterly monitoring reports and forecasts are being provided to the Board for their review. These are comprehensive and timeous and allow the Board to raise queries or concerns as appropriate. This is in line with good practice.	Low
	Assurance required that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.	<p>The Hub noted that a one year Business Plan for 2022-23 has been produced and was agreed by the SA Board in March 2022. The setting of a one year Business Plan rather than a rolling 3 year business plan as in pre-covid years was agreed by Aberdeen City Council.</p> <p>SA are not forecasting facility income returning to pre-Covid levels during 2022-23. This is in line with UK usage of leisure venues elsewhere. Financial Year 2022-23 will be very much about remaining viable and reviewing various areas of operation to meet or better planned financial targets. A cross company policy review on pricing is scheduled during the year. A £442k deficit is outlined within the plan but this is mainly a knock-on effect of Covid and the challenging sector within which it currently operates.</p> <p>The Board and its sub-committees have been very active during the preceding year in relation to the financial challenges raised by Covid and it is expected that this will continue during 2022-23.</p> <p>The Medium rating within this area reflects the commercial challenges currently facing Sport Aberdeen during 2022-23.</p>	Medium
	Assurance required that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.	The audited 2020-21 accounts were submitted timeously and the auditors report raised no matters of concern High level figures for 2021-22 have been submitted but are subject to audit and these will be reported to committee when audited.	Low

Aberdeen City Council

Audit status update
For Audit, Risk and Scrutiny Committee

30 June 2022

Purpose of the report and background

Purpose of this report

- To provide an update to members of the Audit, Risk and Scrutiny Committee of the current status of the external audit.
- Highlight **draft** conclusions and matters arising to date.

Background

In prior years Aberdeen City Council (“the Council”) worked towards early preparation, inspection and audit of the financial statements, largely complete by 30 June. As a consequence of the complexity of the Council’s financial statements and inherent judgements together with Council and Audit teams working remotely and in increasingly challenging environments, achieving this deadline has remained challenging.

Taken together with changes in the Committee timetable and elections in 2022, we agreed that unaudited financial statements would continue to be provided for audit by early May in order to provide opportunity to progress significant work by 30 June but with completion of the audit and reporting reverting to autumn.

We appreciate that production of the financial statements by this early timetable is / remains ambitious. Due to some staff absences and competing requirements, we received unaudited accounts and commenced our audit on 16 May. This remains significantly ahead of statutory deadlines but is later than in previous years.

Our audit is progressed in line with the revised timetable and this report summarises the current status in respect of the significant risks and other audit areas identified in the audit strategy. Our audit testing is ongoing and therefore draft findings are subject to change.

We have not commenced testing in respect of consolidation or completed internal review which may give rise to further audit challenge, change in draft findings or identification of new matters.

Status update

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Valuation of council dwellings, other land and buildings, surplus assets and investment properties (Key Audit Matter)	6-7
Retirement benefits – Gross Liabilities (Key Audit Matter)	8

Other risk areas	Page
Capital Expenditure	9
Covid19 – Related Grants	No update to date
IFRS16 Transition (<i>for future periods</i>)	No update to date

Other matters	Page
Bond accounting	10

Status update

Significant risk	The risk	Response and findings
Financial statement risk		
Fraud risk from management override of controls	<p>Management is typically in a position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This is an assumed risk per ISA 240.</p> <p>Strong oversight of finances by management, and reporting to those charged with governance, provides additional review of potential material misstatements caused by management override of controls.</p> <p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Council.</p>	<p>Our audit work is ongoing and below is the current position of the work:</p> <ul style="list-style-type: none"> — We have evaluated the design and implementation and tested the operating effectiveness of the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate – no issues identified. — We will analyse all journals through the year using data and analytics and are in the process of analysing the data so we can concentrate our testing on those with a higher risk, such as journals impacting expenditure recognition, and significant risk areas. — We will evaluate the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates this work is ongoing — We will review the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual, this work is ongoing. — We have evaluated the design and implementation of the controls in place for the identification of related party relationships and there are no issues identified. We will test the completeness of the related parties identified and related disclosure. <p>To the extent tested, controls are designed, implemented and operating effectively.</p> <p>Audit work is ongoing in respect of the selection and testing of journals and non routine transactions.</p>

Status update

Significant risk	The risk	Response and findings
Financial statement risk		
Fraud risk over expenditure recognition	<p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs, financing and investment expenditure, and depreciation. These costs are routine in nature and have limited risk of manipulation. As other operating expenditure is unlikely to be material, we also rebut the assumed risk in respect of this account.</p> <p>We have not rebutted the assumed risk in respect of the remaining expenditure accounts (£523 million) within the £1,148 million (in 2020-21) gross expenditure.</p> <p>The Council is currently projecting an overspend in year, funded by the use of the Covid19 reserves transfers created in 2020-21, providing a break even position to the general fund.</p> <p>The risk is for the expenditure in the months following month 9 reporting, including the year end processes and cut off. (The risk is the completeness, accuracy and existence of the expenditure).</p>	<p>Our work is ongoing and the current position is detailed below:</p> <ul style="list-style-type: none"> — We are have selected the samples and received supporting documentation for most items which is currently being considered. Our tests of expenditure cut-off and search for unrecorded liabilities are ongoing. — We have selected a number of expenditure samples focusing on the areas of greatest risk, including creditors, accruals and provisions. We have received supporting documentation for most items and are considering it, challenging the Council evidence as appropriate. — We will challenge management in respect of cut-off arrangements and use of any de-minimis levels; and — We will test journal entries in relation to expenditure for evidence of management bias. <p>Our work is not significantly progressed in this area but we have selected the majority of samples for which management have already provided supporting documentation in most cases. Samples in respect of cut-off testing have yet to be selected.</p>

Income recognition fraud risk

As above, ISA 240 requires us to consider if the fraud risk from revenue recognition is significant.

We consider that the Council's significant income streams, which include taxation and non-specific grant income are free of management judgement or estimation. We do not consider recognition of the remaining income sources to represent a significant risk for the Council as there are limited incentives and opportunities to manipulate the way income is recognised, and these are not likely to be materially inappropriate. We did not identify any such errors or manipulation in the prior year. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area beyond our standard fraud procedures.

Financial statements audit

Significant risk	The risk	Response and findings
Financial statement risk		
<p>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</p> <p>(KAM)</p>	<p>The Accounting Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. There is a significant risk over the valuation assertion due to material estimates included within the valuation.</p> <p>The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>In 2021-22 the following category of assets will be subject to revaluation and we expect the movement to be material:</p> <ul style="list-style-type: none"> — Swimming pools and sport centres; — Golf courses; — Community and Community Education centres; — Museums and Theatres; — Crematorium; and — Council Offices. <p>Given the quantum of the carrying values and the inherent use of assumptions in their valuation, we consider there to be significant risk of misstatement.</p> <p>In addition to those assets revalued in year, the Council will have to evidence how it satisfies itself that the other assets not revalued in 2021-22 are not materially misstated, especially with the current impact of the Covid19 pandemic and the economic impact of inflationary pressures within the construction industry.</p>	<p>Our audit is ongoing in this area and below is a summary of the position of the work.</p> <ul style="list-style-type: none"> — We have obtained an understanding of management’s involvement in the valuation process to assess if appropriate oversight has occurred. — We have evaluated the design and implementation of the controls relating to valuations. — We will critically assess the approach that the Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. <p>We have requested that management provide us with their assessment of the basis of and valuation of a number of individually material assets and groups or assets. The current position is that we have been provided this for:</p> <ul style="list-style-type: none"> ▪ Marschal Square investment properties ▪ Waste to Energy plant ▪ Most individually sampled properties <p>We are still awaiting management’s assessments in respect of:</p> <ul style="list-style-type: none"> ▪ TECA investment properties (hotels, land); ▪ TECA (P&J Live) ▪ Energy Centre ▪ Bio Waste centre ▪ Former market (purchased in year and subject to demolition) ▪ Former policescotland site ▪ Assets not revalued in year (continued...)

Status update

Significant risk	The risk	Response and findings
Financial statement risk		
Valuation of council dwellings, other land and buildings, surplus assets and investment properties (continued)	<p>Continued.....</p> <p>The Council also holds investment properties, which as at 31 March 2021 were valued at £192 million. These properties are subject to annual revaluation and similarly we consider there to be a risk of misstatement arising from the use of assumptions in the valuations.</p> <p>This includes significant assets such as Marischal Square development and the hotels and Energy centre at TECA site.</p> <p>The Covid19 pandemic has had a significant impact on the operation of P&J Live, hotels and interest in Marischal Square accommodation and may impact on investment and surplus asset valuations generally.</p> <p>P&J Live was classified as an operational asset (valued on the basis of depreciated cost), while the energy centre was classified as an investment property (valued at cost) in 2020-21, we have challenged management to continue to assess whether a market value can be determined.</p> <p>We understand that the Waste to Energy Plant will be completed in 2021-22 and management will need to document their judgements as to the classification of this asset, the basis of valuation, and the valuation itself.</p>	<p>For a sample of other assets to cover all the categories of Assets that have been valued in the rolling revaluation programme, at this stage the Council has provided us with its initial assessments and we are currently challenging the basis of the valuations ensuring they are in line with the CIPFA Code on Local Authority Accounting for 2021-22 and then we will challenge the key assumptions upon which the valuations were based for a sample of properties, by making a comparison to our own assumption ranges derived from market data.</p> <p>We will critically assess the independence, professional qualifications, competence and experience of the Council valuer. We are utilising our internal specialist to critically assess the methodology used by the valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards.</p> <p>We will for a sample of properties we will agree the observable inputs used in the valuations, such as land size and floor space to information held by the Estates Department. For the sample we will agree rental income to the amounts invoiced.</p> <p>We will critically assess the adequacy of the Council's disclosures in relation to the judgement in relation to valuing properties.</p> <p><i>Based on testing to date and discussions with management we expect that an updated valuation of schools will be required as a result of movement in construction costs – this may also apply to other categories of assets.</i></p> <p><i>Management have already reflected a revision to the valuation of Housing Revenue Account properties based on an external valuation. We have yet to consider this.</i></p> <p><i>We have challenged the Council in respect of a number of assets set out on the previous page and have yet to receive and consider judgements.</i></p>

Status update

Significant risk	The risk	Response and findings
Financial statement risk		
<p>Retirement benefits – Gross Liabilities (KAM)</p>	<p>The gross pension liability (£1.6 billion as at 31 March 2021), represents a material element of the Council's balance sheet. The Council is an admitted body of North East Scotland Pension Fund, which had its last triennial valuation completed as at 31 March 2020.</p> <p>The impact of the triennial valuation will be felt in the contributions paid in 2021/22, however it will help to form the valuation as at 31 March 2022 using the roll forward basis.</p> <p>The calculation of the Local Government Pension Scheme liability requires the use of an actuarial methodology, the result of which is dependent upon a number of assumptions. These include both financial and demographic assumptions, such as the discount rate, inflation rates, mortality rates etc. These assumptions should reflect the profile of the Council's employees, and be based on appropriate data. The basis of the assumptions should also be derived on a consistent basis year to year.</p> <p>The Gross Liabilities at 31 March 2022 should now include an assessment of the liability due to the legal rulings for McCloud / GMP and Sargent.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact on the net pension liability accounted for in the financial statements.</p>	<p><i>Our work on Retirement benefits – Gross liabilities is substantially progressed and we have:</i></p> <ul style="list-style-type: none"> Assessed the design and implantation of controls over the provision of membership information to the actuary who uses it, together with the assumptions, to calculate the pension obligation. Challenged, with the support of our own actuarial specialists, the key assumptions applied, being: the discount rate; inflation rate; and mortality/life expectancy against externally derived data. Challenged the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations. Evaluated the competency, objectivity of the scheme actuaries to confirm the qualifications and the basis for their calculations. Agreed the data provided by the council to the North East Scotland Pension Fund for use within the calculation of the scheme valuation. Considered the adequacy of the disclosures in respect of the sensitivity of the liability to these assumptions. Assessed if the disclosures within the financial statements are in accordance with the Accounting Code's requirements. <p><i>An updated actuarial report was obtained by the Council which has resulted in amendment to the draft unaudited financial statements to reflect up to date market information. Based on our work to date, we expect to conclude that the assumptions are considered balanced overall and that disclosures are complete and accurate.</i></p> <p><i>Our work in respect of consolidation is not yet complete, including over the gross liabilities of combining entities where considered material.</i></p>

Status update

Other audit risk	Summary	Response and findings
Financial statement other audit risk		
<p>Capital expenditure</p>	<p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan. This includes an initial budget of £214 million for 2021-22.</p> <p>The Pandemic has had an impact on the delivery of the planned capital program meaning a delay on some of the capital developments.</p> <p>Key projects in progress during 2021-22 include the Energy from Waste Plant construction, and affordable housing build.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider it to be an area of audit focus. This is in respect of ensuring that the classification of costs between operating and capital expenditure is appropriate and in respect of capturing all relevant costs and contributions.</p>	<p>Our work on capital expenditure is progressing:</p> <ul style="list-style-type: none"> — We have tested the capital expenditure using a statistical substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation. — We plan to assess a sample of items allocated to revenue expenditure to determine whether they are correctly classified. We have yet to share this sample with the Council for them to supply the supporting evidence — We plan to review and corroborate to supporting audit evidence of manual journals. We have yet to share this sample to Council for them to produce the supporting evidence <p><i>At this stage we have not identified any issues to bring to your attention, however there are still work to be completed.</i></p>

Status update

Other audit matter	Summary	Response and findings
Bond Accounting		
<p>Bond Accounting Model</p>	<p>We considered the accounting for the £370 million bond to be a significant risk in the 2016-17 audit, being the year of issuance. In 2021-22 we do not consider it to be a significant risk, consistent with 2020-21. For 2021-22 management will update factual RPI movements to the 28 February 2022 measurement date (which determines the bond principal outstanding and interest payable) and will accrue for the month of March 2022 using factual RPI movements, which will be available when the accounts are prepared.</p> <p>Management will also estimate future RPI movements in order to complete accounts disclosures and to facilitate long-term budgeting.</p> <p>The Council must comply with the conditions of the Bond Trust Deed, which are not unusual for such financial instruments. We will obtain management's support for the compliance during the final audit.</p> <p>The bondholders could seek repayment of the bond principal in certain circumstances. One such circumstance is if the Council's credit rating (as assessed by Moody's) is downgraded such that it is three notches or more below that of UK sovereign debt. The Council's credit rating is is rated as "stable". We would consider the impact to any revisions to credit rating relative to UK sovereign debt.</p>	<p>We have reviewed the management Bond Accounting Model and have challenged the assumptions, estimates for the future RPI movements and reviewed the full model.</p> <p><i>Based on our testing to date we have no matters to report.</i></p>



About this report

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

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

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

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	30 June 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Unaudited Annual Accounts 2021/22
REPORT NUMBER	RES/22/146
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	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 2021/22 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 2021/22 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 2021/22.
- 2.2 consider the Council's unaudited Annual Accounts 2021/22.
- 2.3 consider the unaudited Annual Accounts 2021/22 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 27 September 2022 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 co-Leader.

- 2.6 note that the Audit, Risk and Scrutiny Committee of 27 September 2022 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 27 September 2022 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.
- 2.8 Note that the guarantee for £127k to Aberdeen Science Centre detailed in contingent liabilities in the Council's Annual Accounts will be removed as at 30 September 2022, as the organisation have advised that it is no longer required, but would welcome support in future if there is a need.

3. CURRENT SITUATION

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 2021/22 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 Chief Officer - Finance.
- 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 2021/22.
- 3.14 In conclusion and in examining the evidence, the 2021/22 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 2 December 2021 Audit, Risk and Scrutiny received and noted the contents of a report, “Annual Accounts 2021/22 – Action Plan” which provided high level information and key dates in relation to the production of the 2021/22 Annual Accounts.
- 3.17 The key dates contained within the above report have now been amended after consultation with our auditors, KPMG, to take into consideration the change in committee dates around the local government election process in May 2022. The amended key dates are noted below:

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

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

Inspection and Audit of the Accounts

- 3.20 The Local Authority Accounts (Scotland) Regulations 2014 define 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 2022. The inspection must last 15 working days. This year the public inspection period will begin on 30 June 2022 and end on 21 July 2022.

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.

- 3.21 On completion of the audit process, the external auditors will present their report on the audit of the Annual Accounts to the meeting of the Audit, Risk and Scrutiny Committee on 27 September 2022. 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.
- 3.22 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 co-Leader. The signed accounts must be submitted to Audit Scotland no later than 30

November 2022. This deadline has been extended for 2021/22 and would normally be 31 October 2022.

Financial Performance and Review of the Accounts

- 3.23 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.
- 3.24 A report covering the detailed financial position of the Council was considered by the City Growth and Resources Committee on 21 June 2022. 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 2022.
- 3.25 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.
- 3.26 The following paragraphs highlight some of the key sections of the Annual Accounts:
- 3.27 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.
- 3.28 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.
- 3.29 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 £21 million from March 2021 to a total of £1.435 billion at March 2022. The corresponding movement in reserves reflects an increase of £12 million and £9 million in unusable and usable reserves respectively.
- 3.30 Common Good and Trusts – the Common Good Fund's CIES and Balance Sheet reflect an increase in the value of its net assets which has resulted in its value increasing by £4.8 million to £131.9 million at March 2022. The financial statements of the Trusts reflect the split between charitable and non-charitable trusts. This aids 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.
- 3.32 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 £1.588 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

- 3.33 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are eight separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £7.230 million, after the elimination of intra trust balances, i.e., the investment in the Lands of Skene by the Guildry & Mortifications and Bridge of Don trusts.
- 3.34 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 27 September 2022 for approval prior to signature by the relevant officers and the nominated Councillor (normally the Council Leader or Convener of City Growth and Resources Committee).
- 3.35 Thereafter, they will be submitted to OSCR, no later than 31 December 2022.

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. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	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.	Yes
Compliance	Risk of Legislation not being followed	L	Staff working with external audit to ensure compliance with legislation	Yes
Operational	External audit reveals errors &/or adjustments. Risk that the Finance systems could be disrupted	L	Officers discuss with Auditors throughout external audit process. Digital strategy that includes regular and rigorous checks to protect the integrity of all systems.	Yes
Financial	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.	Yes

Reputational	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors	Yes
Environment / Climate	n/a	n/a	n/a	n/a

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

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
Impact of Report	
Aberdeen City Council Policy Statement	Financial reporting enables the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.
<u>Aberdeen City Local Outcome Improvement Plan</u>	
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.
Regional and City Strategies	The information within this report supports Council, Regional and City Strategies by enabling financial planning, resource allocation and investment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required

Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

- 10.1 Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016; 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016; Audited Annual Accounts 2020/21

11. APPENDICES

- 11.1 Appendix A - Unaudited Annual Accounts 2021/22
Appendix B - Aberdeen City Council Registered Charities Unaudited Annual Report and Accounts 2021/22

12. REPORT AUTHOR CONTACT DETAILS

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

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Management Commentary

Introduction

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2021/22 and understand our financial performance for the year to 31 March 2022. It also provides an insight into the medium-term financial planning we undertake to provide financial stability, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely. Our performance reporting and core financial statements for 2021/22 meet the requirements of the Council and of the London Stock Exchange (LSE), and provide financial transparency for citizens of the City and beyond.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2022, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code). The Code is based on International Financial Reporting Standards (IFRS) and as such the accounts provide a reconciliation between the two reporting methodologies.

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

The impact of the Covid-19 outbreak was considered by the CIPFA-LASAAC Code Board in respect of any adjustments required to the Code and it was concluded full application of the 2021/22 Code would apply, although the option to defer the implementation of the new IFRS 16 for Lease Accounting until 1 April 2024 has been issued. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases would be considered finance leases unless they meet the specific exception criteria. The Council has decided to defer implementation at this time.

Due to the Covid-19 outbreak, as with last financial year, the Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations) have been amended in respect of approval and publication dates for the 2021/22 annual accounts. Under Regulation 5 of the Local Authority (Capital Finance and Accounting)(Scotland)(Coronavirus) Amendment Regulations 2022 dates for publishing the Annual Accounts 2021/22 may be extended up to 15 December 2022. The Council has determined again that it wishes to continue to work to the previously planned timetable.

The External Audit Strategy was reported to Audit, Risk and Scrutiny committee on 22 February 2022. This sets out risks that may require to be mitigated in the preparation of the 2021/22 accounts that will be reviewed by External audit reflecting the impact of Covid-19, notably in relation to asset valuations and accounting for Covid grants. Full details can be viewed at the Council's website in Committee reports for the meeting on the stated date.

In response to Covid-19, the Scottish Government confirmed on 9 October 2020 the option to use financial flexibilities to support the Council's financial position. Updates were provided to the City Growth and Resources Committee in the quarterly monitoring reports in June, November and February. These flexibilities have not been used in 2021/22 but the Council wishes to keep open the option to use them in future financial years.

Highlights from 2021/22

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

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

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

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

1. The Impact of the Global Pandemic

On the City Council's Revenue Position

In setting its 2021/22 General Fund (GF) budget on 10 March 2021, against a backdrop of reducing revenue grant, £30.446 million of budget savings; in addition, council tax was frozen as a revenue grant of £4.206m was provided to offset the additional revenue which would have been raised through increasing the council tax. The gap was proposed to be met by redesign of Council services to address demand, in line with a commissioning led approach as described in the report. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals.

The global health pandemic that occurred in 2020 continued to affect our daily lives during 2021/22. Governments across the world have invested significantly in financial rescue plans to mitigate the economic impact of the public health measures introduced to combat the virus. Whilst attention has shifted towards supporting economic recovery, there is much still being done to respond to the pandemic and this consumes high levels of resources

In 2020 the Covid-19 outbreak quickly became significant and a Financial Resilience paper was presented to Urgent Business Committee on 20 March 2020. Similar to the start of the pandemic, in 2021/22 the Scottish Government provided funding through local authorities to assist individuals, the self-employed and businesses throughout the City. The Council acted as an agent by issuing £30.239m on behalf of the Scottish Government, as detailed in Note 19 – Agency Services on page 99 and distributed a further £17.957m by way of service and general grant funding.

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

The final out-turn position was a small budget surplus (£1.8 million), after taking into account group accounting adjustments and movements in reserves. Full details can be found on the ACC website at Committee Reporting for the meetings stated.

The Council approved the revised reserves policy in March 2022. Usable reserves stood at £108 million as at 31 March 2022, an increase of £9 million on the previous year.

On the City Council's Capital Position

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

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

- The Council entered a joint venture arrangement with BP in March 2022 for progression of the Hydrogen programme and to facilitate expansion of the Council's hydrogen fuelled fleet
- Construction progressed on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity and heat in the Torry Heat Network.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre, with the South College Street works supported by a successful bid to the Bus Partnership Fund. Implementation works also commenced for the City Centre Low Emissions Zone (LEZ).
- The City Centre Masterplan continues to invest in Aberdeen; the refurbishment of Provost Skene House was completed; contractors continued the regeneration of Union Terrace Gardens; further land assembly and enabling works advanced for the redevelopment of Queen Street; and major new design principles were progressed for the redevelopment of Aberdeen Market, Union Street, and connections to the City's Beachfront.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside accelerated investment in Intelligent Street Lighting under the Town Centre Fund to compliment the investment in Street Lighting LED lanterns.
- The Council continued its commitment to its New Schools and Early Learning programmes. The programme for the expansion of Early Learning and Childcare was completed with 27 sites opened across the city. Design works progressed on the £100 million investment in 4 new educational campuses, with construction nearing completion at the Milltimber site, and contractors commencing works at Countesswells and Tillydrone.

On the City Council's service delivery

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

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

On the City Council's Group

The Council has a number of Arm's Length External Organisations (ALEOs), several of which form part of our group and are reflected in the group accounts on pages 157 to 176. Significant investment is made in ALEOs by the Council, and proper consideration must be given to their performance and governance arrangements. The continued impact of Covid-19 on the ALEOs has been supported and monitored throughout the year. All had opened back up to external customers by the end of 21/22, none were fully open throughout the full year, progress is being made to return to pre COVID levels of income. Assurance was also taken from reserves positions of many, in light of the impact on their financial sustainability. An ALEO Assurance Hub is in place to scrutinise a range of information including operational and financial performance and people and risk management. This provides a strong platform from which to ensure review of the performance of ALEOs is embedded in the Council's culture.

2. Brexit

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

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

- The City and region continues to face challenges in attracting workers with the right skills – an issue likely to be exacerbated by Brexit or COVID;
- Brexit has the potential to heighten existing skills gaps in the region and highlight the importance of providing re-training and re-skilling opportunities for people, this will potentially be exacerbated by the impact of Covid-19.
- It is not clear what the longer term impact of BREXIT will be on the population flows once the pandemic has passed.
- It is likely Brexit will lower the demand for our exports to the EU (thus narrowing our demand-base) and limit the supply of workers in many of our key sectors: adult social care; tourism; fish processing; food and drink; and energy.
- The food, drink, agriculture and fishing sector, a key sector for the city region, faces its own opportunities and challenges. Brexit, which will pose challenges in terms of exports, but may also create greater opportunities to supply the UK market than before.
- The city region's higher and further education sector is a key strength and will remain so in the future. Universities do face a challenging outlook however, in terms of the impact of Brexit on international students and the future of EU research funding. This will be further intensified by the effects of the pandemic.

3. Annual Review of our Credit Rating

The annual review of our credit rating was undertaken during the year, with the rating affirmed in January 2022 at A1 rating, with an economic outlook of 'stable', in line with the recent changes to the UK's rating, remaining one notch below the UK Government. It is important in terms of investor confidence in Aberdeen City Council that the authority maintains its credit rating level. The rating is reviewed by Moody's on an annual basis and the assessment involves an analysis of the Council's financial and institutional framework, as well as an assessment of the economic performance of Aberdeen and the wider region. In terms of the economic analysis, independent economic commentary in this report will be used to not only support the Moody's annual review, but also provide the city with assurance on the medium-to-long-term economic outlook of Aberdeen and the region to existing and future investors.

4. The Council's Governance

During 2021/22, the Council invited CIPFA to review the Mark of Excellence accreditation awarded in 2020. The purpose of the review was to seek confirmation that the Council continues to meet the CIPFA criteria for excellence in governance. The review concluded that our governance arrangements are advanced and that our Mark of Excellence has been retained. The detail is further described in the Annual Governance Statement.

The Council and Our Plans and Performance

Who we are - We are one of 32 Councils in Scotland. We have 9,189 employees and their commitment, professional approach and expertise is critical to service delivery. The very nature of our services is such that we employ a diverse range of professionals including teachers, social workers, engineers, architects, lawyers, accountants, surveyors and administrators.

- **What we do** - Our governance is overseen by 45 members who are elected every 5 years by the citizens of Aberdeen. Following the Local Government Election on 4 May 2017, a joint Administration was formed by the Conservative, Labour and Independent Alliance. Following the royal assent of the Scottish Elections (Reform) Act in July 2020, the next planned election date 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 2022/23](#)**
On 7 March 2022 the Council Delivery Plan 2022/23 was approved. Full details can be viewed at the Council's website in Committee reports for the stated date. The plan continues to build on the achievement of the council vision:

A place where all people can prosper

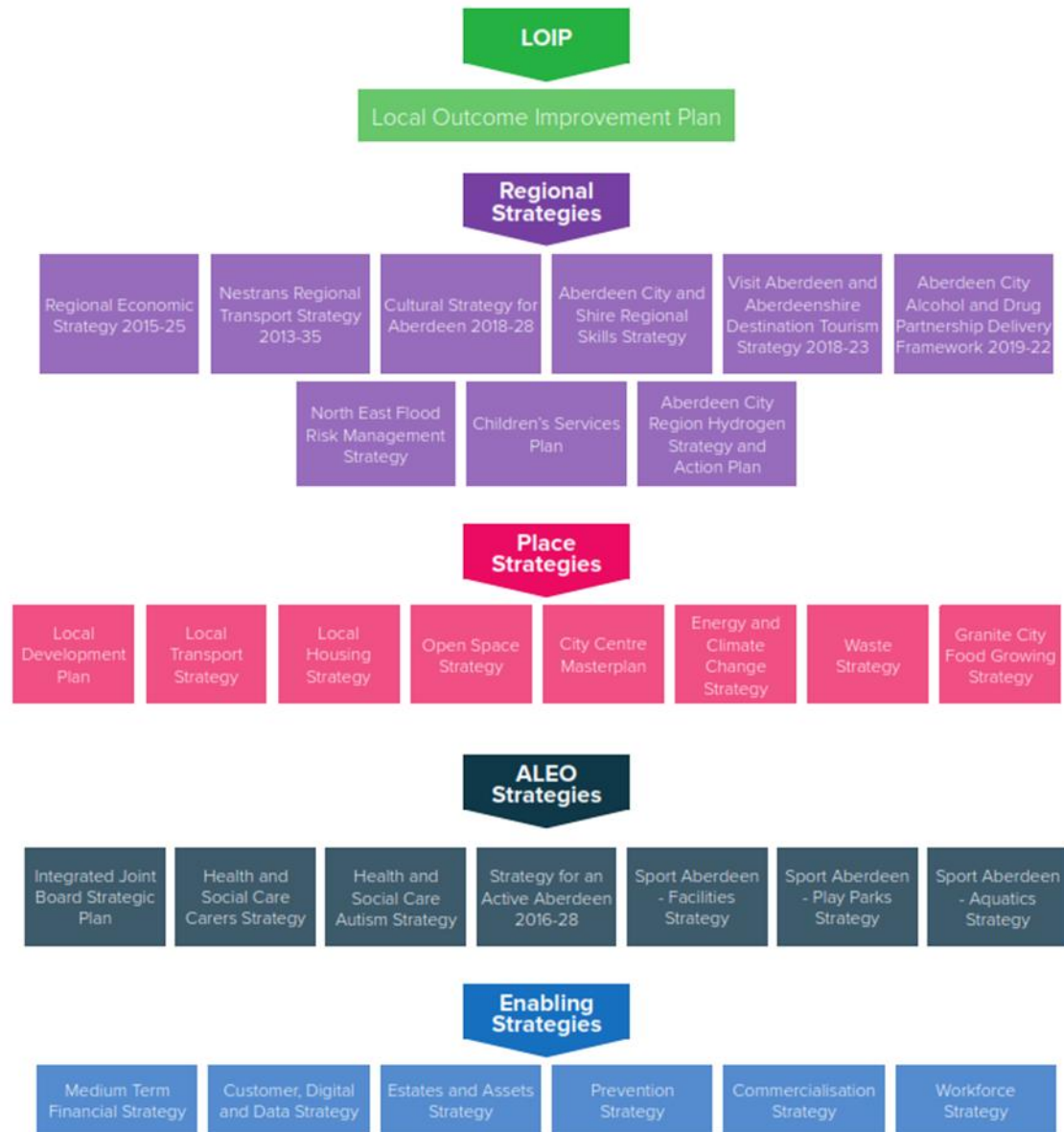
The plan summarises key deliverables under the headings:

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

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

The Delivery Plan is aligned to further key documents below:

- **[Local Outcomes Improvement Plan \(LOIP\)](#)**
The LOIP was adopted during 2016/17, establishing improvement outcomes and associated measures for a ten-year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPA) Board. The LOIP was refreshed in 2021 and approved by the CPA on 7 July 2021 this followed an extensive development process which started with the revised Aberdeen City Population Needs Assessment (PNA) for 2021. Full details can be viewed at the Council's website in Committee reports for the stated date. The LOIP can be viewed on the website of Community Planning Aberdeen.
- **[Strategy Framework](#)**
On 6 October 2021 the Strategic Commissioning Committee approved the commissioning of strategies that aim to set out the Council's contribution to the delivery of LOIP outcomes. The Strategies under development continue to be refreshed and are updated in the Council Delivery Plan 2022/23. Full details can be viewed at the ACC website in Committee Reporting for the stated date.



- **Policy Statement**

Approved in August 2017, providing the Administration's vision, Stronger Together – Prosperity for Aberdeen 2017-2022. Full details can be viewed at the Council's website in Committee reports for the Council meeting in August 2017. An update on the Policy Statement is provided in the Council Delivery Plan 2022/23.

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

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

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

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

- **The Target Operating Model**

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

The new governance structure aligned to the model was approved on 5 March 2018. The Scheme of Governance was further refreshed on 4 March 2019, 2 March 2020, 3 March 2021 and 28 February 2022.

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

- Taking advantage of opportunities presented through the acceleration of digital technology, availability and management of data and how this can support both planning and transactional services for our customers. We will build on what has been achieved as the world continues to change.
- The flexibility of our workforce and the ability to respond to different demands, investing in culture, training and development.
- The use of our physical assets to support transformation through the implementation of an updated Estate and Asset Strategy.
- Working closely with our partners, customers and communities to deliver inclusive, whole system redesign. Delivering early intervention and prevention activity jointly with our partners including Community Planning Aberdeen and the 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, March 2021 and March 2022.

- **Our Commissioning Approach**

2021/22 saw a continued embedding of our Commissioning Approach. The approved strategic commissioning approach provided the basis for the development of the Council's planning and budgeting in 2020/21, continuing into 2022/23.

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

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

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

- **Regional Economic Plan**

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

- **Covid-19 Response Plans**

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

- **Legislative duties**

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

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

Investing in our workforce

Investing in the future is an important outcome for us. However, investing is not just about infrastructure and buildings. We recognise that the ultimate success of our plans for the City depends on the quality of our workforce – and that has been even more so in response to the Covid-19 pandemic. We have continued to make significant investment in developing staff capability at all levels in order to ensure the long-term sustainability of our workforce. During 2021/22, under the responsibility of our Staff Governance Committee, we have continued to strengthen the behavioural framework and guiding principles established in March 2019 and the ACC Workforce Plan, Capability Framework and new approach to Continuous Review and Development established in 2020 through the refreshed policies for Managing Discipline, Managing Grievances and Dignity and Respect at Work. The Council Delivery Plans for 2020/21, 2021/22 and 2022/23 describe our continued activities in the section 'How we behave as an organisation'.

Engaging with our staff

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

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

Diversity at work

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

Our Relationship with Scottish and UK Governments

Annually, the Council receives its local authority grant funding from the Scottish Government. This funding route was vitally important in 2021/22, in the continued response to the Covid-19 pandemic. Tens of millions of pounds have been distributed to the Council to support the Council and its delivery of services, and to act as agent for the Scottish Government in getting funding distributed to local businesses. Duties and responsibilities for the Council associated with expediting the allocation of grant monies are set out in the individual grant funding arrangements. Measures have been in place to ensure that grants are administered effectively and that the Council complies with all relevant requirements, including appeal processes and counter-fraud measures.

We work closely with both governments and seek to help to deliver national policy decisions. Significantly, work continues to progress on the City Region Deal – a commitment from both governments to invest £125 million each, with ourselves and Aberdeenshire to improve the infrastructure, business diversification and digital accessibility within the region and the additional commitment to £254 million from the Scottish Government which demonstrates the strategic importance of the City as an economic engine room within the UK. Full details can be viewed on the Council Website in Committee Reports for the Aberdeen City Region Deal Joint Committee. Further information is available including the 2020/21 Annual Report on the City Region Deal Website at Abzdeal.com.

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

Performance Management System

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

On 6 October 2021, the Strategic Commissioning Committee approved a revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan 2021/22. Full details can be viewed in Committee Reports for the stated date.

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

Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 61 shows Net Assets of £1,435 million as at 31 March 2022 (£1,413 million at 31 March 2021), an increase of £22 million. Long Term Assets have increased by £130 million (from £2,794 million at 31 March 2021), reflecting additions of £223 million to Property, Plant & Equipment (PPE), revaluation decreases of £82 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £5 million and depreciation of £80 million. Short Term Assets have decreased by £65 million from the previous year, reflecting a decrease in Cash & Cash Equivalents (£17 million) and Debtors (£26 million) and a decrease in Short Term Investments (£20 million) and Assets Held for Sale (£2 million). Current Liabilities have increased by £8 million from the previous year, as a result of increases in Short Term Creditors (£6 million), Short Term Provision (£3 million) and Capital Grants Receipts in Advance (£10 million) offset by decreases in Short Term Borrowing (£9 million) and Revenue Grants Receipts in Advance (£1 million). Long term liabilities have increased by £35 million, due to an increase in Long-Term Borrowing (£40 million) and a decrease in PPP LT Liabilities (£5 million).

The Council has continued to reflect the values of Long Term Assets as at 31 March 2022 in line with current RICS guidance that has evolved throughout the year and provided additional assurance through more timely valuations of operational building assets and close attention being paid to the valuation method and assumptions around investment assets.

Future liabilities, anticipated as a result of past events, are recognised as Provisions, where reasonably certain and quantifiable, and Contingent Liabilities where there is less certainty and limited or no data available to quantify any future financial liability. Full details can be found at Notes 35 and 36 on pages 126 – 130.

Total debt outstanding amounts to £1,240 million (2021 £1,189 million). The majority of borrowing comes from the Public Works Loans Board (PWLB) and a Bond Issuance, with the remainder coming from Market Loans and temporary borrowing from various public bodies and financial institutions. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

- [Reserves](#)

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

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

The requirement to retain and manage financial reserves is a critical element of robust financial management and has a basis in statute. In setting its budget the Council must take cognisance of this strategy. A revised Reserves Policy was approved by Council on 7 March 2022, and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 82 to 86.

- **Treasury**

The annual review of the Council's credit rating was undertaken in December 2021 and an opinion provided on 28 Jan 2022. This was reported to City, Growth and Resources Committee on 3 February 2022. It affirmed the credit rating at A1 with a stable outlook in parity at one notch below the UK's rating reflecting the impact of the Covid-19 pandemic and continued Brexit uncertainty. In its credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance". Full details can be viewed at the ACC website in Committee Reporting for the stated date.

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

The Council's Treasury Management Strategy for 2022/23 to 2024/25 set the policies and boundaries for our investments and borrowings, with the stated investment priorities being a) security of capital; and b) the liquidity of investments. Full details can be viewed at the ACC website in Committee Reporting for the Council Meeting on 28 February 2022.

- **Revenue**

During 2021/22, the Council set a net revenue expenditure budget of £578 million (being £483 million on the General Fund and £95 million on the Housing Revenue Account. The performance during the year resulted in a surplus of £1.810 million (represented by £1.310 million on the General Fund and £0.500 million on the Housing Revenue Account). This reflects the service performance after year-end adjustments, such as the use of reserves and statutory funds, but excludes statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 87 and the Comprehensive Income and Expenditure Statement (CIES) on page 60 as follows:

Financial Performance 21/22	Quarter 4 Final Position £'000	Transfers between funds & other adjustments £'000	(Surplus)/ Deficit per EFA £'000	Other Adjustments £'000	Statutory Adjustments £'000	(Surplus)/ Deficit per CIES £'000
General Fund	(1,310)	447	(863)	(12,173)	24,815	11,781
Housing Revenue Account	(500)	(7,081)	(7,581)	(30,490)	76,552	38,481
(Surplus) /Deficit on provision of services	(1,810)	(6,633)	(8,443)	(42,663)	101,368	50,262
Other Comprehensive Income and Expenditure						(71,634)
Total Comprehensive Income & Expenditure Surplus	(1,810)	(6,633)	(8,443)	(42,663)	101,368	(21,372)

- **Capital**

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

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

Contingent liabilities were identified considering additional project cost uncertainty, details can be seen on page 128. 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 £3.322 billion. This is an increase against the total assets of the Council, which are £3,173 billion, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2021/22. Details can be seen on page 158-176.

- **Common Good**

The Common Good recorded an operating deficit of £1.120 million. This deficit is before revaluation of assets, investments and other accounting adjustments are applied. The value of the Common Good is £131.9 million at 31 March 2022, an increase of £4.8 million from last year, reflecting movements in the value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 152-154.

- **Trust Funds and Endowments**

The Council administers a number of trust funds and endowments. Some of these have charitable status which requires separate accounts to be prepared and audited for submission to OSCR (Office of the Scottish Charity Regulator). The value of all the Trust Fund balances at 31 March 2022 was £10.631 million, an increase of £0.065 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 155 to 157.

Outlook including Risks and Uncertainties

Outlook for the City Council

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

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

Financial sustainability

On 10 November 2021 the City Growth and Resources Committee approved the Medium-Term Financial Strategy for the General Fund, that set out the funding context, the medium-term outlook and the impact of capital investment and funding. Several scenarios and responses were developed and principles relating to financial sustainability and managing reserves. The Strategy noted that the increasing demand and pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. From the Strategy the scenario plans reveal a range for 2021/22 of between £32m and £80m, with a central scenario that is towards the upside set of assumptions, this is because of a close alignment in these scenarios of income levels, and of the lack of opportunity for extra income to be generated by the council in the current climate.

The Council set its 2022/23 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 7 March 2022. The 2022/23 General Fund budget presented proposals to address a significant gap of £32.2 million to Elected Members. The gap is proposed to be met by redesign of Council services to address demand, in line with a commissioning led approach as described in the report. The Council agreed a 3% increase in Council Tax and no rise in fees or charges. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals. The Council continued the freezing of rents on the Housing Revenue Account for a further year as agreed on 10 March 2021 and to distribute over £4m from the Common Good. These can be found on the ACC website at Committee Reporting for Council meeting on 10 March 2021.

The Capital budget for the period 2022/23 to 2026/27 was set at £1,135 million (General Fund £623 million, Housing £512 million). This budget reflected an additional investment proposal of £150m to regenerate the city centre and beach area and strategic housing investment.

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

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

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

c. Environmental Sustainability

As part of the approval of the Council Energy and Climate Routemap on 6 May 2020, a Council Energy and Climate Plan was instructed. On 28 February 2022 Council set the Net zero Aberdeen route map which sets a net zero target for Aberdeen City by 2045. Scrutiny will be through the Council's Climate Change Report, produced annually to meet requirements of Public Bodies Climate Duties and reported to the City Growth & Resources Committee by the end of November each year.

As detailed in the Council Delivery Plan (Council, 7 March 2022) the strengthened alignment of the commissioning intentions to support the Council's priorities of addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate are highlighted.

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

Outlook for the City

- Aberdeen Economy – General

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

The Council recognises the economic challenges it operates within. It delivers a wider range of enabling services (transport / roads, housing, planning and education) that are crucial to the functioning of the North East of Scotland as a competitive business, investment and visitor destination. In 2021, the city was home to 11,140 'businesses' (including public administration), supporting around 173,600 jobs and, in turn generating an estimated £203 million in non-domestic rates.

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

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

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

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

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

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

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

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

Supporting Recovery

The Council took decisive action, working within its powers and resources to address the emerging situation throughout the year. On 30 June 2020 the Urgent Business Committee approved a Socio-economic Rescue Plan to support people and businesses during the pandemic. An update on the Socio Economic Plan was provided to City Growth & Resources Committee on 10 November 2021 which showed the actions have been substantially completed or brought into mainstream delivery and response, particularly in response to worsening unemployment.

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

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

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

Conclusion

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

The 2021/22 financial year results showed a small surplus of £1.810 million for the year across all Council accounts. This shows another strong performance over what has been an exceptional year and demonstrates the Council’s financial resilience and actions taken to maintain longer term stability in service delivery going forward.

This has been an extremely changeable year, from the changing restrictions to respond to the pandemic, and financial market and inflation pressure emerging and continuing to escalate and the war in Europe. The Council governance arrangements for responding to the changing environment, and specific financial resilience plans we have evidenced our response to manage and mitigate risks in a robust way to protect the sustainability of Council finances throughout 2021/22 and into the future.

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

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

Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from across the organisation, as well as those in the wider Aberdeen City Council group. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2021/22 Annual Accounts to timescales during a significant period of disruption resulting from the impact of the Covid-19 outbreak.



Jonathan Belford, CPFA
Chief Officer – Finance
30 June 2022

Angela Scott
Chief Executive

Councillor
Co-Leader of the Council

Statement of Responsibilities

The Council is required to:

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

Signed on behalf of Aberdeen City Council

Councillor

Co-Leader of the Council

The Chief Officer – Finance’s responsibilities:

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

In preparing the Annual Accounts, I have:

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

I have also:

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

I certify that these Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2022.



Jonathan Belford, CPFA
Chief Officer – Finance
30 June 2022

Annual Governance Statement

PURPOSE OF ANNUAL GOVERNANCE STATEMENT

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

The purpose of this Statement is to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, approved in February 2022, which in turn is consistent with the good governance principles in the Framework. This includes how we have monitored and evaluated the effectiveness of our governance arrangements over the previous year, and on any planned changes in the year ahead. It provides assurance in relation to our internal control structure and how we manage our resources. This Statement when compared to those from previous years demonstrates that governance arrangements are up to date and improving. This Statement will include, as per the requirements of the Framework:

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

SECTION 1 SCOPE OF RESPONSIBILITY

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2022 and up to the date of approval of the annual accounts.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure but aims to provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

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

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

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

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

SECTION 2 REVIEW OF EFFECTIVENESS

2.1 SOURCES OF ASSURANCE

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



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

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

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

2.1.1 Management Assurance

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

These assurances include internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses are incorporated into the 'Significant Governance Issues' section (Section 4) further to assessment of returns by the Corporate Management Team. For 2021/2022, no issues were highlighted.

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

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

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

CIPFA Mark of Excellence

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

Scheme of Governance

During 2021/22 the Council undertook its agreed annual review of the Scheme of Governance, having monitored its use and application continuously during the year. The annual review is a structured process which considers how the Scheme has operated. Using a collaborative approach, feedback is sought from elected members and officers to ascertain any improvements that may be required. Consideration is also given to data from the committee annual effectiveness reports, particularly whether all the Committee Terms of Reference have been utilised throughout the year, as if not, this may mean that a review of the Terms of Reference is required. As a result of the annual review, minor amendments were proposed to the Scheme to help ensure that the Council's governance arrangements remain effective. These were approved by Council on 28 February 2022. The small number of changes demonstrates that the Scheme of Governance has been operating well throughout the year.

Below is management assurance specific to the Council's group structure:

Group Entities

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

The Council also receives assurance from officers who attend board meetings and receive operational and performance information on a regular basis. The ALEO Strategic Partnership established in 2016/17 brings together senior Council officers with senior ALEO representatives to discuss corporate governance, strategic planning, business planning and horizon scanning. This is chaired by the Head of Commercial and Procurement.

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

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

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

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

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

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

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

Integration Joint Board

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

- Review of Board and Committee Terms of Reference
- Approval of ACHSCP Annual Report 2021/22
- IJB Developmental Workshop sessions – regular focus on the development of the Strategic Plan and areas of importance to the members
- Strategic Risk Register review – including revised risk register and risk appetite statement
- Further development of the Strategic Plan 2019-2022 – introduction of a series of transformation programmes to manage and focus pace of change required.

- Programme 1 - An Approach to Demand Management implemented through a strategic commissioning approach.
- Programme 2 - A deliberate shift to prevention
- Programme 3 - A Data and Digital Programme
- Programme 4 - Conditions for Change
- Programme 5 - Accessible and responsive infrastructure
- Mapping of the performance indicators to the strategic priorities.
- Regular review of the IJB's Financial Regulations and Board Assurance and Escalation Framework
- Development of Localities planning – reduction from 4 to 3 with better alignment to partners
- Working with the North East Partners Group to better align pan-Grampian service provision and delivery
- Strengthening of governance related to health and safety to align with structures in ACC and NHSG
- Strengthening of governance related to civil contingencies to align with structures in ACC and NHSG, including reviewing and building upon these governance arrangements to reflect the IJB becoming a Category 1 responder under the Civil Contingencies Act 2004
- Emergency arrangements being in place to help facilitate the support to the pandemic and adverse weather events.

The IJB Chief Officer considers:-

- that the IJB, the Risk Audit and Performance Committee and the Clinical and Care Governance Committee apply regular and appropriate scrutiny to the work of the ACHSCP and its delivery of services in partnership with Aberdeen City Council and NHS Grampian.
- that the work undertaken to date has enabled the Partnership to be in a stronger position to face the challenges of the Covid 19 pandemic and the impact of adverse weather events on our vulnerable people.
- that the internal control environment provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives and strategic priorities will be identified and actions taken to avoid or mitigate their impact.
- that sufficient systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement.
- That the Adult Protection Committee and Chief Officer's Group provides sufficient oversight of the adult support and protection arrangements delegated to the IJB.

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

2.1.2 Internal Audit

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

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

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

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

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

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

Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to the Audit, Risk and Scrutiny Committee each cycle and the Corporate Management Team monthly. 105 actions were concluded within the year. The number of recommendations that had not met their initial timescale for implementation was 37 at the start of the year. The equivalent figure for the year end was 12, representing substantial progress in addressing the risks identified in Internal Audit reports. However, five of the actions have been overdue since 2020/21. Management has highlighted in these reports that, where necessary, progress with implementing actions has continued to be delayed where resources have been prioritised to support the Council's response to the COVID-19 pandemic. Internal Audit considers this an appropriate and proportionate response to the management of the relative risks.

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

2.1.3 External Audit and Inspections

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

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

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

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

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

Education Scotland / Care Inspectorate Inspections

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

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

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

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

Adult Support & Protection Joint Inspection

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

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

Best Value Assurance Report

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

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

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

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

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

2.1.4 COVID-19

Governance Arrangements

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

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

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

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

Ensuring the effective delivery of local elections

The Council successfully ran the May 2021 Scottish Parliament elections, employing a range of mitigations in all settings as outlined in guidance documents published by the Scottish Government and Public Health Scotland. This ensured a successful election count could be completed and all internal controls were effective. Work is well underway to deliver the May 2022 local government elections in a similar manner.

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

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

Ensuring the effective delivery of local elections

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

2.2 Assessment of Governance Activity

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

Table A below summarises sources of assurance against the requirements of the Local Code of Governance for the period 1 April 2021 to 31 March 2022. This includes a self evaluation of effectiveness as at 31 March 2022 thereby providing assurance around our systems of internal control:

Table A

CIPFA Principle of Good Governance	Sources of Assurance 2021/22
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Information governance reporting and scrutiny through Audit, Risk & Scrutiny Committee, the Risk Board and the Information Governance Group chaired by the Senior Information Risk Owner. Includes oversight of ongoing assurance around Data Protection compliance by Council and its ALEOs ➤ Monitoring of Scheme of Governance to ensure continued effectiveness; training delivered to elected members and officers following any amendments; recommendations of further minor revisions to the Scheme to make decision making more efficient and transparent presented to Council in February 2022 for approval ➤ Annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content. CIPFA noted in their 2022 review of governance at Aberdeen City Council the importance of the effectiveness reports and the engagement of Committee Members with the process by making specific suggestions for improvements to the reports in future years ➤ Monitoring of policy and legislative changes through consultation and legislation trackers to ensure that the Council is well placed to influence national policy and legislative changes and is ready to implement new statutory duties ➤ Approval of policies within the Policy Framework ➤ Attainment of the Equally Safe at Work bronze level accreditation, a programme which addresses gender inequality and gender-based violence ➤ All committee reports monitored by a lawyer, with a legal advisor ordinarily present at each committee meeting, to ensure the rule of law is respected ➤ In-house legal advice is complemented by external legal advice where additional capacity or expertise is required to ensure compliance, e.g., establishment of Joint Venture with bp ➤ Tracking of guidance and regulations relating to COVID-19 to ensure compliance across all Council services ➤ Review of the Council's operational agreements with learning centre associations and approval of new operational agreements ➤ Presentation of Information Governance Annual Report to Audit, Risk and Scrutiny Committee
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ While the pandemic prevents public and press attendance at meetings, Committee meetings have been webcast and made available online following the meeting to ensure that there is openness and transparency in decision-making and that the public have access to meetings when they cannot currently attend in person

CIPFA Principle of Good Governance	Sources of Assurance 2021/22
	<ul style="list-style-type: none"> ➤ Refresh of the Local Outcome Improvement Plan approved in July 2021, underpinned by a strategic needs assessment and collaborative sessions with partners, stakeholders and citizens. Locality Plans developed in conjunction with our 3 local partnership boards ➤ Approval of the refreshed Parental Involvement and Engagement Plan 2021-2024 ➤ Staff Governance Committee, including Trade Union adviser representatives. Positive commentary from Trade Union advisers on the operation of the committee which had been run very effectively, with the ability to have a Trade Union voice on the issues raised ➤ Weekly Director and Trade Union meetings to strengthen engagement ➤ Function Health and Safety groups, including Chief Officers and TU representatives ➤ Oversight of ALEOs by ALEO Assurance Hub, reported twice in the year ➤ Annual review of the ALEO Assurance Hub Terms of Reference in consultation with ALEOs ➤ The Leadership Forum membership has continued to expand and provide resources to support officers in their role as leaders, keeping them informed on key developments; providing a space for them and their teams to get actively involved in what is happening in the Council; and facilitating collaboration, sharing and problem solving ➤ Webinars are also run for the Leadership Forum, available to share with anyone they feel would benefit from attending, including team members. ➤ Working alongside Integration Joint Board in respect of the inclusion of IJBs within the Civil Contingencies Act 2004 as Category 1 responders ➤ Customer Feedback Team and Access to Information Team working with services to improve the quality and speed of responses to customers Work is ongoing in this area with evidence of improvement, particularly in relation to Freedom of Information requests ➤ Expansion of Chatbot knowledge and ability to respond to a wider range of topics to assist customers ➤ An integrated access approach has been implemented with Housing Management and with Police Scotland to streamline access to services and enhanced partnership working. This will remain an areas of focus for 2022/23 ➤ Service design approach adopted within cross functional redesigns which supported revised transformation blueprint and approach is also embedded within commissioning cycle which ensures we work with our customers and partners to codesign service provision and improvements ➤ Targeted improvement activity in key service areas to drive customer centricity aligned with the We Care Charter - Improvement activity has focused on services such as Housing Management and Customer Services and further development of the Customer Academy. This will remain an organisation wide focus for 2022/23 ➤ Ongoing work with Economic Policy Panel who engage across the city annually and offer an assessment on Council activity ➤ Introduction of new online form for impact assessments which accompany committee reports to include additional legislation in respect of human rights, the Fairer Scotland Duty and Children's Rights. This has been completed and is supporting the 22/23 budget process ➤ Use of public values simulator to gather views from public on priorities for the refreshed LOIP ➤ A Belmont Street Quarter survey was carried out with businesses and residents in the area to understand more about their priorities, challenges and activities in relation to outdoor trading ➤ Stakeholder meetings relating to the development of the CCMP traffic management plan, including the Disability Equity Partnership, Accessible City Transport Users Partnership and the City Centre Masterplan Public Transport Forum ➤ Ongoing weekly meetings with the Disability Equity Partnership City Centre working group to discuss both street design and traffic management issues as they emerged and thereby inform design development ➤ Engagement with various other key stakeholders, including the Community Council Forum, Bus Partnership, Cycle groups and the overarching ACTUP group in order to inform design work ➤ Continued engagement with children and young people on the city centre masterplan in line with the Council commitment to becoming a Child Friendly City

CIPFA Principle of Good Governance	Sources of Assurance 2021/22
	<ul style="list-style-type: none"> ➤ “The Future of Aberdeen City Centre and the Beach” public engagement exercise in June-July 2021 Consultation and engagement undertaken with children and young people for the Beach Masterplan, namely: <ul style="list-style-type: none"> • Workshops with P6 Primary School children, followed by a presentation of their ideas to members of the design team • A ‘creative postcard exercise’ undertaken with secondary school students • Consultation through a QR code and online survey ➤ Creation of a video to be shared with the schools and youth groups who participated in the consultation, explaining how their ideas and suggestions have been influencing the emerging designs for the Beachfront. ➤ Further development of Locality Empowerment Groups established in 2020 to support engagement with communities across the North, South and Central localities of Aberdeen in development and delivery of LOIP and Locality Plans ➤ Phase 2 Review of Locality Planning to understand how we can improve links between and with community groups to deliver improved outcomes across the City and for localities ➤ Review undertaken of Community Planning Aberdeen Engagement, Participation and Empowerment Strategy – draft due April 2022 ➤ Completion of review of Tenant Participation Strategy = a new strategy has been identified and is being implemented to support service transformation ➤ Expansion of the use of Participatory Budgeting (PB) remains a focus but has been challenging to develop due to Covid restrictions. The Fairer Aberdeen Fund remains the single biggest PB exercise, with £1.6m committed in 20/21 to community groups through PB ➤ Various consultations undertaken throughout the reporting year, including, but not limited to:- <ul style="list-style-type: none"> • Summer of Play evaluation • Early Learning and Childcare evaluation • Statutory Consultation: Proposals to establish catchment areas for Gaelic Medium Education provision at Hazlehead Academy and Gilcomstoun School • Draft locality plans • Digitisation of the Music Service • Draft Local Outcome Improvement Plan • Aberdeen City Council Gaelic Language Plan • Aberdeen Low Emission Zone • Ellon Park and Ride to Garthdee Transport Corridor Study • Child Protection and Disability Questionnaire • Aberdeen Local Transport Strategy ➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee. ➤ Work to improve how children and young people are meaningfully involved in influencing decisions that affect them including work with schools to address climate change; approval of plans to develop accessible information for young people relating to Net Zero; and holding a Child Friendly COP26 event in March 2022, appointing a secondary school President to present the findings to a special Education Operational Delivery Committee in April 2022 ➤ Community Council Liaison and Support ➤ Community Planning Partnership Community Empowerment Group overseeing delivery of Partnership Empowerment Strategy ➤ Integrated Locality Planning Model between CPP and Health and Social Care Partnership ➤ Community Learning and Development Plan refreshed to ensure strategic alignment with LOIP and Locality Plans ➤ Establishment of Locality Empowerment Groups

CIPFA Principle of Good Governance	Sources of Assurance 2021/22
<p>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> ➤ Priority Neighbourhood Partnership in place for most deprived communities ➤ Role of Community Connectors introduced to enable community input in our Improvement Projects ➤ Aberdeen Responsible Business Network to engage business community. ➤ Agreement on a Memorandum of Understanding with the Centre for Homelessness Impact to work together to tackle homelessness on an evidence and data led 'functional zero homelessness' principle. ➤ Consideration and approval of the Climate Change Report 2020/2021 ➤ Education Operational Delivery Committee consideration of a report on the Outcomes for Care Experienced Children and Young People and agreement for an annual report to be presented to Committee ➤ Development and implementation of a targeted learning package for those whose employment opportunities were hardest hit by the pandemic ➤ Regular reports submitted on the Socio-Economic Rescue Plan for the city, including outlining the ongoing work in relation to the Aberdeen City Council Business Charter ➤ Review completed of support to Trusts to ensure that funding and support is aligned with outcomes ➤ The LOIP was refreshed and approved in July 2021, founded upon an up to date Population Needs Assessment and incorporating relevant actions from the Socio-Economic Rescue Plan approved and implemented by the Council during 2020 in response to the Covid-19 pandemic ➤ Monitoring and approval of commissioning activity at the Demand Management Control Board and by the Strategic Commissioning Committee to help ensure that the needs and outcomes specified in the LOIP are being achieved ➤ Monitoring of the impact of activity on outcomes through reports to the Strategic Commissioning Committee:- Council Delivery Plan Annual Report; Locality Plans Annual Report; Sport Aberdeen Annual Report; Aberdeen Sports Village Annual Report; Bon Accord Care Annual Report; Aberdeen Performing Arts Annual Report; and the Community Planning Aberdeen Annual Outcome Improvement Report ➤ Risk management section in committee report template ensures due consideration given to environmental and climate impact of any proposals. ➤ Approval of the revised Performance Management Framework (PMF) at Strategic Commissioning Committee in October 2021 ➤ Corporate level monitoring and reporting of performance in the management of staff and finance to Staff Governance Committee and City Growth and Resources Committee ➤ Regular reporting to Committees and management teams showing current performance data, as well as relevant contextual analysis to support scrutiny and decision making ➤ Additional supplemental performance reporting to committees scheduled, as appropriate, to provide timely and full analysis in key areas e.g. annual educational attainment performance ➤ Approval of Aberdeen's Net Zero Routemap and associated strategies at Full Council on 28 February 2022
<p>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> ➤ Regular committee reports on the Education Improvement Journey and National Improvement Framework ➤ Interventions developed to address food insecurity and poverty using £175,000 allocated by the Council, supporting the LOIP outcome "No one in Aberdeen will go without food due to poverty by 2026" ➤ Support provided to 33 Afghan families relocated to Aberdeen in support of the Home Office Afghan resettlement scheme, with bespoke EAL provision provided at Sunnybank School and St Machar Academy until the children and young people moved to local schools once permanent addresses were identified ➤ Establishment of Anti-Poverty Outcome Improvement Group ➤ Implementation of the scheme to support the digital needs of care leavers, including the following:-

CIPFA Principle of Good Governance	Sources of Assurance 2021/22
<p>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> ➤ Amending the Multi-agency Pathway Planning and Aftercare Support guidance to include assessment of the digital support required by a young person at each stage of their transition from care; updating guidance on completing financial assessments to access financial support to include assessing for digital support; proactively identifying unmet digital needs; planning for the provision of access to a device, data and skills as a key requirement when care plans are updated; ensuring at the point of leaving care each young person has a suitable device, beyond a mobile phone; support to e.g. purchase MiFi connections; and consultation with children and young people as to how this approach can be developed ➤ Approval of the joint Aberdeen City Council and NHS Grampian Child Poverty Action Report 2020/21 for submission to the Scottish Government ➤ Annual reports for each ALEO reported to Strategic Commissioning Committee in October and December 2021. ➤ Submission of third annual effectiveness report to Committees. Review of annual report after each year to ensure that format is effective, taking on board feedback from Members. ➤ Ongoing monitoring of capital programme at both Capital Board and Capital Programme Committee ensuring monitoring and control of projects and programmes impacted by COVID. ➤ Ongoing monitoring of Community Planning improvement projects which tackle diverse issues and deliver wide ranging benefits for outcomes related to the economy, people and place. ➤ Development of the Council's Transformation Blueprint 1.2 and continued development of the commissioning approach to ensure outcomes are being met. ➤ Review of the Outside Bodies policy and outside appointments ahead of the local government elections in 2022, taking into account the levels of assurance received in respect of ALEOs through the ALEO Assurance Hub. ➤ Revised Local Outcome Improvement Plan presented and approved in July 2021, taking on board the impact of COVID-19, the revised CPA Improvement Programme, and the socio economic rescue plan ➤ Work towards recovery of economy through working with the business community, promoting opportunities in digital to enable new ways of working, and skills development to address employment gaps in sectors such as health and care, including creation of Aberdeen Responsible Business Network ➤ Working closely with partners, customers and communities to deliver inclusive, whole system redesign. Partnership work was driven through both Community Planning Aberdeen and the north east Multi-Agency Transformation Management Group ➤ Development of the Council's proposed delivery plan for 22/23 taking into account past and present performance against outcomes and commissioning intentions ➤ Approval of a Joint Venture with bp to deliver a Hydrogen Hub in Aberdeen ➤ Approval of Commissioning Intentions and Service Standards, which are consistent with the budget for 2022/23 and Medium Term Financial Strategy ➤ Review in June 2021 of the new approach to internal recruitment, movement of staff and ways of working to respond to different demands and a different working environment, derived from the responses to the Future of Work survey ➤ Ongoing work in collaboration with UNICEF to develop an accessible professional learning programme for the wider workforce which tracks impact on practice in respect of the United Nations Convention on the Rights of the Child (UNCRC) ➤ Evidence-based digital engagement work, looking at adoption rates and how we digitally connect all of our staff, particularly the frontline ➤ Development of Elected Member Development Microsoft Teams Site as the focal point of communication and announcements on training sessions and a point of reference for information and questions ➤ Training for new External Members on the Education Operational Delivery Committee

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

CIPFA Principle of Good Governance	Sources of Assurance 2021/22
<p>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> ➤ Development of approach to strategic resource allocation to further shape where and how resources are deployed, attaining greater understanding of how resources align to outcomes and the related impact and consequences of decisions ➤ Further review of alignment between commissioning intentions, service standards and budget allocations thereby ensuring focus on the very highest of priorities and on the most important outcomes ➤ Revenue implications of capital investment opportunities identified and agreed with the Chief Officer – Finance to support the Council’s scenario planning - completed and supporting the 22/23 budget process ➤ Work undertaken in relation to unknown aspects arising from the pandemic and additional costs that emerged in respect of the capital programme, and consideration of how the Council creates flexibility in the capital programme to increase contingencies - completed and supporting the 22/23 budget process ➤ Roll out of Counter Fraud training and completion of Council-wide risk assessment <ul style="list-style-type: none"> ➤ Revised Scheme of Governance approved in February 2022, taking on board feedback gathered from officers and Members through the year ➤ Continuous monitoring of KPIs which populate the cluster level scorecards by officers with regular reporting to Committees and management teams showing current performance data, as well as relevant contextual analysis to support scrutiny and decision making ➤ Additional supplemental performance reporting to committees scheduled, as appropriate, to provide timely and full analysis in key areas e.g. annual educational attainment performance ➤ Ongoing work for introduction of online process for consultation of committee reports, including incorporation of current committee business planners into process to ensure clear reporting lines, timescales and accountability ➤ Reporting to Audit, Risk and Scrutiny on all planned audit activity, both internal and external, to ensure that there is clear understanding of the wider control environment ➤ Implementation of actions arising from FM Code self-assessment and further to External Audit review of FM Code self-assessment. Monitoring the FM Code self-assessment embedded into governance with a role for Audit Risk and Scrutiny Committee, CMT and Risk Board. Action planning embedded into risk management of the Institutional Financial Resilience risk ➤ Implementation of recommendations of financial resilience risk internal audit

SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2022/23 we will continue to progress with the review and monitoring of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Risk Board, Transformation Board, Strategy Board and Performance Board, all reporting into Corporate Management Team.

The table below highlights the primary actions planned in 2022/23.

Table B

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

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

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

CIPFA Principle of Good Governance	Primary Actions Planned 2022/23
F - Managing risk and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Carbon Literacy training to be included within the induction programme for Elected Members ➤ Ongoing activity to extend distributive leadership, for example less formal communications and decision-making authority, further empowering managers and staff ➤ Consideration given to the future use of assets in light of COVID-19 and the change to working habits, taking account of the survey results above ➤ The Council will undertake a review of the Executive Board structure ➤ Development and delivery of Collective Leadership Programme on behalf of Community Planning Aberdeen to increase capacity of staff at all levels and across partner organisations to lead improvement ➤ Regular development opportunities for staff throughout the year through Learning Academy and Learning Forum ➤ Review of Performance Management Framework to evidence the delivery of better outcomes ➤ Monitor implementation of updates to Risk Management Guidance, Committee Report, Business Case and Executive Board templates and guidance documentation to reflect Risk Appetite Statement ➤ Introduction of revised committee report template and monitoring for any amendments required ➤ Continued development of the new Corporate Debt team to provide dedicated support to the Housing and Support service over rent arrears. ➤ Presentation of Council Delivery Plan, Housing Revenue Account, Common Good, General Fund Revenue and Capital Programme 22/23 reports to Council ➤ Governance Review of Trusts to be reported to Council in December 2022 ➤ Presentation of Flood Risk Management Strategies and Plans report to City Growth and Resources Committee in June 2022 ➤ Implementation of Aberdeen Adapts – updated climate adaptation framework ➤ Following approval of the approach to carbon budgeting for the Council Climate Change Plan, progression of a phased roll out of the carbon budget, including integration of carbon reduction in Service Re-design ➤ Engagement with the Council's current technology partner Microsoft and bp, its Joint Venture Partner, as well as relevant Chief Officers, on a process for managing and modelling climate data as well as filling existing data gaps with a report back on progress as part of the annual update report to Council ➤ Development of Business Continuity external website pages ➤ Creation of Persons at Risk Database for protecting vulnerable people during incidents and emergencies
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ Reporting to Audit, Risk and Scrutiny on all planned audit activity, both internal and external, to ensure that there is clear understanding of the wider control environment. ➤ The volume of performance information to be reviewed to ensure the balance between the right amount of detail and the assurance required for accountability ➤ Three year internal audit plan for 2022/23 to 2025/26 ➤ Local Area Network providing schedule of external audits and inspections ➤ Appointment of new External Auditor for period 2023/24 to 2028/29 ➤ Adult Support and Protection Joint Inspection ➤ Further development of committee effectiveness reports. ➤ Monitoring and reporting of Capital Programme through Capital Programme Committee ➤ Development of assurance arrangements to monitor the governance systems and performance of the JV established by the Council and bp

SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2020/2021 identified no significant governance issues.

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Groups', systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising, however there were no significant governance issues for the reporting period 2020/2021. The Corporate Management Team further considers that there were no significant governance issues in 2021/2022.

Table C

Issue Ref.	Issue Description	Source of Evidence	Action
	No new issues in 2021/22		
	None		

SECTION 5 LEVEL OF ASSURANCE OBTAINED

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2022. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance.

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

Appendix A

Best Value Audit Action Plan

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

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

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

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

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

Best Value Audit Recommendation	CIPFA Principle	Agreed actions and updates (as at 31 st March 2022)	Update
		<ul style="list-style-type: none"> <li data-bbox="808 544 1480 600">• Reporting of education service performance to Education Operational Delivery Committee (EODC). (November 2021) <li data-bbox="808 852 1518 962">• Put in place reporting arrangements to monitor the response to the recommendations of the Organisation for Economic Co-operation and Development on the Curriculum for Excellence. (September 2021) 	<p data-bbox="1559 320 2056 459">Operational Delivery Committee agreed in January to implement a Choice Based Letting system to transform our allocations process. There have been regular meetings with tenant groups throughout the year.</p> <p data-bbox="1559 488 2051 539">A programme of resident led inspections has been developed, with two already undertaken.</p> <p data-bbox="1559 624 2051 1010">EODC in November 2021 considered an interim tracking report for the 2020-21 academic year, against the suite of Educational Improvement Journey Key Performance Indicator measures, supporting the Excellence and Equity agenda within the Aberdeen City Council National Improvement Framework Plan; which also outlined the progress of actions supporting the Education Improvement Journey presenting the pre-review outcomes from the 2021 Alternative Certification Model, releases provided through the Insight Tool, and Attendance and Exclusion information.</p> <p data-bbox="1559 1038 2051 1233">Initially reported to Education Operational Delivery Committee in September 2021, Chief Officer – Education instructed to keep Committee apprised of resultant changes in Scottish Government policy; and how changed national policies are being implemented locally.</p>

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

On behalf of Aberdeen City Council, 30 June 2022:

Angela Scott
Chief Executive

Councillor
Co-Leader of the Council

Remuneration Report

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

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

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2021 (SSI No. 2021/18) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2020 (SSI No. 2020/26). The Regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2021/22, the salary of the Leader of Aberdeen City Council is £43,412. The Regulations permit the Council to remunerate one Lord Provost and sets out the maximum salary that may be paid. Council policy is to pay at the national maximum, £32,560.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £486,049. The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The maximum number of Senior Councillors that the Council can have is 19. Council policy is to pay each of the five principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £32,560, with the remaining Senior Councillors receiving 75 per cent of that sum, £24,420.

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

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

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

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

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

Remuneration Disclosures:

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

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

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

Table 1 shows the total number of council employees receiving remuneration in each band, starting at £50,000. Remuneration includes early retirement/voluntary severance costs and pension strain costs. All of those over £130,000 (excluding the Chief Executive) are as a result of including pension strain costs.

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

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

Table 3: Details of exit packages.

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'000					
	2020/21	2021/22	2020/21	2021/22	2020/21			2021/22		
					Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	-	25	10	158	87	245	39	57	96
£20,000 - £39,999	-	-	11	6	168	113	281	50	108	158
£40,000 - £59,999	-	-	2	2	27	74	101	56	48	104
£60,000 - £79,999	-	-	3	3	88	106	194	105	100	205
£80,000 - £99,999	-	-	2	1	27	148	175	7	74	81
£100,000 - £149,999	-	-	2	1	28	230	258	33	103	136
£150,000 - £199,999	-	-	1	-	13	143	156	-	-	-
£200,000 - £249,999	-	-	1	1	8	199	207	16	214	230
Total	-	-	47	24	517	1,100	1,617	306	704	1,010

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

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

2020/21	2021/22					Notes	
Total Remuneration £	Councillor Name	Responsibility	Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind * £	Other Expenses £		Total Remuneration £
41,749	Jennifer Laing	Council Leader	43,412	79	523	44,014	1
31,327	Douglas Lumsden	Co Council Leader (until 12 May 2021)	3,764	9	-	3,773	
31,333	Barney Crockett	Lord Provost	32,560	195	8,358	41,113	
31,955	Jennifer Stewart	Depute Lord Provost	32,563	80	334	32,977	2
31,327	Ryan Houghton	Convener, City Growth and Resources (from 13 May 2021)	32,560	79	183	32,822	3
31,327	Alex Nicoll	Convener, Audit, Risk and Scrutiny	32,560	79	-	32,639	
23,436	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	24,420	-	-	24,420	
31,327	Yvonne Allan	Convener, Staff Governance	32,560	79	-	32,639	4
23,515	Philip Bell	Convener, Operational Delivery (from 13 May 2021)	31,619	79	49	31,747	5
23,515	Freddie John	Vice Convener, Operational Delivery (from 13 May 2021)	24,420	79	-	24,499	6
31,327	John Wheeler	Convener, Strategic Commissioning (from 13 May 2021)	32,560	79	125	32,764	7
23,535	Lesley Dunbar	Vice Chair of the Integration Joint Board (from 28 May 2021)	20,087	84	-	20,171	8
24,151	Gordon Graham	Vice Convener, Operational Delivery	24,420	-218	-	24,202	9
32,424	John Reynolds	Convener, Licensing Committee	32,560	79	3,834	36,473	10
31,327	Marie Boulton	Convener, Capital Programme	32,560	79	-	32,639	11
23,436	Ross Grant	Vice Convener, Strategic Commissioning	24,420	-	-	24,420	12
23,520	Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 27 May 2021)	3,807	12	-	3,819	
23,515	Mohammad Tauqeer Malik	Convener, Education Operational Delivery (from 13 May 2021)	31,619	79	3,122	34,820	13
17,933	Claire Imrie	Vice Convener, Education Operational Delivery (from 13 May 2021)	20,350	79	125	20,554	14
-	Sandra MacDonald	Vice Convener, Operational Delivery (from 13 May 2021)	20,950	70	-	21,020	
531,979	Total		533,771	1,101	16,653	551,525	

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

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

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

2020/21	2020/21		2021/22	2021/22						
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration* £	Returning Officer Fee £	Notes	
160,628	160,628	Angela Scott	Chief Executive	161,428	161,628	-	161,628			
124,763	124,763	Andy MacDonald	Director of Customer Services	125,563	125,763	-	125,763			
88,165	88,165	Gale Beattie	Director of Commissioning (from 1 July 2021)	125,563	94,172	-	94,172			
124,763	124,763	Rob Polkinghorne	Chief Operating Officer	125,563	125,763	-	125,763			
124,763	124,763	Steven Whyte	Director of Resources	125,563	125,763	-	125,763			
92,017	92,017	Jonathan Belford	Chief Officer - Finance	92,817	93,017	-	93,017			
92,017	92,017	Fraser Bell	Chief Officer - Governance (Monitoring Officer)	92,817	97,813	-	97,813	4,796		
88,165	88,165	Richard Sweetnam	Chief Officer - City Growth	88,965	22,041	-	22,041		2	
92,017	92,017	Graeme Simpson	Chief Social Work Officer	92,817	93,017	-	93,017			
92,017	91,844	Eleanor Sheppard	Chief Education Officer	92,817	93,017	-	93,017			
	1,079,142	Total			1,031,994	-	1,031,994			
	*	Remuneration paid in 2021/22 includes arrears of pay relating to the pay award. Additionally, some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties.								
	Note 1:	The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administering a parliamentary election. These duties are separate from any duties undertaken as a local government employee. The total RO fee is regulated by The Scottish Parliament Elections (Returning Officer Fees and Charges) Amendment Regulations 2021 (SSI 2021/165). The RO can appoint one or more persons to discharge any or all of the functions of the post but cannot delegate personal responsibility for delivering the election. Fraser Bell is the RO for Aberdeen City Council and during 20/21 he delegated some of the RO duties/fees to 2 other employees.								
	Note 2:	Chief Officer- City Growth ceased reporting directly to Chief Executive on 30 June following the commencement of Director of Commissioning. As such only remuneration to 30 June is reported.								

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

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

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

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

Pension Benefits

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

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

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

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

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

The tiers and members contribution rates are as follows:

Pensionable pay (2020/2021)	Contribution rate 2020/21	Pensionable pay (2021/2022)	Contribution rate 2021/22
On earnings up to and including £22,200	5.5%	On earnings up to and including £22,300	5.5%
On earnings above £22,201 and up to £27,100	7.25%	On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,101 and up to £37,200	8.5%	On earnings above £27,301 and up to £37,400	8.5%
On earnings above £37,201 and up to £49,600	9.5%	On earnings above £37,401 and up to £49,900	9.5%
On earnings of £49,601 and above	12%	On earnings of £49,901 and above	12%

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

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

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

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

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

Pension Disclosures:

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

Table 8: Details of pension contributions made by the Council to the NESPF on behalf of Senior Employees of the Council, and their individual pension entitlements as at 31 March 2022.

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

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2021 £	For year to 31 March 2022 £		As at 31 March 2022 £'000	Difference from £'000
Jennifer Laing	Council Leader	8,041	7,771	Pension	11	2
				Lump Sum	2	-
Douglas Lumsden	Co Council Leader (until 12 May 2021)	6,031	674	Pension	3	1
Barney Crockett	Lord Provost	6,031	5,828	Pension	10	2
				Lump Sum	2	-
Jennifer Stewart	Depute Lord Provost	6,031	5,829	Pension	7	1
				Lump Sum	2	-
Ryan Houghton	Convener, City Growth and Resources (from 13 May 2021)	6,031	5,828	Pension	3	1
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,523	4,371	Pension	7	1
				Lump Sum	2	-
Yvonne Allan	Convener, Staff Governance	6,031	2,914	Pension	11	1
				Lump Sum	2	-
Philip Bell	Convener, Operational Delivery (from 13 May 2021)	4,523	5,660	Pension	3	1
Freddie John	Vice Convener, Operational Delivery (from 13 May 2021)	4,523	4,371	Pension	2	-
John Wheeler	Convener, Strategic Commissioning (from 13 May 2021)	6,031	5,828	Pension	3	1
Lesley Dunbar	Vice Chair of the Integration Joint Board (from 28 May 2021)	4,523	682	Pension	5	1
Gordon Graham	Vice Convener, Operational Delivery	4,523	4,371	Pension	7	1
				Lump Sum	2	-
John Reynolds	Convener, Licensing Committee	6,031	5,828	Pension	11	2
				Lump Sum	2	-
Marie Boulton	Convener, Capital Programme	6,031	5,828	Pension	9	2
				Lump Sum	2	-
Ross Grant	Vice Convener, Strategic Commissioning	4,523	4,371	Pension	5	1
Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 27 May 2021)	4,523	682	Pension	2	-
Mohammad Tauqeer Malik	Convener, Education Operational Delivery (from 13 May 2021)	4,523	5,660	Pension	4	1
Claire Imrie	Vice Convener, Education Operational Delivery (from 13 May 2021)	3,446	4,251	Pension	2	-
Sandra MacDonald	Vice Convener, Operational Delivery (from 13 May 2021)	-	3,750	Pension	2	2
Total		95,919	84,497	Pension	107	21
				Lump Sum	16	-

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2021 £	For year to 31 March 2022 £		As at 31 March 2022 £'000	Difference from 31 March 2021 £'000
Angela Scott	Chief Executive	31,001	28,931	Pension	79	3
Andy MacDonald	Director of Customer Services	24,079	22,512	Pension	32	2
				Lump Sum	17	-
Gale Beattie	Director of Commissioning (from 1 July 2021)	17,016	16,857	Pension	38	9
				Lump Sum	58	14
Rob Polkinghorne	Chief Operating Officer	23,033	20,571	Pension	10	2
Steven Whyte	Director of Resources	24,079	22,512	Pension	46	2
				Lump Sum	62	1
Jonathan Belford	Chief Officer - Finance	17,759	16,650	Pension	40	2
				Lump Sum	62	1
Fraser Bell	Chief Officer - Governance (Monitoring Officer)	17,759	17,509	Pension	21	3
Richard Sweetnam	Chief Officer - City Growth	17,016	3,945	Pension	29	2
				Lump Sum	22	-
Graeme Simpson	Chief Social Work Officer	17,760	16,650	Pension	37	3
				Lump Sum	48	-
Eleanor Sheppard	Chief Education Officer	21,124	21,394	Pension	34	2
				Lump Sum	72	1
TOTAL		210,626	187,531	Pension	366	30
				Lump	341	17

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

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

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

Angela Scott
Chief Executive

Councillor
Co-Leader of the Council

PRIMARY FINANCIAL STATEMENTS

Movement in Reserves Statement

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

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2020 brought forward	(35,294)	(12,808)	(11,377)	(482)	(59,961)	(1,156,006)	(1,215,967)
Movement in Reserves during 2020/21							
Total Comprehensive Income & Expenditure	(11,520)	2,165	0	0	(9,355)	(187,846)	(197,201)
Adjustments between accounting basis & funding basis under regulations (note 5)	(22,283)	(3,673)	(2,380)	(1,748)	(30,084)	30,084	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(33,803)	(1,508)	(2,380)	(1,748)	(39,439)	(157,762)	(197,201)
Transfers to/(from) Reserves	(2,506)	(399)	1,857	1,048	0	0	0
(Increase)/Decrease in Year	(36,309)	(1,907)	(523)	(700)	(39,439)	(157,762)	(197,201)
Balance at 31 March 2021	(71,603)	(14,715)	(11,900)	(1,182)	(99,400)	(1,313,768)	(1,413,168)

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts & Receipts Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2021 brought forward	(71,603)	(14,715)	(11,900)	(1,182)	(99,400)	(1,313,768)	(1,413,168)
Movement in Reserves during 2021/22							
Total Comprehensive Income & Expenditure	5,595	44,667	0	0	50,262	(71,634)	(21,372)
Adjustments between accounting basis & funding basis under regulations (note 5)	(11,392)	(45,607)	(1,045)	(1,045)	(59,089)	59,089	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(5,797)	(940)	(1,045)	(1,045)	(8,827)	(12,545)	(21,372)
Transfers to/(from) Reserves	5,248	440	(7,102)	1,414	0	0	0
(Increase)/Decrease in Year	(549)	(500)	(8,147)	369	(8,827)	(12,545)	(21,372)
Balance at 31 March 2022	(72,152)	(15,215)	(20,047)	(813)	(108,227)	(1,326,313)	(1,434,540)

Comprehensive Income and Expenditure Statement

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

2020/21				2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
355,076	(69,606)	285,470	Operations	373,423	(82,986)	290,437
102,340	(60,378)	41,962	Customer	98,174	(55,212)	42,962
41,806	(12,468)	29,338	Commissioning	62,067	(27,915)	34,152
125,703	(105,681)	20,022	Resources	119,395	(96,891)	22,504
258,192	(163,936)	94,256	Integration Joint Board	273,245	(167,553)	105,692
24,853	(2,761)	22,092	Corporate	40,926	(8,797)	32,129
142,707	(103,088)	39,619	Housing Revenue Account	142,027	(103,546)	38,481
1,050,677	(517,918)	532,759	Cost of Services	1,109,257	(542,900)	566,357
349	(1,495)	(1,146)	Other Operating Expenditure (note 8)	1,396	0	1,396
97,076	(47,541)	49,535	Financing and Investment Income and Expenditure (note 9)	108,463	(61,649)	46,814
0	(590,503)	(590,503)	Taxation and Non Specific Grant Income (note 10)	0	(564,305)	(564,305)
1,148,102	(1,157,457)	(9,355)	(Surplus) or Deficit on Provision of Services	1,219,116	(1,168,854)	50,262
		24,249	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(41,146)
		(212,095)	Actuarial (gains)/losses on pension assets/liabilities			(30,488)
		(187,846)	Other Comprehensive Income and Expenditure			(71,634)
		(197,201)	Total Comprehensive Income and Expenditure			(21,372)

The accompanying notes form an integral part of these financial statements

Balance Sheet

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

1 April 2020 £'000	31 March 2021 £'000		Note	31 March 2022 £'000
2,405,949	2,386,544	Property, Plant & Equipment	28	2,492,551
197,819	198,068	Heritage Assets	27	196,272
195,545	191,968	Investment Property	26	217,712
17,090	16,343	Long Term Investments	38	15,503
7,539	742	Long Term Debtors	38	657
2,823,942	2,793,665	Long Term Assets		2,922,695
101,542	119,699	Cash and Cash Equivalents	17	102,593
50,454	40,277	Short Term Investments	38	20,025
96,981	139,389	Short Term Debtors	33	113,029
2,017	2,071	Inventories	32	2,906
15,200	13,700	Assets Held for Sale	31	11,993
266,194	315,136	Current Assets		250,546
(208,162)	(232,391)	Short Term Borrowing	38	(223,359)
(99,260)	(117,073)	Short Term Creditors	34	(122,607)
(2,253)	(549)	Short Term Provisions	35	(3,533)
(3,020)	(4,638)	PPP Short Term Liabilities	30	(4,527)
(6,129)	(7,423)	Accumulated Absences Account	13	(7,224)
(712)	(2,909)	Grants Receipts in Advance - Revenue	37	(1,438)
(25,104)	(21,047)	Grants Receipts in Advance - Capital	37	(31,257)
(344,640)	(386,030)	Current Liabilities		(393,945)

1 April 2020 £'000	31 March 2021 £'000		Note	31 March 2022 £'000
(1,026,809)	(1,003,256)	Long Term Borrowing	38	(1,043,105)
(57,602)	(57,141)	Finance Lease	25	(56,643)
(613)	(551)	Long Term Provisions	35	(551)
(135,202)	(130,565)	PPP Long Term Liabilities	30	(126,038)
(309,303)	(118,090)	Pension Liabilities	22	(118,419)
(1,529,529)	(1,309,603)	Long Term Liabilities		(1,344,756)
1,215,967	1,413,168	Net Assets		1,434,540
		Usable Reserves:		
(35,294)	(71,603)	General Fund Balance		(72,152)
(12,808)	(14,715)	Housing Revenue Account		(15,215)
(11,377)	(11,900)	Statutory and Other Reserves		(20,047)
(482)	(1,182)	Capital Grants Unapplied Account		(813)
(1,156,006)	(1,313,768)	Unusable Reserves	13	(1,326,313)
(1,215,967)	(1,413,168)	Total Reserves		(1,434,540)

The accompanying notes form an integral part of these financial statements



Jonathan Belford, CPFA
Chief Officer – Finance
30 June 2022

Cash Flow Statement

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

2020/21 £'000		2021/22 £'000
9,355	Net Surplus or (Deficit) on the provision of services	(50,262)
135,043	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	209,742
(80,053)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(48,313)
64,345	Net cash flows from Operating Activities (note 14)	111,167
(34,395)	Net cash flows from Investing Activities (note 15)	(141,007)
(11,793)	Net cash flows from Financing Activities (note 16)	12,734
18,157	Net increase or (decrease) in cash and cash equivalents	(17,106)
101,542	Cash and cash equivalents at the beginning of the reporting period	119,699
119,699	Cash and cash equivalents at the end of the reporting period (note 17)	102,593

The accompanying notes form an integral part of these financial statements

Notes to the Accounts**1. Accounting Policies****i Basis of Preparation**

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

ii General Principles

The Annual Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year ended 31 March 2022. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS).

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

iii Accruals of Income and Expenditure

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

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

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

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

iv Carbon Reduction Commitment Allowances

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

v Cash and Cash Equivalents

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

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

vi Charges to Revenue for Non Current Assets

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

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

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

vii Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.2%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value: quoted securities – current bid price; unquoted securities – professional estimate; unitised securities – current bid price; and property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate; and
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii Events After the Reporting Period

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

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

ix Financial Liabilities

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

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

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

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

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

x Financial Assets

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

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

Financial assets measured at amortised cost

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

Financial assets measured at fair value through profit and loss

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

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

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

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

xi Foreign Currency Translation

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

xii Government Grants and Contributions

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

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

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

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

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

xiii Heritage Assets

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

- **Fine Art & Applied Art Collection**

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

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation which is based on valuation. These insurance valuations are updated on an ad hoc basis. The collection is relatively static and acquisitions and donations are rare. Where

they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Art Gallery and Museum's curators in accordance with the Council's policy on valuations of Civic Insignia. Subsequent measurement is based on insurance valuation performed in line with the Council's Policy.

- **Archaeology**

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

- **Library and Information Services**

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

- **Other Heritage Assets**

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

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

xiv Interests in Companies and Other Entities

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

xv Inventories

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

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

xvi Investment Properties

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

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

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

xvii Jointly Controlled Operations

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

xviii Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Operating Leases

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

xx Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where there is a legal obligation.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and vehicles, plant and equipment – depreciated historical cost;
- community assets – historical cost or nominal value;
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- specialised properties – depreciated replacement cost (DRC);
- non-financial assets e.g. surplus assets and investment properties – fair value*; and at cost, where appropriate
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

**Fair Value*

*Valuation Technique – All assets have been valued based on Level 2 of the Fair Value Hierarchy**. This uses significant observable inputs.*

There has been no change in the valuation techniques used during the year for either Investment Properties or Surplus Assets, except for the valuation of a new investment property, The Events Complex Aberdeen, as valuation at fair value is uncertain at this time, this investment property has been measured at cost..

****Significant Observable Inputs – Level 2**

Fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Assets Held for Sale

When an asset is no longer held for the purposes of generating cash flows it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only

up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is not applied to an asset in the year of acquisition, revaluation nor to expenditure on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer; and
- infrastructure and vehicles, plant and equipment – straight-line allocation over the useful life as estimated by management.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xxi Public Private Partnerships (PPP) and Similar Contracts

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services

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

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

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

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

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

xxii Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be exposed to liabilities from court cases that could eventually result in the making of a settlement or the payment of compensation, e.g. equal pay claims, or consider that over time the collection of income will become more difficult and thereby fail to secure the full value of the debt, or may have made a decision in relation to changes in service delivery from which costs arise, e.g. redundancy costs.

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxiii Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to set against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiv Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

xxv VAT

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

2. Accounting Standards that have been issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by The Code:

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

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

The implementation of IFRS 16 for Lease Accounting which should have been adopted with effect from 1 April 2022 has now been deferred until 1 April 2024 with local authorities having the option to adopt earlier if they decide to do so. This standard replaces IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases will be considered finance leases unless they meet the specific exception criteria. The Council has opted to defer implementation at this time.

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and Lochside Academy, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £190 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment : Valuations	<p>In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'</p> <p>The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2022 and can be relied upon.</p>	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.
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>	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Council Dwellings – Housing Stock	<p>Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 7.5%.</p>	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.9m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £28.8m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Aberdeen City Council Bond	The Council undertook a bond issuance from the Debt Capital Markets in November 2016. £370 million of index-linked bonds were issued to investors. The outstanding bonds are subject to indexation, which is based on movements in the Retail Price Index (RPI).	The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £4 million in amounts repayable.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £33 million. However, if another assumption were increased, e.g. pay inflation, by 0.1% then this would result in an increase in the pension liability of £33.6 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2022 the Council had a balance of short term debtors of £113 million. This is net of an allowance for the impairment of debt of £82.5million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £1.13 million.

5. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure (68) recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	Usable Reserves					Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000			
Adjustments involving the Capital Adjustment Account (CAA):							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(50,294)	(34,222)	0	0	0	84,516	
Revaluation losses on Property, Plant and Equipment	(2,616)	(47,602)	0	0	0	50,218	
Capital grants and contributions applied	42,856	43,854	0	0	0	(86,710)	
Write off carrying amount of non current assets sold	(1,188)	0	0	0	0	1,188	
Write off carrying amount of non current assets scrapped	0	0	0	0	0	0	
Statutory provision for the financing of Capital spend (3R's)	3,448	0	0	0	0	(3,448)	
Movement in the fair value of Investment Properties	(5,167)	0	0	0	0	5,167	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Loan principal repayments during the year	7,217	1,767	0	0	0	(8,984)	
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	265	33,390		0	0	(33,655)	
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(2,380)	2,334	0	46	
Proceeds from sale of non current assets	2,834	61	0	(2,895)	0	0	
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(151)	(410)	0	561	0	0	
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	1,748	0	0	0	(1,748)	0	
Application of grants/transformation costs to capital financing	0	0	0	0	0	0	
Adjustments involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	432	0	0	0	0	(432)	
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(52,685)	(1,361)	0	0	0	54,046	
Employer's pensions contributions and direct payments to pensioners payable in the year	32,291	873	0	0	0	(33,164)	
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(1,273)	(23)	0	0	0	1,296	
Total Adjustments	(22,283)	(3,673)	(2,380)	0	(1,748)	30,084	

2021/22	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
Adjustments involving the Capital Adjustment Account (CAA):						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(48,155)	(31,508)	0	0	0	79,663
Revaluation losses on Property, Plant and Equipment	(7,587)	(44,373)	0	0	0	51,960
Capital grants and contributions applied	59,406	847	0	0	0	(60,253)
Write off carrying amount of non current assets sold	(1,902)	0	0	0	0	1,902
Write off carrying amount of non current assets scrapped	(215)	0	0	0	0	215
Statutory provision for the financing of Capital spend (3R's)	5,099	0	0	0	0	(5,099)
Movement in the fair value of Investment Properties	(2,517)	0	0	0	0	2,517
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	8,205	1,811	0	0	0	(10,016)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	3,364	28,654		0	0	(32,018)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,045)	1,013	0	32
Proceeds from sale of non current assets	1,483	135	0	(1,618)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(130)	(475)	0	605	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	1,045	0	0	0	(1,045)	0
Application of grants/transformation costs to capital financing	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	433	0	0	0	0	(433)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(60,885)	(1,486)	0	0	0	62,371
Employer's pensions contributions and direct payments to pensioners payable in the year	30,791	763	0	0	0	(31,554)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	173	25	0	0	0	(198)
Total Adjustments	(11,392)	(45,607)	(1,045)	0	(1,045)	59,089

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

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

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

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

	Balance at 31 March 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
Housing Revenue Account (HRA)								
Housing Repairs	(1,718)	(3,125)	1,718	(3,125)	(2,481)	3,125	(2,481)	Repairs ordered prior to the year end
Housing Sales - Not right to buy	(308)	0	0	(308)	0	0	(308)	One-off vacant properties sold on open market.
Total HRA	(2,026)	(3,125)	1,718	(3,433)	(2,481)	3,125	(2,789)	
Total Earmarked Reserves	(25,416)	(43,686)	6,585	(62,517)	(38,223)	38,379	(62,361)	

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

Other Statutory Funds:

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

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

7. Expenditure and Funding Analysis

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

2020/21			2021/22			
Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Services	Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000
263,317	22,153	285,470	Operations	264,343	26,094	290,437
34,968	6,994	41,962	Customer	34,804	8,158	42,962
22,082	7,256	29,338	Commissioning	22,002	12,150	34,152
5,890	14,132	20,022	Resources	9,021	13,483	22,504
92,467	1,789	94,256	Integration Joint Board	102,251	3,441	105,692
26,710	(4,618)	22,092	Corporate	38,980	(6,851)	32,129
(7,373)	46,992	39,619	Housing Revenue Account	(7,581)	46,062	38,481
438,061	94,698	532,759	Net Cost of Services	463,820	102,537	566,357
(474,419)	(67,695)	(542,114)	Other Income and Expenditure	(472,263)	(43,832)	(516,095)
(36,358)	27,003	(9,355)	(Surplus) or Deficit on Provision of Services	(8,443)	58,705	50,262
(48,102)			Opening General Fund and HRA Balance at 31 March 2021	(86,318)		
(36,358)			(Surplus)/deficit on General Fund and HRA Balance in Year	(8,443)		
(1,858)			To/From Other Statutory Reserves	7,394		
(86,318)			Closing General Fund and HRA Balance at 31 March 2022	(87,367)		

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

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

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

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
Operations	12,673	16,156	(2,735)	26,094
Customer	5,641	3,012	(495)	8,158
Commissioning	10,380	1,952	(182)	12,150
Resources	12,215	1,314	(46)	13,483
Integration Joint Board	1,170	2,346	(75)	3,441
Corporate	14	1,200	(8,065)	(6,851)
Housing Revenue Account	75,881	671	(30,490)	46,062
Net Cost of Services	117,974	26,651	(42,088)	102,537
Other Income and Expenditure from the Funding Analysis	(47,420)	4,163	(575)	(43,832)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)	70,554	30,814	(42,663)	58,705

8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure

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

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

2020/21 £'000		2021/22 £'000
45,440	Interest payable and similar charges	49,548
7,024	Pensions interest cost and expected return on pensions assets	2,150
(538)	Interest receivable and similar income	(359)
(601)	Income and Expenditure in relation to investment properties and changes in their fair value	(3,734)
(1,790)	Other Investment income	(791)
49,535	Total	46,814

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

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

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

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

In 2021/22 the Council received additional grant funding of £45.307 million from the Scottish Government in relation to the Covid-19 pandemic. £27.350 million of this funding was treated as agency income and expenditure and does not impact upon the figures in the CIES (see Note 19 – Agency Services). The remaining £17.957 million was treated as grant income, and is included in the CIES along with the related expenditure (see Note 37 – Grant Income). Grant income not spent in 2021/22 has been earmarked for spending in future years.

12. Balance Sheet – Usable Reserves

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

13. Balance Sheet – Unusable Reserves

31 March 2021 £'000		31 March 2022 £'000
(900,739)	Revaluation Reserve	(925,999)
(552,705)	Capital Adjustment Account	(539,687)
163	Financial Instruments Adjustment Account	13,730
118,090	Pensions Reserve	118,419
7,423	Accumulated Absences Account	7,224
(1,327,768)	Total	(1,326,313)

Revaluation Reserve

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

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

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

2020/21			2021/22	
£'000	£'000		£'000	£'000
	(947,601)	Balance at 1 April		(900,739)
(139,023)		Upward revaluation of assets	(55,800)	
163,272		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	14,653	
	24,249	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(41,147)
22,624		Difference between fair value depreciation and historical cost depreciation	15,602	
0		Accumulated gains on assets sold or scrapped	0	
	22,624			15,602
	(11)	Amounts written off to the Capital Adjustment Account		285
	(900,739)	Balance at 31 March		(925,999)

Capital Adjustment Account

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

2020/21		2021/22	
£'000		£'000	£'000
(538,432)	Balance at 1 April		(552,705)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
84,516	Charges for depreciation and impairment on non current assets	79,663	
50,218	Revaluation losses on Property, Plant and Equipment	51,960	
1,188	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,402	
135,922		134,025	
(22,613)	Adjusting amounts written out of the Revaluation Reserve	(15,887)	
113,309	Net written out amount of the cost of non current assets consumed in the year		118,138
	Capital financing applied in the year:		
47	Use of the Capital Receipts Reserve to finance new capital expenditure	32	
(86,709)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(60,253)	
(8,983)	Loans Fund principal repayments	(10,016)	
(33,656)	Capital expenditure charged against the General Fund and HRA balances	(32,018)	
(3,448)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(5,099)	
(132,749)			(107,354)
0	Deferred Capital Receipt		0
5,167	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,517
0	Written off		(283)
0	Grant Funding		0
(552,705)	Balance at 31 March	0	(539,687)

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

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

Financial Instruments Adjustment Account

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

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

Pensions Reserve

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

2020/21		2021/22	
£'000		£'000	
309,303	Balance at 1 April		118,090
(212,095)	Remeasurements of the net defined benefit liability		(30,488)
54,046	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		62,371
(33,164)	Employer's pensions contributions and direct payments to pensioners payable in the year		(31,554)
118,090	Balance at 31 March		118,419

Accumulated Absences Account

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

2020/21		2021/22	
£'000		£'000	£'000
6,129	Balance at 1 April		7,423
(6,129)	Settlement or cancellation of accrual made at the end of the preceding year	(7,423)	
7,423	Amounts accrued at the end of the current year	7,224	
1,294	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(199)
7,423	Balance at 31 March		7,224

14. Cash Flow Statement – Operating Activities

2020/21		2021/22
£'000		£'000
9,355	Net surplus or (deficit) on the provision of services ^	(50,262)
9,355		(50,262)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
84,517	Depreciation	79,663
50,218	Impairment, downward revaluations & non sale derecognitions	51,960
(54)	(Increase)/Decrease in Stock	(835)
(35,610)	(Increase)/Decrease in Debtors	26,443
17,212	Increase/(Decrease) in Creditors	14,039
20,882	Movement in Pension Liability	30,817
1,188	Carrying amount of non current assets sold	2,402
(8,477)	Contributions to Other Reserves/Provisions	2,736
5,167	Movement in value of investment properties	2,517
135,043		209,742
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(86,709)	Receipt of Capital Grants and Contributions	(60,253)
(2,334)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,007)
8,990	Bond Effective Interest Rate Adjustment	12,947
(80,053)		(48,313)
64,345	Net cash flows from operating activities	111,167

^ includes the following:

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

15. Cash Flow Statement – Investing Activities

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

16. Cash Flow Statement – Financing Activities

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

17. Cash Flow Statement – Cash and Cash Equivalents

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

18. Trading Operations

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

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

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement within the Financing and Investment Income and Expenditure line. The properties held within the Letting of Industrial, Commercial and Other Properties are classed as Investment Properties and thus the results of this operation are included within this category.

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Net (surplus)/deficit on trading operations	(9,759)	(7,558)	(7,042)
exceptional items*	60,341	5,167	2,517
	50,582	(2,391)	(4,525)
Investment properties	53,971	(601)	(3,734)
Other Investment Income	(3,389)	(1,790)	(791)
Net Surplus credited to Financing & Investment Income and Expenditure (note 9)	50,582	(2,391)	(4,525)

*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 117.

19. Agency Services

- The Council has an agreement with Scottish Water whereby it collects water and waste water charges in conjunction with collection of Council Tax. The income received from this service in 2021/22 was £0.776 m (2020/21, £0.776 m).
- The Council issued Covid-related grants on behalf of the Scottish Government during 21/22 to the value of £30.239m see breakdown below. Covid Grants received for 20/21 were £52.767m. No covid grants were paid out during 19/20.

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

20. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and any non-audit services provided by the Council's external auditor

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

21. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2021 the Council's own contributions equate to approximately 2.6%.

In 2021/22, the council paid £17.707 million to the Scottish Government in respect of teachers' pension costs, which represents 23% of teachers' pensionable pay from 1 April 2021 to 31 March 2022. The figure for 2020/21 was £17.161 million representing 23% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 22. The Council is not liable to the scheme for any other entities' obligations under the plan.

22. Defined Benefit Pension Schemes

The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

The Main Fund was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. It is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).

Employees of admitted bodies can join the scheme subject to their individual admission criteria which are outwith the control of Aberdeen City Council.

There are 10 scheduled bodies and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, North East Scotland College, Moray College, Grampian Valuation Joint Board and Nestrans.

The Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

Under the Local Government Pension Scheme (Administration) (Scotland) Regulations, there is a requirement for the Council to publish a pension fund annual report from 2011. The report covers, amongst other things, a report by the Chief Officer - Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under www.nespf.org.uk or on request from the Chief Officer - Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB.

Participation in pension schemes

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

The Council participates in two post employment schemes:

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

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

Discretionary post retirement benefits

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

Transactions relating to post employment benefits

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Pension Assets and Liabilities recognised in the Balance Sheet

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

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

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £118.419 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit are as follows:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £30.9 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2023 are £4.3 million.

Assets and liabilities in relation to post employment benefits

Reconciliation of fair value of the scheme (plan) assets:

	Total Assets: Local Government Pension Scheme £'000		Includes: Discretionary Benefits Arrangements £'000	
	2020/21	2021/22	2020/21	2021/22
Opening fair value of scheme assets	1,318,108	1,771,284	0	0
Interest income	31,532	37,112	0	0
Remeasurement gain/(loss):				
· The return on plan assets, excluding the amount included in the net interest expense	434,383	(7,548)	0	0
· Other	(573)	(593)	0	0
The effect of changes in foreign exchange rates	(3,614)	0	0	0
Contributions from employer	31,510	29,947	2,391	2,354
Contributions from employees into the scheme	8,706	9,034	0	0
Benefits paid	(48,768)	(47,060)	(2,391)	(2,354)
Other	0	0	0	0
Closing fair value of scheme assets	1,771,284	1,792,176	0	0
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2020/21	2021/22		
Opening fair value of scheme assets	0	0		
Contributions from employer	1,654	1,607		
Benefits paid	(1,654)	(1,607)		
Closing fair value of scheme assets	0	0		

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

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

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

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

Local Government Pension Scheme assets comprised:

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

Basis for estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2020/21	2021/22	2020/21	2021/22
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5	21.5	21.5	21.5
Women	24.2	24.2	24.2	24.2
Longevity at 65 for future pensioners:				
Men	23.1	23	-	-
Women	26.3	26.3	-	-
Rate of inflation	2.7%	3.3%	2.7%	3.5%
Rate of increase in salaries	4.2%	4.8%	4.2%	4.8%
Rate of increase in pensions	2.8%	3.4%	2.8%	3.6%
Rate for discounting scheme liabilities	2.1%	2.8%	2.1%	2.8%

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

Impact on the Defined Benefit Obligation in the Scheme:

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

23. Events after the Balance Sheet Date

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

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

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

Other Public Bodies

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

For 2021/22 the Council paid £33.340 million to the Pension Fund representing its employer contributions in respect of current and former employees (2020/21, £33.086 million).

Entities Controlled or Significantly Influenced by the Council

The Council has substantial interests in other entities and the relevant transactions are as follows –

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

The majority of these bodies form part of the Council's group accounts which are set out on pages 158 to 176.

25. LeasesCouncil as Lessee*Finance Leases*

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

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

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

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

Operating Leases

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

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

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

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

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

Council as Lessor

Operating Leases

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

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

26. Investment Properties

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

	31 March 2021	31 March 2022
	£'000	£'000
Rental and interest income from investment property	(13,654)	(16,636)
Expenses arising from investment property	7,886	10,385
Revaluation (gains)/losses	5,167	2,517
Net (gain)/loss	(601)	(3,734)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. During the year, The Event Complex Aberdeen (TECA) opened, the Aloft and Hilton hotels, development land and the energy centre have been classified as an investment properties.

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

	2020/21	2021/22
	£'000	£'000
Balance at start of the year	195,545	191,968
Additions	0	931
Disposals	(1,125)	(790)
Net gains/(losses) from fair value adjustments	(3,668)	(2,517)
Transfers:		
• (to)/from Property, Plant and Equipment	1,216	28,120
• (to)/from Assets Held for Sale	0	0
Balance at end of the year	191,968	217,712

27. Heritage Assets

I Reconciliation of the Carrying Value of Heritage Assets held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or valuation							
At 1 April 2020	608	1,704	17	0	195,190	300	197,819
Additions	0	0	0	0	11	0	11
Revaluations	0	4	0	0	234	0	238
At 31 March 2021	608	1,708	17	0	195,435	300	198,068
Cost or valuation							
At 1 April 2021	608	1,708	17	0	195,435	300	198,068
Additions	0	0	0	0	35	0	35
Revaluations	0	0	0	0	(1,831)	0	(1,831)
At 31 March 2022	608	1,708	17	0	193,639	300	196,272

City Monuments

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

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

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

Art Collection

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

Civic Insignia

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

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

City Monuments

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

Maritime & Social History

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

Numismatics

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

Science, technology and industry

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

Fine Art Collection

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

Applied and Decorative Art

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

Civic Insignia

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

Archaeology

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

Library & Information Services

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

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

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

Preservation and Management

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

28. Property, Plant and Equipment

Movements in 2020/21:

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

Property, Plant and Equipment

Movements in 2021/22:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2021	856,949	1,190,459	66,430	382,757	30,493	10,190	92,571	2,629,849	194,038
Additions	98,758	17,046	10,681	22,479	528	147	72,753	222,392	759
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,948	(2,779)	0	0	0	(252)	0	4,917	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(61,604)	(20,787)	0	0	0	(806)	0	(83,197)	0
Derecognition – Disposals	0	0	(2,254)	0	0	(900)	0	(3,154)	0
Derecognition – Other	0	0	(445)	(566)	0	(500)	0	(1,511)	0
Reclassifications and Transfers	0	10,000	0	0	0	(1,736)	(34,676)	(26,412)	0
At 31 March 2022	902,051	1,193,939	74,412	404,670	31,021	6,143	130,648	2,742,884	194,797
Accumulated Depreciation and Impairment									
At 1 April 2021	(3,008)	(67,418)	(39,848)	(133,031)	0	0	0	(243,305)	(4,256)
Depreciation charge	(31,508)	(29,137)	(6,372)	(12,646)	0	0	0	(79,663)	(3,687)
Depreciation written out to the Revaluation Reserve	12,688	25,373	0	0	0	0	0	38,061	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,267	14,006	0	0	0	0	0	19,273	0
Derecognition – Disposals	11,963	0	2,041	0	0	0	0	14,004	0
Derecognition – Other	0	0	446	566	0	0	0	1,012	0
Reclassifications and Transfers	0	285	0	0	0	0	0	285	0
At 31 March 2022	(4,598)	(56,891)	(43,733)	(145,111)	0	0	0	(250,333)	(7,943)
Net Book Value									
At 31 March 2022	897,453	1,137,048	30,679	259,559	31,021	6,143	130,648	2,492,551	186,854
At 31 March 2021	853,941	1,123,041	26,582	249,726	30,493	10,190	92,571	2,386,544	189,782

Valuations

The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2022 and can be relied upon.

Depreciation – Useful Lives

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – up to 25 years
- Other Land and Buildings – up to 75 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

Capital Commitments

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

	As at 31 March 2021	As at 31 March 2022
	£'000	£'000
Major Capital Contractual Commitments		
Aberdeen Western Peripheral Route (main contract awarded December 2012)	14,443	9,506
TECA (all main contracts awarded 31/03/19)	8,176	0
Union Terrace Gardens redevelopment (contract signed July 2019)	17,149	5,085
Energy from Waste (contract signed August 2019)	42,055	30,446
Early Learning & Childcare Expansion (main contractor appointed September 2019)	7,088	2,908
Milltimber Primary (contract awarded 24 July 2020)	13,901	799
Countesswells Primary (work commenced October 2021)	0	11,359
Torry Heat Network (contract awarded August 2021)	0	15,840
JIVE (Hydrogen Buses Phase 2) (project commenced January 2017)	0	7,008
New Build Housing – Summerhill	36,376	20,938
New Build Housing – Wellheads	5,634	12,278
New Build Housing – Auchmill	10,939	2,463
New Build Housing – Cloverhill	0	55,053
	155,761	173,683

Componentisation

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

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

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

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

Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2022	836,515	482,705	0	0	0	8,736	0	1,327,956
31 March 2021	856,949	0	0	0	0	10,190	0	867,139
31 March 2020	2,714	249,278	0	0	0	8,807	0	260,799
31 March 2019	6,130	222,944	0	0	0	10,127	0	239,201
31 March 2018	0	271,716	0	0	0	11,397	0	283,113
Total cost or valuation	1,756,714	1,147,854	68,484	191,110	21,359	67,833	16,161	3,269,515

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

29. Capital Expenditure and Capital Financing

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

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

30. Public Private Partnerships (PPP) and Similar Contracts

3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

The Council has entered into a 30 year PPP contract for the construction or renovation, maintenance and operation of ten schools. The schools came into operation between May 2009 and April 2011. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

Lochside Academy

The Council has entered into a 28 year PPP contract for the construction of Lochside Academy. The academy came into operation in August 2018. The model is similar to the one above however, soft facilities management (cleaning, catering and janitorial services) are delivered through the Council.

Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 29.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	3R's				Lochside Academy			
	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2021/22	6,468	3,191	6,278	15,937	487	1,336	2,039	3,861
Payable within two to five years	31,802	12,282	24,041	68,125	2,504	5,691	7,473	15,667
Payable within six to ten years	42,193	22,496	26,542	91,231	4,686	7,741	7,700	20,127
Payable within eleven to fifteen years	43,646	33,402	21,651	98,699	5,207	10,013	5,583	20,804
Payable within sixteen to twenty years	17,860	18,214	7,560	43,634	6,001	12,763	2,806	21,570
Payable within twenty one to twenty five years	0	0	0	0	1,730	3,437	177	5,344
Payable within twenty six to thirty years	0	0	0	0	0	0	0	0
Total	141,969	89,585	86,072	317,626	20,614	40,980	25,779	87,374

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

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

31. Assets Held for Sale

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

32. Inventories

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

33. Short Term Debtors

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

34. Short Term Creditors

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

35. Provisions

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

Notes on Provisions
1. Compensation Payments – Voluntary Severance/Early Retirement costs- £0.177 million

A provision of £3.407 million created under the terms of the Scottish Government statutory guidance (per Local Government in Scotland Act 2003) for a Voluntary Severance /Early Retirement scheme was carried forward from 18-19 - £2.311 million of this provision was used in 2019-20, with the remaining £1.096 million carried forward to 2020-21 in respect of the statutory element of severance costs. A further £0.916m of this provision was used in 2020-21, and the remaining balance of £0.197m was carried forward to 2021-22. £0.02m of this provision has been used in 2021-22, with the remaining balance of £0.177m carried forward to 2022-23.

2. Property-Asset Management - £0.551 million

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2021 and 2022. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation. A further amount is held to reimburse a third party for costs incurred by them on demolishing a council owned building.

3. Housing Benefit Subsidy - £0.100 million

This provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing Benefit Subsidy Grant. The full liability could be called upon in 2022/23.

4. Other

- **Legal Cases - £0.034 million**

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

- **IFRS Impairment - £0.139 million**

An impairment review undertaken in 2020/21 under the new IFRS 9 Financial instrument recognised that a provision should be made for financial assets held by the Council. These include short term investments and long term loans. This provision was decreased by £18k in 2021/22 and a balance of £139k is being carried forward to 2022/23.

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

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

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

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

36. Contingent Assets and Liabilities

Contingent Assets

A contingent asset arises where an event takes place which gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. At 31 March 2022, the Council had material contingent assets as undernoted:

- **Marischal Square Development**

In November 2017, the Marischal Square development was completed. The Council has a contingent asset in relation to development profit, which is held in escrow and payable to the Council upon the occurrence of uncertain future events, not wholly within its control. The financial effect and timing cannot be disclosed as it is not practicable to do so.

Contingent Liabilities

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

At 31 March 2022 the Council had material contingent liabilities as undernoted. An estimate of the contingent liability has been provided where it is practicable to do so.

Guarantees

- **Aberdeen Science Centre (formerly Satrosphere)**

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,654 in support of an overdraft facility and card guarantee facility until 30 September 2022, as approved at a meeting of full Council on 10 March 2021.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000, as approved at Council on 10 March 2021. This guarantee will remain in force until 30 September 2022.

- **Sport Aberdeen**

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

- **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed a number of such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

- **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

- **Integration Joint Board (IJB)**

The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The Aberdeen City IJB Integration Scheme provides the framework in which the IJB operates including information on funding and what should happen if the IJB is projecting to overspend its budget at the year-end. Whilst steps will be taken to address this (through a Recovery Plan), ultimately the parties to the arrangement may be potentially liable should the IJB overspend.

Contractual

- **Waste Disposal**

The Council has a long-term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run for 25 years.

The Council is currently part of a three-authority project in partnership with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract commenced in 2019 with the facility coming online summer 2022, and will run for 20 years.

- **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The Landfill Allowance Scheme in Scotland is currently suspended, and it is expected that the Waste (Scotland) Regulations 2012 will take over the requirement for the control of landfilling biodegradable municipal waste. However, until such a repeal is formalised there remains a potential liability on the Council.

- **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The possibility of liabilities arises in cases where the developer is not adhering to the agreed payment schedule and the Council elects to proceed with a project where that developer obligation funding is due. In these cases, unless a resolution can be found with the developer, the Council may be exposed to additional costs due to higher levels of borrowing than originally anticipated in order to "cashflow" a legally committed project. Costs could apply to the short, medium or long-term depending on the circumstances.

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

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

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

The emergence of Covid has resulted in new working practice guidelines being issued by the Scottish Government, to set new standards to allow consultants, contractors, sub-contractors and their suppliers to work safely during the pandemic. These unforeseen changes resulted in the construction industry incurring additional costs for compliance with

the risk of delays to projects. These measures may also restrict numbers of staff on site which may slow down progress on works. These impacts have manifested in projects which were on site at the time of the initial lockdown, and discussions between the Council and the relevant contractors are on-going to determine liability for additional costs.

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

- **Aberdeen Art Gallery**

A contractual dispute exists in relation to who bears the cost of the delays in respect of the refurbishment of the Art Gallery. A Court of Session action was raised against the Council by McLaughlin & Harvey "MCLH", the main contractor, following adjudication in favour of the Council.

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

- **Scottish Child Abuse Enquiry**

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

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

- **Structural Safety (RAAC)**

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

- **COVID-19 Impact**

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

37. Grant Income

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

<u>Grant Income</u>			
		2020/21	2021/22
		£'000	£'000
Credited to Taxation and Non Specific Grant Income			
Total revenue Funding Grant		335,226	360,369
Total revenue Funding Grant - COVID Consequentials Income		15,199	9,195
Total revenue Funding Grant - COVID Local Authority Recovery Fund		-	2,865
Total revenue Funding Grant - COVID Education Recovery		2,722	1,943
Total revenue Funding Grant - COVID Financial Insecurity flexible funding		-	718
Total revenue Funding Grant - COVID Tenant Grant Fund		-	414
Total revenue Funding Grant - COVID Self Isolation Assistance		-	300
Total revenue Funding Grant - COVID Business Support Grant		464	157
Total revenue Funding Grant - COVID Low Income Pandemic Payments		-	124
Total revenue Funding Grant - COVID CO2 Monitors		-	101
Total revenue Funding Grant - COVID Free School Meals *		590	(166)
Total revenue Funding Grant - COVID General Covid Funding		10,165	-
Total revenue Funding Grant - COVID Discretionary Funding		4,698	-
Total revenue Funding Grant - COVID Education Teachers/Support Staff		2,393	-
Total revenue Funding Grant - COVID Hardship Funding		3,449	-
Total revenue Funding Grant - COVID Support people impacted by restrictions		1,054	-
Total revenue Funding Grant - COVID Food Fund		802	-
Total revenue Funding Grant - COVID Council Tax Reduction Scheme		630	-
Total revenue Funding Grant - COVID Scottish Welfare Fund Top Up		596	-
Total revenue Funding Grant - COVID Children & Young People MH&W		576	-
Total revenue Funding Grant - COVID Education Home Learning Support Fund		302	-
Total revenue Funding Grant - COVID Rapid Rehousing Transition Plan		223	-
Total revenue Funding Grant - COVID Education Digital Inclusion		209	-
Total revenue Funding Grant - COVID Test and Protect		161	-
Total revenue Funding Grant - COVID PESF Boost		152	-
Total revenue Funding Grant - COVID Other		82	-
		379,693	376,020
*Duplicate funding received			

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

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

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

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

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

38. Financial Instruments

Categories of Financial Instruments

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

Financial Instruments Balances	Long term		Current	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Investments				
Loans and receivables	0	0	40,277	20,025
Interest in group entities	16,343	15,503	0	0
Total investments	16,343	15,503	40,277	20,025
Debtors				
Loans and receivables	742	657	0	0
Financial assets carried at contract amount	0	0	139,389	113,029
Total debtors	742	657	139,389	113,029
Borrowings				
Financial liabilities at amortised cost	(1,003,256)	(1,041,942)	(232,391)	(223,359)
Total borrowings	(1,003,256)	(1,041,942)	(232,391)	(223,359)
Other Long term Liabilities				
PPP liabilities	(130,565)	(126,038)	(4,638)	(4,527)
Total other long term liabilities	(130,565)	(126,038)	(4,638)	(4,527)
Creditors				
Financial liabilities carried at contract amount	0	0	(117,073)	(122,607)
Total creditors	0	0	(117,073)	(122,607)

Note: The Council undertook a £370 million Bond Issuance in 2016, receiving a premium of £44 million. This is reflected in the table above within "Borrowings, Financial Liabilities at Amortised Cost". Lenders Option/Borrowers Option (LOBO's) of £53.9m have been included in long term borrowing but have a call date in the next 12 months

Income, Expense, Gains and Losses

Financial Instruments Gains/(Losses)	2020/21			2021/22		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(45,440)	0	(45,440)	(49,548)	0	(49,548)
Total expense in Surplus or (Deficit) on the Provision of Services	(45,440)	0	(45,440)	(49,548)	0	(49,548)
Interest income	0	538	538	0	359	359
Total income in Surplus or (Deficit) on the Provision of Services	0	538	538	0	359	359
Net Interest	(45,440)	538	(44,902)	(49,548)	359	(49,189)

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

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

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

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

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2022 of 1.57% to 10.50% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis at that date;
- no early repayment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Liabilities	31 March 2021					31 March 2022				
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000
PWLB – maturity	(480,434)	(6,891)	(487,325)	(850,779)	(688,306)	(510,434)	(6,900)	(517,334)	(850,779)	(688,306)
LOBOs	(93,893)	(691)	(94,584)	(191,765)	(143,116)	(93,893)	(696)	(94,589)	(191,765)	(143,115)
Bond Issuance	(352,633)	(1,200)	(353,833)	(433,679)	(415,145)	(342,117)	(1,228)	(343,345)	(433,679)	(415,145)
Bond EIR	(56,473)	0	(56,473)	(56,473)	(56,473)	(68,810)	0	(68,810)	(68,810)	(68,810)
Bond Premium	(37,757)	0	(37,757)	(37,757)	(37,757)	(36,192)	0	(36,192)	(36,192)	(36,192)
Transfer Interest to Short Term in line with Code requirements	0	8,782	8,782	0	0	0	8,824	8,824	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements			20,515	0	0			11,515	0	0
Financial Instrument Adjustments			(2,581)	0	0			(2,022)	0	0
Total Long Term Borrowing	(1,021,190)	(0)	(1,003,256)	(1,570,453)	(1,340,797)	(1,051,446)	0	(1,041,953)	(1,581,225)	(1,351,568)
Short term borrowing	(204,218)	(42)	(204,260)	(204,260)	(204,260)	(204,172)	(112)	(204,284)	(204,284)	(204,284)
Transfer Interest from Long Term in line with Code requirements	0	(7,616)	(7,616)	0	0	0	(7,560)	(7,560)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements			(20,515)	0	0			(11,515)	0	0
Total Short Term Borrowing	(204,218)	(7,658)	(232,391)	(204,260)	(204,260)	(204,172)	(7,672)	(223,359)	(204,284)	(204,284)

From 2015/16, the Fair Value of borrowings is shown at both Premature Repayment rates and New Loan rates. In prior years, the Fair Value of borrowings had been shown only on a New Loans rates basis.

	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
Deposits with banks/building societies	127,220	275	127,495	127,495	88,379	202	88,581	88,577

The above deposits are shown within Cash and Cash Equivalents and Short Term Investments in the Balance Sheet.

39. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in its annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £30 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £88.4m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

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

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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £52.9m is past its due date for payment. The past due amount can be analysed by age as follows:

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

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2021	31 March 2022
	£'000	£'000
Less than one year	236,172	215,965
Between one and two years	11,527	10,527
Between two and five years	31,646	31,646
Between five and ten years	62,980	62,980
More than ten years	800,290	840,290
	1,142,615	1,161,408

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

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

	£'000
Increase in interest payable on variable rate borrowings	539
Increase in interest receivable on variable rate investments	(935)
Impact on Surplus or Deficit on the Provision of Services	(396)
Share of overall impact debited to the HRA	(78)
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	198,038
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	0

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

Foreign exchange risk

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

Loans Fund

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

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2021/22, the average interest rates were 2.99% for capital (2020/21, 2.84%), 0.10% for revenue advances (2020/21, 0.09%) and 0.02% for expenses (2020/21, 0.02%) on raising loans.

The management of all money and capital market transactions in connection with cash and funding resources for the Council has been carried out in accordance with the Council's Treasury Policy Statement as recommended by the CIPFA Code of Practice for Treasury Management in Local Authorities.

Amounts Borrowed from the Loans Fund

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

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



Jonathan Belford, CPFA
Chief Officer – Finance
30 June 2022

Housing Revenue Account

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

Housing Revenue Account Income and Expenditure Statement

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

	Agencies:		
167	Contributions	167	
0	Supporting People Contribution	0	
453	Tenant's Participation/Helplines	353	
620			520
	Capital Charges:		
34,222	Depreciation	31,508	
47,602	Impairment of Non Current Assets	44,373	
81,824			75,881
134,363	Gross Expenditure		133,887
	Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement		
39,490			38,352
134	Corporate and Democratic Core	134	
			134
39,619	Net Cost of HRA Services		38,481
349	(Gain) / Loss on Sale of HRA Non Current Assets	340	
5,878	Interest payable and similar charges	6,679	
(13)	Interest and investment income	(39)	
185	Pensions interest and return on assets	53	
(43,853)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(847)	
2,165	(Surplus)/deficit for the year on HRA Services		44,667

Movement on the Housing Revenue Account Statement

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

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

2020/21 £'000		2021/22 £'000
(349)	Gain or (loss) on sale of HRA non-current assets	135
33,390	Capital expenditure funded by the HRA	28,654
0	Transfer to/from the Capital Adjustment Account:	(475)
(81,824)	Depreciation and Impairment	(75,881)
43,853	Capital Grants and Contributions	847
1,767	Repayment of Debt	1,811
(488)	HRA share of contributions to or from the Pensions Reserve	(723)
(22)	Adjustment involving the Accumulated Absences Account	25
1	Other Adjustments	0
(3,672)		(45,607)

2. Transfers (to) or from Reserves

2020/21 £'000		Notes	2021/22 £'000
(12,796)	Balance on the HRA at start of Year		(14,303)
2,165	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		44,667
(3,672)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(45,607)
(1,507)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(940)
0	Transfers to or (from) Reserves	2	0
(1,507)	(Increase) or Decrease in Year on the HRA		(940)
(14,303)	Balance on the HRA at end of Year		(15,243)

3. Housing Stock

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

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

4. Rent Arrears

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

5. Impairment of Debtors

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

National Non Domestic Rates

National Non Domestic Rates (NNDR) income is collected by local authorities and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

Occupiers of non-domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non domestic rate (NDR) poundage for 2021/22, which is set annually by the Scottish Ministers, is 49 pence. Two additional rates are levied on properties with a rateable value of over £51,000 (50.3 pence) and £95,000 (51.6 pence) respectively. In 2020/21, the NDR poundage rate was set at 49.8 pence and properties with a rateable value between £51,000 and £95,000 were charged an additional supplement of 1.3 pence on rates on top of the standard poundage. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

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

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

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

Council Tax

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

In 2021/22, for Band D properties, the Council's Council Tax was set at £1,377.30. The full range of bandings is set out after the Council Tax Income Account.

Council Tax Income Account

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

The calculation of the Council Tax Base 2021/22:

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

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2021/22 was £1,377.30 (2020/21, £1,377.30)

£ Property Value	Band	Proportion of Band D	Council Tax Level
27,000 or under	A	240/360	£918.20
27,001 - 35,000	B	280/360	£1,071.23
35,001 - 45,000	C	320/360	£1,224.27
45,001 - 58,000	D	360/360	£1,377.30
58,001 - 80,000	E	473/360	£1,809.62
80,001 - 106,000	F	585/360	£2,238.11
106,001 - 212,000	G	705/360	£2,697.21
Over 212,000	H	882/360	£3,374.39

Common Good Fund

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
Balance at 31 March 2020	(124,081)	(68)	(124,149)
Movement in Reserves during 2020/21			0
(Surplus) or Deficit on provision of services	263	0	263
(Surplus) or Deficit on revaluation of investment property	(3,231)	0	(3,231)
Total Comprehensive Expenditure and Income	(2,968)	0	(2,968)
Balance at 31 March 2021	(127,049)	(68)	(127,117)
Movement in Reserves during 2021/22			
(Surplus) or Deficit on provision of services	601	0	601
(Surplus) or Deficit on revaluation of investment property	(5,425)	0	(5,425)
Total Comprehensive Expenditure and Income	(4,824)	0	(4,824)
Balance at 31 March 2022	(131,873)	(68)	(131,941)

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

Comprehensive Income and Expenditure Statement

2020/21 Net (Income) Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	2021/22 Net (Income) Expenditure £'000
758 Grants & Contributions to External Organisations	833		833
112 External Organisations Rents	111		111
270 Promoting Aberdeen	344		344
98 Grants/Services Provided by Aberdeen City Council	102		102
607 Civic Service Funding	774		774
54 Duthie Park HLF	57		57
988 Specific Projects	520	(16)	504
40 Earmarked Reserves	37		37
2,927 Cost Of Services	2,778	(16)	2,762
0 Other Operating Expenditure			0
(2,664) Financing and Investment Income and Expenditure			(2,161)
263 (Surplus) or Deficit on Provision of Services			601
(3,231) (Surplus) or Deficit on revaluation of investment property			(5,425)
(2,968) Total Comprehensive Income and Expenditure			(4,824)

Balance Sheet

31 March 2021 £'000		31 March 2022 £'000
0	Long Term Investments	27,780
92,696	Investment Property	93,639
92,696	Long Term Assets	121,420
33,775	Investments in Aberdeen City Council Loans Fund	10,504
961	Short Term Debtors	482
34,736	Current Assets	10,986
(315)	Short Term Creditors	(464)
(315)	Current Liabilities	(464)
127,117	Net Assets	131,941
(127,049)	Common Good Fund	(131,873)
(68)	Reserve Fund	(68)
(127,117)	Total Reserves	(131,941)



Jonathan Belford, CPFA
Chief Officer - Finance
30 June 2022

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

Trust Funds and Endowments

The Council is responsible for the administration of various Trusts. They have been created by bequest or by public subscription and are utilised for a variety of purposes in line with the trusts purposes identified in their governing documents. The money earned from the investments of the trusts is used for the maintenance of graves and monuments, the administration of the Guildry and its awards, school prizes and the advancement of art and the purchase of works of art. As well as administering the trusts, the Council is also the appointed trustee for all the trusts with the exception of Marguerite McBey Trust which has two Councillors on the Board of Trustees.

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

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

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

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

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

Movement in Funds

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

Investment of Funds

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



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Group Accounts

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

Group Movement in Reserves Statement

	Total Usable Reserves (Page 53) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
Balance at 31 March 2020	(59,961)	(1,156,006)	(1,215,967)	(112,853)	(1,328,820)
<u>Movement in Reserves during 2020/21</u>	(9,355)	(187,846)	(197,201)	(28,333)	(225,534)
Adjustments between accounting basis & funding basis under regulations	(30,084)	30,084	0		0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(39,439)	(157,762)	(197,201)	(28,333)	(225,534)
Increase/Decrease in Year	(39,439)	(157,762)	(197,201)	(28,333)	(225,534)
Balance at 31 March 2021 Carried Forward	(99,400)	(1,313,768)	(1,413,168)	(141,186)	(1,554,355)
<u>Movement in Reserves during 2021/22</u>	50,263	(71,635)	(21,372)	(13,081)	(34,453)
Adjustments between accounting basis & funding basis under regulations	(59,089)	59,089	0		
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(8,826)	(12,546)	(21,372)	(13,081)	(34,453)
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0		
Increase/Decrease in Year	(8,826)	(12,546)	(21,372)	(13,081)	(34,453)
Balance at 31 March 2022	(108,226)	(1,326,314)	(1,434,540)	(154,267)	(1,588,808)

Group Comprehensive Income and Expenses Statement

2020/21				2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continued Operation			
339,371	(51,751)	287,620	Operations	360,836	(63,672)	297,164
102,922	(60,432)	42,490	Customer	99,122	(55,212)	43,910
42,167	(12,591)	29,576	Commissioning	63,162	(27,915)	35,247
126,345	(106,810)	19,535	Resources	119,793	(98,755)	21,038
258,192	(163,936)	94,256	Integration Joint Board	273,245	(167,553)	105,692
24,853	(2,765)	22,088	Corporate	40,950	(8,798)	32,153
142,707	(103,089)	39,618	Housing Revenue Account	142,027	(103,547)	38,481
1,036,557	(501,374)	535,183	Cost of Services	1,099,136	(525,451)	573,685
0	(1,146)	(1,146)	Other Operating Expenditure	0	1,396	1,396
97,419	(47,548)	49,871	Financing and Investment Income and Expenditure	108,514	(61,661)	46,853
0	(590,503)	(590,503)	Taxation and Non Specific Grant Income	0	(564,305)	(564,305)
1,133,976	(1,140,571)	(6,595)	(Surplus) or Deficit on Provision of Services	1,207,650	(1,150,022)	57,628
		(6,939)	Share of (surplus) or deficit on the provision of services of Associates and JV			(15,679)
		(13,535)	Group (Surplus)/Deficit			41,949
		24,007	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(41,223)
		(3,231)	(Surplus)/deficit on revaluation of available for sale financial assets			(5,425)
		(230,207)	Actuarial (gains)/losses on pension assets/liabilities			(28,957)
		(2,567)	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(797)
		(211,998)	Other Comprehensive Income and Expenditure			(76,402)
		(225,533)	Total Comprehensive Income and Expenditure			(34,453)

Group Balance Sheet

31 March 2021 £000		31 March 2022 £000
2,388,124	Property ,Plant and Equipment (note xi)	2,494,091
286,955	Investment Property (note xii)	313,257
29,089	Long Term Investments and/or Investments in Associates and Joint Ventures	70,583
198,068	Heritage Assets	196,272
958	Long Term Debtors	657
2,903,194	Long Term Assets	3,074,860
40,276	Short Term Investments	20,025
2,930	Inventories	3,403
132,118	Short Term Debtors	107,554
128,680	Cash and Cash Equivalents	104,051
14,061	Assets held for Sale	12,354
318,065	Current Assets	247,387
(195,579)	Short Term Borrowing	(216,344)
(118,852)	Short Term Creditors	(109,072)
(551)	Provisions	(3,533)
(4,638)	PPP Short Term Liabilities	(4,527)
(21,047)	Capital Grants Receipts in Advance	(31,258)
(2,909)	Revenue Grants Receipts in Advance	(1,438)
(7,423)	Other Short Term Liabilities	(7,224)
(350,999)	Current Liabilities	(373,396)

Group Balance Sheet

31 March 2021 £'000		31 March 2022 £'000
(551)	Provisions	(551)
(1,003,256)	Long Term Borrowing	(1,043,106)
(130,564)	PPP Long Term Liabilities	(126,037)
(57,192)	Other Long Term Liabilities	(56,643)
(124,342)	Pension Liabilities	(133,706)
(1,315,905)	Long Term Liabilities	(1,360,043)
1,554,355	Net Assets	1,588,808
(99,401)	Usable Reserves	(108,227)
(1,313,766)	Unusable Reserves	(1,326,310)
(5,559)	Group - Usable Reserves	(20,214)
(135,629)	Group - Unusable Reserves	(134,057)
(1,554,355)	Total Reserves	(1,588,808)



Jonathan Belford, CPFA
Chief Officer - Finance
30 June 2022

Group Cash Flow

31 March 2021 £000		31 March 2022 £000
13,535	Net surplus or (deficit) on the provision of services	(41,949)
134,759	Adjust net surplus or deficit on the provision of services for non cash movements	194,072
(80,053)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(48,313)
68,241	Net cash flows from Operating Activities (note 13)	103,810
(34,578)	Net cash flows from Investing Activities (note 14)	(141,174)
(11,793)	Net Cash flows from Financing Activities (note 15)	12,734
21,870	Net increase or (decrease) in cash and cash equivalents	(24,631)
106,810	Cash and Cash equivalent at the beginning of the reporting period	128,680
128,680	Cash and Cash equivalent at the end of the reporting period	104,051

Notes to the Group Accounts

Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity, except in the following cases:

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2022, and due to the nature and age of the buildings it is anticipated that there would be no material impact of undertaking a revaluation as at the point of the assets becoming operational.
- Aberdeen Exhibition and Conference Centre Ltd, and Aberdeen Sports Village Ltd are not required to prepare their annual accounts on an IFRS basis and, on the grounds of materiality, no consolidation adjustments have been made to the group accounts.

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line by line basis. Associates have been incorporated using the equity method where the Council's investment in the associates is adjusted each year by the Council's share of the associate's results and other gains and losses. Joint Ventures have been incorporated using the gross equity method.

The accounting periods for all entities are from 1 April 2021 to 31 March 2022, 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 2021, 31 July 2021 and 28 February 2022. This means that a 12 month period of activity is incorporated into the Group Accounts.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors and creditors.

Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

Aberdeen City Council has an interest in a number of Subsidiaries, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. Included as Joint Ventures are Aberdeen Sports Village (the joint venture with The University of Aberdeen) and the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

Subsidiaries**Common Good**

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

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

Trust Funds

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and 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 £31 million in 2021/22 (2020/21 £33 million).

ASV Ltd was incorporated on 17 July 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian. During financial year 2021/22, the partners contributed £395 million in funding to the IJB (£366 million 2020/21).

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

Associates

Aberdeen City Council incorporates the following Associate in its group annual accounts;

Grampian Valuation Joint Board 39%

There is no share capital issued by the Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to the Board.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

Distribution of Reserves

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from Sport Scotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £154 million (2020/21, increase of £141 million).

Note iv Group Entities

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2021/22	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	131,941	(601)	Head of Finance, Aberdeen City Council
Trust Funds	100	100	8,099	(18)	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	527	704	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(10,422)	(6,872)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(1,439)	(578)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	31,007	(1,634)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregation Joint Board	50	50	51,392	33,156	50 Frederick Street, Aberdeen, AB24 5HY
Associates					
Grampian Valuation Joint Board	39	39	739	(4,562)	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 2022, AH&P Ltd made a profit of £0.449 million (2020/21, £0.501 million profit) and the net assets of the company were £5.153 million (2020/21, £4.704 million). Turnover was £4.573 million (2020/21, £4.573 million). Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2020/21, Aberdeen City Council contributed £112,000 (2019/20, £195,000) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The audited accounts for 2020/21 show a surplus of £0.059 million (2019/20, £0.563 million deficit) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance. The accounts for 2020/21 are in the process of being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £0.455 million. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2021 net assets amounted to £0.202 million (2019/20 £0.303 million) with a loss for the year of £0.101 million (2018/19, £0.003 million loss). The accounts for 2018/19 are in the process of being prepared. It is anticipated that there will be no significant changes as at March 2020. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities–region planning authorities. The current legislative position of SDPA prevents it from retaining a surplus and reserves. In 2021/22, Aberdeen City Council did not make any material contributions to the SDPA.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2021/22, Aberdeen City Council contributed £0.176 million (2020/21, £0.175 million) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

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

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

2020/21 £'000		2021/22 £'000
45,783	Interest payable and similar charges	49,599
7,024	Pensions interest cost and expected return on pensions assets	2,151
(547)	Interest receivable and similar income	(373)
(601)	Income and expenditure in relation to investment properties and changes in their fair value	(3,733)
(1,789)	Other investment income	(791)
49,871	Total	46,853

Note vii Cash Flow Statement – Group Operating Activities

2020/21 £'000			2021/22 £'000
13,535	*	Net surplus or (deficit) on the provision of services	(41,949)
13,535	*		(41,949)
		Adjustment to surplus or deficit on the provision of services for non-cash movements:	
85,080		Depreciation	79,870
50,218		Impairment, downward revaluations & non sale derecognitions	51,960
(484)		(Increase)/Decrease in Stock	(473)
(33,714)		(Increase)/Decrease in Debtors	18,840
3,482		Increase/(Decrease) in Creditors	12,950
20,882		Payments to Pension fund	30,817
1,188		Carrying amount of non current assets sold	2,402
0		Carrying amount of written off assets	0
(8,478)		Contributions to Other Reserves / Provisions	2,736
5,167		Movement in value of investment properties	2,517
11,417		Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(7,547)
134,758			194,072
		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(86,709)		Receipt of Capital Grants and Contributions	(60,253)
(2,334)		Proceeds from the sale of PP&E, investment property and intangible assets	(1,007)
8,991		Bond EIR adjustment	12,947
(80,052)			(48,313)
68,241		Net cash flows from operating activities	103,810

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

Note viii Cash Flow Statement – Group Investing Activities

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

Note ix Cash Flow Statement – Group Financing Activities

2020/21 £'000		2021/22 £'000
(32)	Other receipts from financing activities	(37)
677	Repayments of short term and long term borrowing	30,816
(8,991)	Bond EIR Adjustment	(12,947)
(3,448)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(5,099)
(11,793)	Net cash flows from Financing activities	12,734

Note x Cash Flow Statement – Group Cash and Cash Equivalents

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

31 March 2020 £'000		31 March 2021 £'000
34	Cash held by officers	39
128,646	Bank current accounts	104,012
128,680	Total cash and cash equivalents	104,051

Note xi Group Property, Plant and Equipment

Movements on Balances

Movements in 2020/21:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2020	1,018,867	1,179,287	71,291	369,950	30,293	8,807	53,813	2,732,308	192,607
Additions	56,526	22,154	9,389	13,818	201	(3,754)	38,757	137,091	1,431
Revaluations	(218,443)	(86)	0	0	0	(2,711)	0	(221,240)	0
Derecognition / Disposals	0	0	(13,439)	(1,012)	0	0	0	(14,451)	0
Transfers	0	(9,064)	0	0	0	7,849	0	(1,215)	0
At 31 March 2021	856,950	1,192,291	67,241	382,756	30,494	10,191	92,570	2,632,493	194,038
Accumulated Depreciation and Impairment									
At 1 April 2020	(118,746)	(40,105)	(43,727)	(121,824)	0	0	0	(324,401)	(591)
Depreciation Charge	(34,222)	(28,492)	(10,158)	(12,221)	0	0	0	(85,093)	(3,665)
Depreciation & Impairment written out	149,960	778	0	0	0	0	0	150,738	0
Derecognition / Disposals	0	0	13,376	1,012	0	0	0	14,388	0
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2021	(3,008)	(67,819)	(40,509)	(133,033)	0	0	0	(244,368)	(4,256)
Net Book Value									
At 31 March 2021	853,943	1,124,472	26,732	249,724	30,494	10,191	92,570	2,388,124	189,782
At 31 March 2020	900,122	1,139,182	27,564	248,127	30,293	8,807	53,813	2,407,907	192,016

Movements in 2021/22:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2021	856,950	1,192,291	67,241	382,756	30,494	10,191	92,570	2,632,493	194,038
Additions	98,758	17,076	10,818	22,479	528	(105)	72,753	222,307	759
Revaluations	(53,655)	(23,566)	0	0	0	(806)	0	(78,027)	0
Derecognition / Disposals	0	0	(2,715)	(566)	0	(1,400)	0	(4,681)	0
Transfers	0	10,000	0	0	0	(1,736)	(34,676)	(26,412)	0
At 31 March 2022	902,053	1,195,801	75,344	404,669	31,022	6,144	130,647	2,745,680	194,797
Accumulated Depreciation and Impairment									
At 1 April 2021	(3,008)	(67,891)	(40,436)	(133,033)	0	0	0	(244,367)	(4,256)
Depreciation Charge	(31,508)	(29,313)	(6,403)	(12,648)	0	0	0	(79,872)	(3,687)
Depreciation & Impairment written out	29,919	39,379	0	0	0	0	0	69,298	0
Derecognition / Disposals	0	0	2,502	565	0	0	0	3,067	0
Transfers	0	284	0	0	0	0	0	284	0
At 31 March 2022	(4,597)	(57,541)	(44,337)	(145,116)	0	0	0	(251,590)	(7,943)
Net Book Value									
At 31 March 2022	897,457	1,138,260	31,007	259,553	31,022	6,144	130,647	2,494,091	186,854
At 31 March 2021	853,943	1,124,400	26,805	249,724	30,494	10,191	92,570	2,388,124	189,782

Note xii Investment Properties

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

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

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

	2020/21 £'000	2021/22 £'000
Balance at start of the year	291,582	286,955
Additions:		
• Purchases	0	931
Disposals	(1,125)	(1,175)
Net gains/losses from fair value adjustments	(4,719)	(1,574)
Transfers:		
• to/from Inventories	1,217	28,120
• to/from Property, Plant and Equipment	0	0
• to/from Assets Held for Sale	0	0
Balance at end of the year	286,955	313,257

Note xiii

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

	Loans		Debtors		Creditors	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
AECC	0		0		0	
Bon Accord Care Ltd	0		14	0	(19)	(44)
Bon Accord Support Services Ltd	0		8,307	5,777	(1,290)	(6,824)
Sport Aberdeen	(2,915)	(4,380)	0	0	0	(91)
Common Good	(31,433)	(10,062)	0	0	0	0%
Trust Funds	(4,239)	(4,743)	0	0	0	0
	(27,381)	(38,587)	7,190	8,307	(3,391)	(1,309)

Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within 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

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

Note xvi**Pension Costs**

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

Subsidiaries

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £2.970 million TO BE UPDATED AWAITING FIGURE (2020/21, £2.970 million surplus).

Bon Accord Care (BAC) and Bon Accord Support Services (BASS) participate as admitted bodies, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. In 2021/22 BASS realised a loss of £0.578 million while BAC realised a loss of £6.872 million.

Joint Ventures

Aberdeen Sports Village Limited (ASV Ltd) participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year 2020/21 was £0.098 million (2019/20 £0.141 million).

Associates

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

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

	2020/21 £000	2021/22 £000
Grampian Valuation Joint Board	0	0

Note xvii Net Pension Liabilities

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

	2020/21 £'000	2021/22 £'000
ACC	(118,091)	(118,420)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	3	(196)
Total	(118,088)	(118,616)

Glossary of Terms

Revenue Expenditure: *This is expenditure incurred in providing services in the current year and which benefits that year only.*

Capital Expenditure: *This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising income from the sale of existing assets.*

CIPFA: *The Chartered Institute of Public Finance and Accountancy.*

COSLA: *Convention of Scottish Local Authorities*

LASAAC: *The Local Authority (Scotland) Accounts Advisory Committee.*

SeRCOP: *CIPFA's Service Reporting Code of Practice 2021/22.*

PWLB: *Public Works Loans Board, a Government agency that provides loans to the Council.*

IFRS: *International Financial Reporting Standards.*

IAS: *International Accounting Standard.*

OSCR: *Office of the Scottish Charity Regulator*

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Charitable Trusts

Annual Report and Financial Statements

For the year ended
31 March 2022

Registered Numbers:

Guldry - SC011857
Bridges of Aberdeen Heritage Trust - 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 2021/22

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,
319 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 David Cameron LP	Councillor Martin Greig
Councillor Gillian Al-Samarai	Councillor Dell Henrickson
Councillor Nurul Hoque Ali - Appointed 5th May 2022	Councillor Ryan Houghton
Councillor Christian Allard	Councillor Michael Hutchison
Councillor Alison Alphonse	Councillor Michael Kusznir - Appointed 5th May 2022
Councillor Kate Blake - Appointed 5th May 2022	Councillor Sandra MacDonald
Councillor Jennifer Bonsell - Appointed 5th May 2022	Councillor Neil MacGregor
Councillor Marie Boulton	Councillor Avril MacKenzie
Councillor Desmond Bouse - Appointed 5th May 2022	Councillor M. Tauqeer Malik
Councillor Richard Brooks - Appointed 5th May 2022	Councillor Duncan Massey - Appointed 5th May 2022
Councillor Hazel Cameron - Appointed 5th May 2022	Councillor Alexander McLellan
Councillor Donna Clark - Appointed 5th May 2022	Councillor Ken McLeod - Appointed 5th May 2022
Councillor John Cooke	Councillor Ciaran McRae
Councillor Neil Copland	Councillor Jessica Mennie
Councillor Bill Cormie	Councillor Alex Nicoll
Councillor Barney Crockett	Councillor Miranda Radley
Councillor Sarah Cross	Councillor Jennifer Stewart
Councillor Derek Davidson - Appointed 5th May 2022	Councillor Kairin van Sweden - Appointed 5th May 2022
Councillor Steve Delaney	Councillor Lynn Thomson - Appointed 5th May 2022
Councillor Lee Fairfull - Appointed 5th May 2022	Councillor Deena Tissera - Appointed 5th May 2022
Councillor Emma Farquhar - Appointed 5th May 2022	Councillor Simon Watson- Appointed 5th May 2022
Councillor Gordon Graham	Councillor Ian Yuill
Councillor Ross Grant	

All Trustees have served for the whole of the financial year to 31 March 2022 unless otherwise stated.

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.

Following the Local government elections on 5th May 2022 the following councillors resigned as trustees:

Councillor Yvonne Allan	Councillor Douglas Lumsden
Councillor Phillip Bell	Councillor Tom Mason
Councillor Alan Donnelly	Councillor Audrey Nicol
Councillor Jackie Dunbar	Councillor Jim Noble
Councillor Lesley Dunbar	Councillor John Reynolds
Councillor Sarah Duncan	Councillor Phillip Sellar
Councillor Claire Imrie	Councillor Gordon Townson
Councillor Freddie John	Councillor John Wheeler
Councillor Jenny Laing	

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.

Bridges of Aberdeen Heritage Trust

The fund formerly known as Bridge of Don Trust changed its name with agreement of OSCR before that it was known as the Brig O' Balgownie Trust Fund. It 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 decreased from £333k in 2020/21 to £217k in 2021/22.

Total Expenditure increased from £231k in 2020/21 to £235k in 2021/22.

The value of Investments decreased by £360k in 2021/22 compared to an increase of £270k in 2020/21.

Investments in the City of Aberdeen Loans Fund have increased from £3.631 million in 2020/21 to £4.116 million in 2021/22.

This has resulted in an increase in Net Assets from £8.073 million in 2020/21 to £8.090 million in 2021/22.

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 £7,932 million which are made up of unrestricted funds of £4.051 million and designated funds of £3.881 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

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Appendix 1

Charity Name, Number and Purpose

Charity Name	Charity Number	Purpose	Governing Document
Guildry	SC011857	Support the Guildry activities including financial assistance scheme and educational bursaries	Court of Session decision 1996
Bridges of Aberdeen Heritage Trust	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 2022

		Unrestricted Funds 2021/22 £'000	Restricted Funds 2021/22 £'000	Endowment Funds 2021/22 £'000	Total Funds 2021/22 £'000	Total Funds 2020/21 £'000
	<u>Note</u>					
Income and endowments from:						
Incoming resources from generated funds						
Donations & Legacies		-	-	-	-	129
Other Trading Activities		-	-	-	-	-
Investments	2	217	-	-	217	204
Total		<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>	<u>333</u>
Expenditure on:						
Raising Funds						
Charitable Activities	3,4	235	-	-	235	231
Other		-	-	-	-	-
Total		<u>235</u>	<u>-</u>	<u>-</u>	<u>235</u>	<u>231</u>
Net income/expenditure		(18)	-	-	(18)	102
Other recognised gains/(losses):						
Gains/(losses) on investment assets		22	-	13	35	270
Net movement in funds		<u>4</u>	<u>-</u>	<u>13</u>	<u>17</u>	<u>372</u>
Reconciliation of funds						
Total funds brought forward		7,928	-	145	8,073	7,701
Total funds carried forward		<u>7,932</u>	<u>-</u>	<u>158</u>	<u>8,090</u>	<u>8,073</u>

**Aberdeen City Council Charitable Trusts
Balance Sheet as at 31 March 2022**

	<u>Note</u>	2022 £'000	2021 £'000
Fixed assets			
Investments	5	4,094	4,454
Total fixed assets		4,094	4,454
Current assets			
Stocks and work-in-progress		-	-
Debtors	6	69	67
Investments - City of Aberdeen Loans Fund	7	4,116	3,631
Cash at bank - Guildry Investment Account		-	100
Total current assets		4,185	3,798
Liabilities			
Creditors: Amounts falling due within one year	8	(189)	(179)
		(189)	(179)
Net current assets/(liabilities)		3,996	3,619
Net asset/(liabilities)		8,090	8,073
The funds of the charity			
Endowment funds		158	145
Restricted income funds		-	-
		158	145
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,532	2,526
Dr Duncan Liddel's Mortification - Professor of Mathematics		693	692
Dr Duncan Liddel's Mortification - Library of College		35	35
James Cargill Mortification - Bursary Fund		282	282
Patrick Copland's Mortification - Professor of Divinity		339	338
Unrestricted funds		4,051	4,055
Total unrestricted funds		7,932	7,928
Total charity funds	9	8,090	8,073

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

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Aberdeen City Council Charitable Trusts
Statement of Cash Flows
For the year ended 31 March 2022

	<u>Note</u>	Total Funds £'000	Prior Year Funds £'000
Net cash used in operating activities	12	<u>(232)</u>	<u>(110)</u>
Cash Flows from investing activities			
Dividends, interest and rents from investments		217	204
Purchase of investments		-	-
Proceeds from sale of investments		400	-
Net cash provided by investing activities		<u>617</u>	<u>204</u>
Change in cash and cash equivalents in the year		385	94
Cash and cash equivalents brought forward		3,731	3,637
Cash and cash equivalents carried forward	13	<u>4,116</u>	<u>3,731</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022
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.

Recognition of revenue and expenditure

All income and expenditure due to be paid or received in respect of the year ended 31 March 2022 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 2022

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.

Cash Balances

It is the policy of the Council to apportion the cash balances of the Aberdeen Common Good and Guildry Investment Account, based on the sums invested from the outset, which was a ratio of 95% Common Good and 5% Guildry Trust.

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 2022

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 2022

	2022	2021
	£'000	£'000
2 INVESTMENT INCOME		
Interest receivable	23	11
Rent from Investment Properties	194	193
Share of lands free revenue	-	-
	<u>217</u>	<u>204</u>
3 CHARITABLE ACTIVITIES		
Donations and expenditures	13	11
Payments to Beneficiaries:		
Common Good Fund	88	84
Dr Duncan Liddel's Mortification - Professor of Mathematics	43	42
Dr Duncan Liddel's Mortification - Library of College	2	2
James Cargill Mortification - Bursary Fund	18	17
Patrick Copland's Mortification - Professor of Divinity	21	21
Property costs	5	13
	<u>190</u>	<u>190</u>
4 GOVERNANCE COSTS		
Accounting and administration	37	33
Audit Fee	8	8
	<u>45</u>	<u>41</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

	2022	2021
	£'000	£'000
5 TANGIBLE FIXED ASSETS		
Market Value at 1 April	4,454	4,184
Net investment gains/(losses)	35	270
Purchases	-	-
Disposals	(395)	-
Market Value at 31 March	<u>4,094</u>	<u>4,454</u>
Investments at market value Comprised:		
Investment Properties	3,962	4,332
Gilts	5	5
Equities	127	118
	<u>4,094</u>	<u>4,454</u>

The property portfolio was valued internally by Deborah Wylie, Bsc MRICS and Cate Armstrong 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>69</u>	<u>67</u>
7 INVESTMENTS HELD AS CURRENT ASSETS		
City of Aberdeen Loan Funds	<u>4,116</u>	<u>3,631</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	189	179
Short Term Loan - Aberdeen City Council	-	-
	<u>189</u>	<u>179</u>

9 ANALYSIS OF NET ASSETS IN FUNDS	Tangible	Current assets	Total	Total
	fixed assets	(liabilities)		
	£'000	£'000	£'000	£'000
Unrestricted funds	<u>4,094</u>	<u>3,996</u>	<u>8,090</u>	<u>8,073</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 2022

	2022	2021
	£'000	£'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)	17	372
Adjustments for:		
(Gains)/losses on investments	(35)	(270)
Dividends, interest and rents from investments	(217)	(204)
Loss/(profit) on the sale of fixed assets	(5)	-
Decrease/(increase) in stocks	-	1
Decrease/(increase) in debtors	(2)	(14)
Increase/(decrease) in creditors	10	5
Net cash provided by (used in) operating activities	<u>(232)</u>	<u>(110)</u>
13 ANALYSIS OF CASH AND CASH EQUIVALENTS		
Investments - City of Aberdeen Loans Fund	4,116	3,631
Cash at bank - Guildry Investment Account	-	100
	<u>4,116</u>	<u>3,731</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2022

14 ANALYSIS OF CHARITABLE TRUSTS

	Charity Number	Individual Trust Balances					Balance as at 31 March 2022 £'000
		Balance as at 1 April 2021 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	
EEIF	SC025063	(321)	-	(12)	(3)	3	(333)
Guildry	SC011857	(2,611)	-	(8)	(8)	19	(2,608)
Bridges of Aberdeen Heritage Trust	SC018551	(1,215)	-	(6)	(2)	1	(1,222)
Alexander MacDonald Bequest	SC018568	(29)	-	-	-	1	(28)
Aberdeen Art Gallery Trust	SC018575	(22)	-	-	-	7	(15)
Lands of Skene	SC018533	(3,753)	-	(19)	(35)	35	(3,772)
Lands of Torry	SC021299	(2,748)	-	(2)	(174)	173	(2,751)
Total		(10,699)	-	(47)	(222)	239	(10,729)

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 Bridges of Aberdeen Heritage Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

	Charity Number	Individual Trust Balances after adjusting for intra trust transactions					Balance as at 31 March 2022 £'000
		Balance as at 1 April 2021 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	
EEIF	SC025063	(321)	-	(12)	(3)	3	(333)
Guildry	SC011857	(993)	-	-	(6)	19	(980)
Bridges of Aberdeen Heritage Trust	SC018551	-	-	-	-	-	-
Alexander MacDonald Bequest	SC018568	(31)	-	-	-	1	(30)
Aberdeen Art Gallery Trust	SC018575	(22)	-	-	-	7	(15)
Lands of Skene	SC018533	(3,958)	-	(20)	(35)	32	(3,981)
Lands of Torry	SC021299	(2,748)	-	(3)	(173)	173	(2,751)
Total		(8,073)	-	(35)	(217)	235	(8,090)

Aberdeen City Council Charitable Trusts

Notes to the Accounts

For the year ended 31 March 2022

15 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

Charity Name	Charity Number	Individual Trust Balances											Total £'000
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council Loans Fund £'000	Cash at Bank £'000	Debtors £'000	Creditors £'000	Provision £'000		
EEIF	SC025063	5	127	-	-	-	186	-	15	-	-	-	333
Guildry	SC011857	-	-	1,508	-	-	1103	-	-	(3)	-	-	2,608
Bridges of Aberdeen Heritage T	SC018551	-	-	1,131	-	-	239	-	-	-	(150)	-	1,220
Alexander McDonald Bequest	SC018568	-	-	-	-	-	30	-	-	-	-	-	30
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	16	-	-	-	-	-	16
Lands of Skene	SC018533	-	-	-	1,237	-	2,528	-	8	(2)	-	-	3,771
Lands of Torry	SC021299	-	-	-	2,725	-	14	-	46	(34)	-	-	2,751
Total		5	127	2,639	3,962	-	4,116	-	69	(39)	(150)	-	10,729

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 Bridges of Aberdeen Heritage Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

Charity Name	Charity Number	Individual Trust Balances after adjusting for intra trust transactions											Total £'000
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council Loans Fund £'000	Cash at Bank £'000	Debtors £'000	Creditors £'000	Provision £'000		
EEIF	SC025063	5	127	-	-	-	186	-	15	-	-	-	333
Guildry	SC011857	-	-	-	-	-	983	-	-	(3)	-	-	980
Bridges of Aberdeen Heritage T	SC018551	-	-	-	-	-	150	-	-	-	(150)	-	-
Alexander McDonald Bequest	SC018568	-	-	-	-	-	30	-	-	-	-	-	30
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	16	-	-	-	-	-	16
Lands of Skene	SC018533	-	-	-	1,237	-	2,738	-	8	(2)	-	-	3,981
Lands of Torry	SC021299	-	-	-	2,725	-	13	-	46	(34)	-	-	2,750
Total		5	127	-	3,962	-	4,116	-	69	(39)	(150)	-	8,090

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 June 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Annual Report 2021-22
REPORT NUMBER	IA/22/005
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	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 2021-22.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the Annual Report for 2021-22;
- 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 2021-22; 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 Public Sector Internal Audit Standards require that Internal Audit produce an annual report on the adequacy and effectiveness of the Council's framework of governance, risk management and control. 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.

- 3.2 This report is designed to meet three objectives; to present to the Audit, Risk and Scrutiny Committee, and through them, the Council:
- A formal opinion on the adequacy and effectiveness of the Council's arrangements for:
 - Governance
 - Risk management
 - Internal control
 - A narrative over the key strategic and thematic findings from the assurance work undertaken by IA during 2021-22, drawing out key lessons to be learned.
 - An account of the assurance activities and resources of IA during the period 2021-22.

- 3.3 This report covers the period from 1 April 2021 to 31 March 2022 and any work finalised during the 2021-22 assurance period. It also takes account of work undertaken up to the date of the issue of this report, 17 June 2022. The report is grounded in the whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the Council.

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 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.
Data Protection Impact Assessment	Not required

9. APPENDICES

9.1 Appendix A – Internal Audit Annual Report for the year ended 31 March 2022.

10. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor
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(01467) 530 988

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Internal Audit

Annual Assurance Report and Chief Internal Auditor's Opinion 2021-22

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1 Chief Internal Auditor's Foreword

1.1 Chief Internal Auditor's foreword

As it has been for our colleagues in the Council, in other local authorities, and beyond – this year has been challenging for Internal Audit (IA). COVID-19, remote working and other emerging issues have continued to impact on all operations and fundamentally changed the risk environment for the Council we serve.

As a team Internal Audit has had to be flexible and adaptable throughout the year to continue to provide the business with the assurance that it needs over its emerging and most significant risks. Assurance reviews, consultancy work and adhoc discussions are just some of the areas of engagement IA has had across the Council.

Going forward there is of course plenty of work to do, both from an assurance perspective and to further embed IA within the Council, to ensure it is adding as much value as possible. I hope to achieve this through a new risk based methodology, which was rolled out at the start of the financial year and will be utilised going forward from 2022-23. Initial conversations with management has seen this as a welcome change to how IA carries out its work.

The Internal Audit Plan recently agreed by the Audit, Risk and Scrutiny Committee also includes time set aside to assist services in developing their controls, approach to improving compliance, support, and consultancy services. This reflects continuing development of a more proactive value-added approach to supplement the more traditional core compliance-oriented audit work, whilst being mindful of our independence and objectivity. Both types of work will feed into the annual assurance opinions provided in the future.

Going forward, IA will engage with individual functions and clusters, as well as working strategically across the Council as a whole. Through enhanced engagement at the planning stage and more involvement from the auditee, it is hoped that this will alleviate some of the delays seen previously and result in more timely completion of planned audit work and an overall uplift in our KPI results, which I recognise are not where they need to be.

Upon taking up the role of Chief Internal Auditor, I knew that it would be a great opportunity to work with some of the great people across the Council. I would like to thank the team, Council staff, CMT and councillors for the support they have provided me and Internal Audit overall.

Jamie Dale

Chief Internal Auditor

2 Executive Summary

2.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and presented when finalised to the Audit, Risk and Scrutiny Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Public Sector Internal Audit Standards set the mission of IA as to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

2.2 Purpose of this report

Public Sector Internal Audit Standards require that Internal Audit produce an annual report on the adequacy and effectiveness of the Council's framework of governance, risk management and control. 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.

This report is designed to meet three objectives; to present to the Audit, Risk and Scrutiny Committee, and through them, the Council:

- A formal opinion on the adequacy and effectiveness of the Council's arrangements for:
 - Governance
 - Risk management
 - Internal control
- A narrative over the key strategic and thematic findings from the assurance work undertaken by IA during 2021-22, drawing out key lessons to be learned.
- An account of the assurance activities and resources of IA during the period 2021-22.

This report covers the period from 1 April 2021 to 31 March 2022 and any work finalised during the 2021-22 assurance period. It also takes account of work undertaken up to the date of the issue of this report, 17 June 2022. The report is

grounded in the whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the Council.

2.3 Conclusion

The overall Chief Internal Auditor's opinion is:

In my opinion the Council had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2021 to 31 March 2022.

For further commentary see the Annual Assurance Opinion section below.

2.4 Action requested of the Audit, Risk and Scrutiny Committee

The Audit, Risk and Scrutiny Committee is requested to note the contents of this report and the assurance opinion, to inform its annual report and its review of the Council's financial statements, in particular the governance statement.

3 Annual Assurance Opinion

3.1 Basis of annual assurance opinion

In accordance with the Public Sector Internal Audit Standards, our assessment and opinion over the framework of governance, risk management and control are based upon the whole activity and work of IA including:

- The results of internal audits completed (in final or draft) up to the date of this report (17 June 2022).
- Any follow-up action taken in respect of audits from previous periods.
- The effects of any significant changes in the Council's control environment.
- Matters arising from previous annual reports to the Council.
- Any limitations that may have been placed on the scope of IA – we have no restrictions to declare in this report, although we have performed all audits remotely this year and some physical verification work has not been possible.
- Reports issued by the Council's external auditors.
- Internal Audit's knowledge of the Council's governance, risk management and performance monitoring arrangements.
- The assessment of risk completed during the formation of the 2022-25 Audit Plan and the work on risk in general led by the Council.
- The results of other assurance activities completed during the year.

The Standards also require that Internal Audit confirms to the Committee, 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.

3.2 Annual assurance opinion 2021-22

We are satisfied that sufficient internal audit and assurance work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's framework for governance, risk management and control. Aberdeen City Council had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2021 to 31 March 2022.

3.3 Rationale for the opinion

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.

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

- Ensure adherence to management policies and directives 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.
- 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 Council has faced its second year of unprecedented challenges and its control framework and governance arrangements have come under sustained and significant pressure; primarily as it adapted to the COVID-19 pandemic.

Consideration has been given during the year to the impact on the level of assurance available, and we are satisfied that in the short term this has not had a material impact. The Council's risk profile and response adjusted to reflect the circumstances, and we reviewed and adapted plans to reflect changing risks and resource availability. Our work has been and remains cognisant of the risks to internal control from changes introduced in response to the pandemic.

Throughout the year our audit work found that the Council's systems have flexed, adapted, and largely held up despite this significant strain. We consistently found that management was aware of the risks it was dealing with and taking steps to mitigate and manage them as best they could within the constraints created by the pandemic.

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 to the Committee. Most recommendations made by Internal Audit related to general improvements to procedures, and the requirement to evidence adherence to them.

Analysis of the findings of our reports issued within the year highlights positively that in many cases there were minimal findings, with the vast majority at the significant or important levels. This reflects a strong control environment and the need for us to only make recommendations around the general improvement of controls, the improvement of efficiency and the drive for Best Value. However, during the year we did identify instances of financial regulation breaches (virements without approval, lack of purchase orders, and purchase orders not approved correctly). Common trends in our recommendations were also around systematising and standardising reviews (e.g. Financial Systems and Timesheets and Allowances audits) or the need to better evidence and record the completion of controls (e.g. Health and Safety Operations and the Capital Project Management audits).

We did make one recommendation at the Major level during the year. This was part of our Vehicle Replacement Audit and related to procurement process not demonstrably adhered to in the past for vehicle / plant purchases. Management has indicated plans

to improve compliance around this area and this is monitored through our audit recommendations follow up.

3.4 Areas of risk for future IA focus

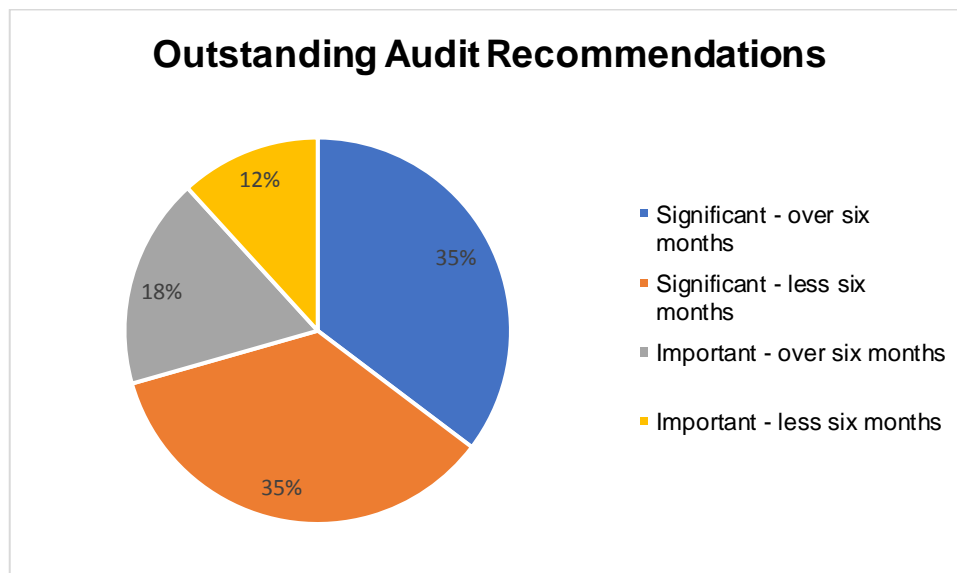
In addition to the points above continuing to be areas of focus for the Council, in the year there will be significant new risk areas for us to consider. The specific risk and control areas in the upcoming year that we intend to focus on to a greater degree include:

- IT and Digital
- Care Reform
- Accountability for Public Funds
- Pre-Employment Checks
- Other emerging risks identified during the year

3.5 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

During 2021-22 112 agreed actions have been completed, including 13 completed since our last update to the Committee. There are currently 17 overdue actions, 12 rated as Significant and five as Important. Of the 12 Significant overdue actions, six have been overdue by more than six months, with six overdue less than six months. Of the five Important actions, three have been overdue by more than six months, with two overdue less than six months. An explanation of the gradings used is shown at Appendix 1 – Grading of Recommendations.



Recognising the implementation of audit recommendations is an area where more work could be done, for the coming months, Internal Audit is in the process of leading an exercise aimed at supporting management on the closure of audit

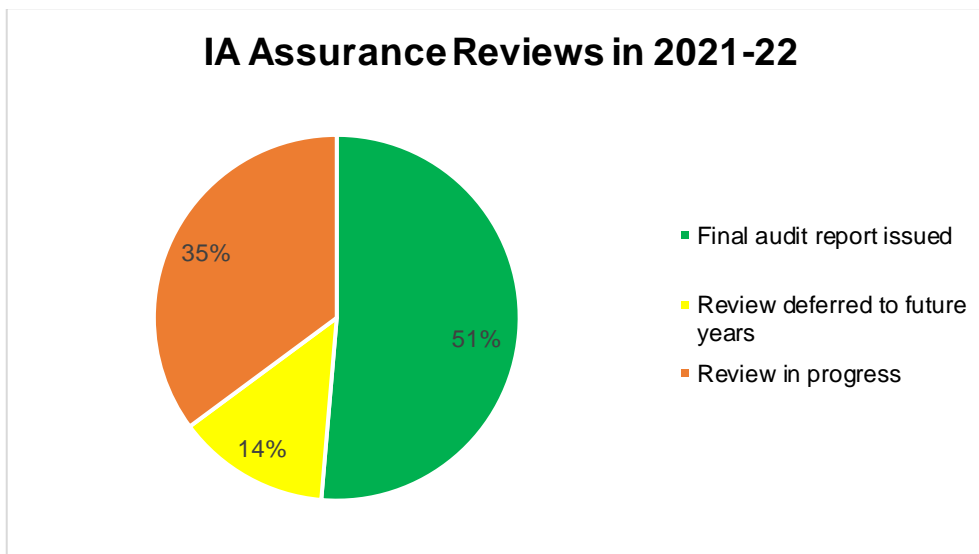
recommendations. This will not move the bar but through engagement beyond the routine follow up exercise, we hope to close out as many actions as possible and leave only those actions that were rightly ongoing for management to focus on.

Updates on audit recommendations implementation will be provided to the Committee as part of our standard reporting, with a detailed update on the outcomes of our follow up exercised presented to the next session of the Committee. Given the ongoing nature of the follow up, and the upcoming comprehensive update, we have not presented details of individual outstanding recommendations or reached out specifically for updates as part of this report.

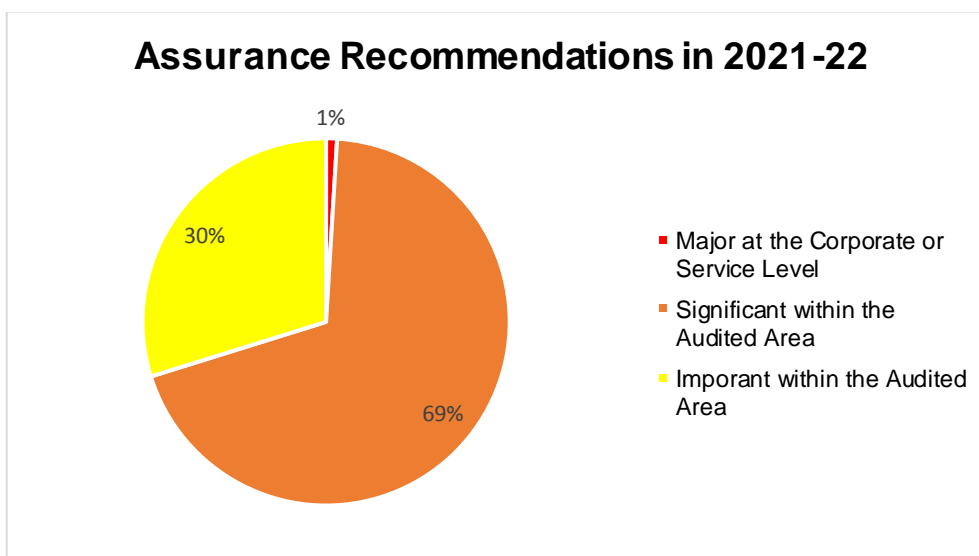
4 Audit Results

4.1 In year audit results

Across the year, irrespective of the period initially planned for the review, we issued 19 audit reports, with a further 13 currently work in progress. These reviews span the entire breadth of operations, touching on not just individual areas but also strategically across the Council. For those reviews currently work in progress, we have set an internal deadline to ensure that these are all completed by the end of Q2. Given the current progress of the reviews we believe this to be manageable and will also limit the impact of legacy work on our assurance plan for 2022-23.



Across the 19 audit reports issued, we made 104 recommendations: one considered Major at the Corporate or Service level, 72 considered Significant within the Audited area, and 31 considered Important within the audited area. 100% of recommendations made during the year were accepted by management.



This section highlights the results of our work in 2021-22, including finalisation of legacy 2020-21 reviews. It should however be noted that:

- Previous years' work, issued in the current year, is considered for and factors into our annual assurance opinion.
- Work in progress, where the report is at a draft stage, is also considered for and factors into our annual opinion.
- The same is considered for consultancy work, which also factors into our annual assurance opinion.
- The deferral of audits was taken in consultation with chief officers across the Council and also at their request.
- For all assurance reviews, we ensured that they were at the work in progress stage by year end. The majority are beyond this stage and draft reports are being finalised with the process owners for the areas under review.

Summaries are also included of fraud assurance, consultancy and other work performed by IA.

4.2 2020-21 Audits

Council Area	Audit Area	Position
Cross Service	Timesheets and Allowances	Final audit report issued
Customer	Teachers Payroll	Final audit report issued
Customer	Housing Waiting List	Final audit report issued
Health and Social Care Partnership	Mental Health and Substance Abuse	Final audit report issued
Health and Social Care Partnership	Bon Accord Care Budget Monitoring	Final audit report issued
Integration Joint Board (IJB)	IJB Performance Management	Review in progress
Operations	Vehicle Usage	Final audit report issued
Operations	Health and Safety	Final audit report issued
Operations	Vehicle Replacement	Final audit report issued
Operations	School / Pupil Security	Final audit report issued
Operations	Consilium System	Review in progress
Pensions	Pensions Payroll	Final audit report issued
Resources	Financial Sustainability	Final audit report issued
Resources	Climate Change	Final audit report issued
Resources	Capital Project Management	Final audit report issued

4.3 2021-22 Audits

Council Area	Audit Area	Position
Cross Service	Commissioning	Review in progress
Cross Service	Payroll and HR system amendments	Review in progress
Cross Service	Staff resourcing	Review in progress

Council Area	Audit Area	Position
Cross Service	Recruitment	Review in progress
Cross Service	Attendance Management	Review in progress
Customer	Debt recovery	Review in progress
Customer	IT Infrastructure Resilience	Review in progress
EI & CE	Private Sector Housing	Review deferred to future years
Governance	Licensing Income	Final audit report issued
Health and Social Care Partnership	Care Establishments	Final audit report issued
Health and Social Care Partnership	Care Management	Review in progress
IJB	Transformational Programme	Review in progress
Operations	Financial Administration - Waste	Review deferred to future years
Operations	Client Transport	Review deferred to future years
Operations	Children's Social Care	Review in progress
Pensions	Pensions System	Review in progress
Place	Planning and Building Standards fee income	Final audit report issued
Place	Interreg Projects	Final audit report issued
Resources	Revenue Budget Monitoring	Final audit report issued
Resources	Financial system interfaces and reconciliations	Final audit report issued
Resources	Following the Public Pound	Review deferred to future years
Resources	Land and Property	Review deferred to future years

4.4 Consultancy and other work by IA

In addition to planned assurance work, we also supported several clusters across the year. Support was provided to the Commercial and Procurement Service (C&PSS) on analysing data for procurement compliance purposes, and suggestions were made to improve procurement procedures and training; exception reporting to Senior Management; and reports for procurement planning by Delegated Procurers. In addition, Internal Audit shared control considerations with the Health and Social Care Partnership and Digital and Technology for the development of the new Social Care system.

This is an overview of the more substantial pieces of work delivered during the year, however it should be noted that other informal advice was provided on an adhoc basis.

4.5 Counter Fraud

We do not have a dedicated responsibility across the Council to lead on Counter Fraud activities, this instead within the remit of a separate inhouse team. The potential for fraud is however considered as part of all reviews carried out by Internal Audit from a control framework perspective.

4.6 Post year end assurance

The information presented in the above tables and charts, concerning audit work and recommendations covers the period 1 April 2021 to 31 March 2022. However, since year end, we have progressed our 2021-22 work and issued a further two reports (JB Performance Management and Pensions System) and closed off a further 10 recommendations. The assurance gained from this has been factored into the wider report and opinion overall for 2021-22. Our priority over the coming months will be to finalise the 2021-22 audit work and deliver on our already commenced 2022-23 Audit Plan.

5 IA Performance

5.1 Key Performance Indicators

Key Performance Indicator (KPI) results could be better and there is a recognition within Internal Audit that we need to focus more on these going forward. Explanations are provided for individual KPIs below but the overarching reason for most results is:

- **Internal Audit** – Part of the responsibility for not achieving the targets lies internally. Over the year, as well as responding to the ongoing impact of COVID-19, we saw continued staffing changes, recruitment requirements, sickness, and the responsibility to support other non-planned work.
- **Aberdeen City Council** – Internal Audit is not an external facing service, but we provide an internal product across the Council. This means that most of our work relies on other functions and clusters across the Council. Unfortunately, there has been examples of lack of engagement across the year, including lack of provision of evidence, issues with staff availability and an absence of engagement overall. This primarily results in delays to completing engagement, with a knock-on effect on the finalisation of audit reports.

Through the methodology refresh, which focuses specifically in how we scope and report audits, and wider engagement with services around our audit work planned for the year, we hope to see an upturn in results. Where these are reported to the Committee annually, these are monitored regularly internally by IA SLT.

KPI Description	Target	Actual 21-22	Actual 20-21	IA Commentary
Percentage of planned audits commenced where the Service was given advance notice of commencement of field work.	100%	100%	100%	Auditees are always notified in advance of audit work commencing. We will take this further through the new methodology, which will see a dedicated scoping process with the area under review.
Percentage of current year audits (as adjusted through consideration of subsequent year's plan) where draft report issued by deadline.	90%	0%	20%	The lack of achievement of this KPI is through the two key factors noted above. This is partly the responsibility of Internal Audit but analysis of the data highlights delays on the parts of functions and clusters as the key driver for this result.
Percentage of current year audits (as adjusted) completed by end of current year.	65%	33.33%	18.75%	This is an extension of the above.
Percentage of previous year audits (as adjusted) completed by end of current year.	100%	86.67%	100%	We prioritised the completion of previous year audits to ensure a minimal amount were carried into the next assurance year.
Percentage of current year audits (as adjusted) that were completed in the year within 110% of planned time allocated.	90%	20%	100%	Over the year we have faced difficulty completing audits within the allocated time. The lack of achievement of this KPI is through the two key factors noted above. This is partly the

KPI Description	Target	Actual 21-22	Actual 20-21	IA Commentary
				responsibility of Internal Audit but analysis of the data highlights delays on the parts of the service as the key driver for this result.
Percentage of previous year audits (as adjusted) that were completed within 110% of planned time allocated.	90%	7.69%	36.36%	This is an extension of the above.
Percentage of planned time taken for current year audits that were completed in the year.	90-110%	159.63%	120%	This is an extension of the above.
Percentage of planned time taken for all previous year audits completed by end of current year.	90-110%	180.22%	148.78%	This is an extension of the above.
Percentage of recommendations accepted by management	95%	100%	99%	We welcome the response from management of our individual reports and their acceptance of all our recommendations.
Where management has not agreed recommendation, percentage who accept risk.	100%	100%	100%	This is an extension of the above.

5.2 Quality assurance and improvement plan

The Public Sector Internal Audit Standards (PSIAS) require that the annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme (QAIP).

In previous reports we updated the Committee on our work to address previously noted issues; the main driver for these being our internal quality assessment.

We are pleased to confirm that all actions reported previously have now been completed and an internal review of our control framework has concluded that we fully conform with PSIAS. An External Quality Assessment, which will test our fully compliant assessment, is currently underway and will be presented to the Committee when finalised.

Action Area	Timescale	Commentary and Status
Internal Audit Service Development Planning	May 2021	Completed <ul style="list-style-type: none"> PSIAS recommends that the Internal Audit Plan detail how the Service will be developed in accordance with the Internal Audit Charter, and this was presented and agreed by the Committee in February 2022. Recommendation is also fulfilled by our work as part of the QAIP.

Resourcing	May 2021	Completed <ul style="list-style-type: none"> Staffing complement achieved in January 2022 with the appointment of the Chief Internal Auditor.
Management Engagement	June 2021	Completed <ul style="list-style-type: none"> Consultation and engagement with Chief Officers and wider management prioritised as part of the development of the 2022-25 Internal Audit Plan, and as part of the induction of the Chief Internal Auditor.
External Auditor Engagement	June 2021	Completed <ul style="list-style-type: none"> Consultation and engagement with External Audit prioritised as part of the development of the 2022-25 Internal Audit Plan, and as part of the induction of the Chief Internal Auditor.
Performance Management	July 2021	Completed <ul style="list-style-type: none"> More regular performance monitoring implemented following rationalisation of the Internal Audit performance management process.
Improvement Activity	September 2021	Completed <ul style="list-style-type: none"> Corporate improvement and consulting were included in the current year Internal Audit Plan. Progress has been monitored through the year, lessons learned recorded and acted on to inform future years' planning. Reporting is included as part of this annual report and will be a continued focus going forward.
Assurance Mapping and Prioritisation	March 2022	Completed <ul style="list-style-type: none"> Wider sources of Internal Audit assurance were given formal consideration as part of the planning process for the 2022-25 Internal Audit Plan, and priority levels determined for each audit. Assurance mapping will be maintained going forward, with an explicit refresh as part of each year's annual planning.

5.3 Staffing

Throughout the year we have had several changes to staffing and resources, including the recruitment of a new Chief Internal Auditor.

At present we are operating with a 12.6 FTE, 0.4 FTE under budget.

5.4 Methodology

This report and the annual opinion contained within is based on assurance work completed under the historical IA methodology.

However, over the past few months, Internal Audit has carried out a methodology refresh exercise. This refresh mostly focused on the scoping and the report stages (encompassing new assurance terms and rating scales); we are not suggesting any

fundamental changes in how we carry out our audits. The refresh is instead focused on ensuring we scope audits to set us up for the best reviews, and how we report to ensure our messages land with the most impact and support auditees to take our recommendations forward.

These changes went live in April 2022 but only for audits as part of the 2022-25 plan. For any audits underway currently, or from previous years, we will continue to use the historic methodology. Given the lead in time and ongoing 2021-22 audits, we expect the first set of audits under the new methodology to be presented to the Committee in Q2. This lead in time has allowed for engagement sessions across the Council on the new approach.

The methodology refresh is however considered a work in progress. It is expected that there will be further changes to the methodology going forward, which the Committee will be kept updated on.

6 Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level / within audited area	<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>
Significant within audited area	<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>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 June 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2108 – School Estate and Pupil Security
REPORT NUMBER	IA/AC2108
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on School Estate and Pupil Security.

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 School Estate and Pupil Security.

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

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.
Privacy Impact Assessment	Not required

9. APPENDICES

- 9.1 Internal Audit report AC2108 – School Estate and Pupil Security

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Children's and Family Services

School Estate and Pupil Security

Issued to:

Rob Polkinghorne, Chief Operating Officer
Eleanor Sheppard, Chief Education Officer
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
Stephen Booth, Chief Officer – Corporate Landlord
Allison Horne, Quality Improvement Officer
Colin Leaver, Corporate Health and Safety Lead
External Audit

EXECUTIVE SUMMARY

Background

It is the responsibility of the Chief Operating Officer, and the Chief Education Officer, to ensure that Aberdeen City Council has policies and procedures in place, and practice that ensures school pupils are safe when being looked after by Aberdeen City Council while fulfilling its statutory duty to make provision for education under Section 1 of the Education (Scotland) Act 1980.

Objective

The objective of this audit was to provide assurance that the Council has adequate security arrangements in respect of the Council's school estate and its school pupils.

Assurance

In general there are adequate arrangements in place to provide assurance over school and pupil security. Variations in the school estate mean a universal approach is not always possible or appropriate, however management information could be made more consistent to enhance assurance over these areas.

Findings and Recommendations

Quality Assurance reviews involve school visits led by a Quality Improvement Manager in which amongst other things Quality Improvement staff seek assurance over the adequacy and availability of procedures. There is a standard template, and this includes a section on 'school security'. However, the level and content of recording varies, and there is no specific reference to the Council's Anti-Weapon policy. Schools are informed of areas which need addressing, and actions are set out, but these do not typically include timescales for completion. A recommendation graded Significant within audited area has been made to ensure the outcome of Quality Assurance reviews is recorded consistently and includes clear targets where improvements are planned.

Safeguarding, Child Protection, and Health and Safety training is provided on INSET days for the whole school community. The training provides a reminder to staff of the correct response to violence and weapons incidents, i.e. to alert school management immediately. Whilst the majority of non-teaching staff at the schools contacted acknowledged this, facilities staff at three of eleven schools reviewed indicated that no training had been made available. A recommendation graded Significant within audited area has been made to ensure non-teaching staff have clarity over their role in this regard.

School security is overseen by the Operations Health and Safety Group, which meets regularly, and the Corporate Landlord has standards that ensure a cohesive approach can be taken towards school estate security specifications. Security Surveys were completed in 2014 and improvements scheduled through a programme of works. Suitability Surveys take place every five years covering various aspects of the Council's assets including building safety and security. However, variations in schools' approach to security, and in response to the surveys, were identified and a recommendation graded Significant within audited area has been made for the Corporate Landlord to consider how more detailed review of security standards can be implemented.

The Council's Anti-Weapon Policy focuses on prevention, and includes training, promotion, and written agreements with pupils and parents. The latter are not subject to regular review, and a recommendation graded Significant within audited area has been made for the Service to ensure it can demonstrate requirements are being met through

annual reviews.

Weapons incidents are recorded on SEEMIS, in Corporate Health and Safety records, and in an Education Support Weapons Incident record. These records vary in detail and in the way in which they can be used to produce management information. Although the Service considers current information sources provide adequate assurance over school and pupil security, more consistency in data collection and recording would increase the Service's ability to produce effective management reports. A recommendation graded Significant within audited area has been made to ensure school and pupil security incident data is recorded in a consistent manner which allows management reporting to be enhanced.

The Service has policies and procedures in place and operating to monitor and respond to attendance issues, and to provide assurance over pupils using school transport.

Management Response

The Service is satisfied that appropriate practice is in place to provide assurance over school and pupil security and safety, including the existing Quality Assurance process.

The Service will review practice to ensure positive assurance is retained over application of security procedures including timescales for implementing any required actions, and will ensure the relevant protocols are reinforced to relevant staff.

The Corporate Landlord will review school security questions and responses to ensure relevant issues are highlighted and considered for improvement.

The Service will explore ways in which incident data can be organised to make management information more useful and readily available, and will review records annually to ensure anti-weapon agreements have been signed and returned.

11. INTRODUCTION

- 11.1 It is the responsibility of the Chief Operating Officer, and the Chief Education Officer, to ensure that Aberdeen City Council has policies and procedures in place, and practice that ensures school pupils are safe when being looked after by Aberdeen City Council while fulfilling its statutory duty to make provision for education under Section 1 of the Education (Scotland) Act 1980.
- 11.2 The objective of this review was to provide assurance that the Council has adequate security arrangements in respect of the Council's school estate and its school pupils. This includes arrangements in place to:
- Control access to schools.
 - Ensure that knives / weapons are not brought into schools.
 - Know where pupils are during the school day.
 - Escort vulnerable young people.
- 11.3 Due to the COVID-19 pandemic, which limited access to schools, the audit was delayed and ultimately undertaken by making enquiries with Education, Facilities Management, Corporate Landlord and Transport staff regarding the security arrangements in place rather than through establishment visits.
- 11.4 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Eleanor Sheppard, Chief Education Officer; Allison Horne, Quality Improvement Officer; Colin Leaver, Corporate Health & Safety Lead, and Fraser Bell, Chief Officer - Governance.

12. FINDINGS AND RECOMMENDATIONS

12.1 Risk Assessment, Security Policy, Standards and Procedure

- 12.1.1 To ensure service practice maintains pupil and school security, the plans, policies, and security standards in place for schools must be clear and adequate, and the risk environment must be properly assessed so that potential security threats are mitigated through following appropriate procedures.
- 12.1.2 The Service's Assurance Map indicates that risk registers in all schools are shared with school staff; all of whom are involved in the risk assessment process at their school. Mechanisms are in place for the review of risks and escalation of these where necessary.
- 12.1.3 School Business Continuity Plans are in place and address matters relating to emergencies and security incidents to ensure that pupils will be properly cared for and protected should they occur. They are backed up with more detailed guidance that covers the security threats a school could face.
- 12.1.4 Guidance relating to school building security standards was published by the Corporate Landlord function in 2014 and further guidance has been produced to aid the design of new builds. This covers areas including door entry, intruder alarm, fire alarm and CCTV systems that, in conjunction with the security afforded by doors, windows, gates and fencing facilitate the efforts of staff on site to keep school buildings, grounds and pupils secure.
- 12.1.5 Corporate Procedures such as the School Child Protection and Safeguarding Procedures and School Positive Behaviour Management Procedure are reviewed annually. Policies including the Anti Bullying Policy and the Anti-Weapon Policy provide procedural and operational guidance for schools to follow to ensure a consistent approach. Schools develop local interpretations of some policies for their school, which increases the sense of ownership and responsibility for their pupils, parents / guardians, and staff.
- 12.1.6 Where necessary, a Person Centred Risk Assessment is completed so that adequate measures are in place for staff to maintain the security of pupils who pose a higher risk to themselves and those around them. Details of such risks and incidents relating to a pupil is recorded in their pastoral notes on the SEEMIS database.
- 12.1.7 Class registration and attendance monitoring procedures are detailed in guidance on Managing and Promoting Pupil Attendance. Other policies including the Children Missing from Education Policy and procedure for 'runaway' children support this policy.
- 12.1.8 In addition, standards for the risk assessment and escort of vulnerable pupils have been set by the Education Service. The application process and guidance provided by the Passenger Transport Unit for schools, escorts, drivers, parents, and children is robust and involves an annual review of pupil needs to ensure vulnerable pupils are escorted safely.
- 12.1.9 Management gains assurance that school policies and procedures are in place, up to date and available to relevant staff through the Service's Quality Assurance processes. This mitigates the risk and potential consequences of approved protocol not being followed.
- 12.1.10 Quality Assurance reviews involve school visits led by a Quality Improvement Manager in which amongst other things Quality Improvement staff seek assurance over the adequacy and availability of procedures. There is a standard template, and this includes a section on 'school security'. However, the level and content of recording varies, and there is no specific reference to the Anti-Weapon policy. Schools are informed of areas which need addressing, and actions are set out, but these do not typically include timescales for

completion. Improving the consistency of completion of Quality Assurance records, and setting clear targets for improvement where required, would provide more assurance over schools' readiness in the event of any potential security incident.

<u>Recommendation</u>		
The Service should ensure the outcome of Quality Assurance reviews is recorded consistently and includes clear targets where improvements are planned.		
<u>Service Response / Action</u>		
Agreed. Future QA activities will include the Anti-Weapon Policy as a specific agenda item, and the Service will ensure that any actions identified are evidenced within a reasonable timescale.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
August 2023	Chief Education Officer	Significant within audited area

12.2 Staff Training

- 12.2.1 The Service has stated that members of school management operate on a rota duty to ensure pupils are adequately monitored and that they are available in the event of an incident.
- 12.2.2 All staff should receive regular training on the procedure and practice to be followed to prevent security incidents and to act appropriately where an incident escalates. Following correct pupil and school security protocol reduces the risk of harm to pupils and staff.
- 12.2.3 Safeguarding, Child Protection, and Health and Safety training is provided on INSET days for the whole school community. The training provides a reminder to staff of the correct response to violence and weapons incidents, i.e. to alert school management immediately. Whilst the majority of non-teaching staff at the schools contacted acknowledged this, three indicated that no training had been made available.

<u>Recommendation</u>		
The Service should ensure facilities staff have clarity over their role in the response to incidents, and reporting thereof, within school premises.		
<u>Service Response / Action</u>		
Agreed. The Service intends to ensure correct school and pupil security protocol is appropriately emphasised in staff induction training. Further, for avoidance of doubt all existing employees, including facilities staff (e.g. Janitors and Cooks), are to receive a direct message to ensure that security incident protocol is clear to all school staff.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2022	Facilities Manager Operations	Significant within audited area

12.3 School Infrastructure and Access

- 12.3.1 School security is overseen by the Operations Health and Safety Group, which meets regularly, and the Corporate Landlord has standards that ensure a cohesive approach can be taken towards school estate security specifications.
- 12.3.2 Security Surveys were completed in 2014 and resulted in improvements such as reception reconfigurations and upgrades to perimeter fencing, external doors, external lighting, and CCTV being scheduled through a programme of works. As a result of this, the Corporate

Landlord gained assurance that the key elements of the standards, such as secure reception areas and fob access controls, were in place.

- 12.3.3 In addition to an annual consultation process that considers the Service's investment requirements, 'Suitability Surveys', which cover various aspects of the Council's assets including building safety and security, are completed every five years. Although the pandemic has caused some slippage, each of the 11 schools contacted as part of this audit had been surveyed in the last seven years except for two recently built schools for which surveys are not yet due. This indicates that under normal conditions, the Services operate in line with the survey schedule.
- 12.3.4 Any concerns that Head Teachers do have can be raised at any point with their Link Officer within the School Estates Team or reported via the Building Services fault reporting system. If a matter is more serious, more immediate attention can be gained via the Schools Incident Management Teams site. Head teachers also have access to out of hours cover from the Council's security contractor should any security breaches occur outwith school time. The risk posed by delayed Suitability Surveys is therefore negligible.
- 12.3.5 The Survey template is widely used by Local Authorities and examines suitability of areas in terms of their nature / use, e.g. 'Learning & Teaching Spaces', 'External Social Spaces'. Each is scored on aspects of their suitability, including safety and security. The process allows security needs to be identified and considered for inclusion in the Condition & Suitability Programme (Capital) or addressed via the Repairs & Maintenance budget (Revenue) where it is deemed necessary.
- 12.3.6 Whilst the Survey and Consultation give opportunity to improve school and pupil security, a catalogue of responses to more direct questions that confirm security mechanisms and known risks at each school would be beneficial. This would provide broader assurance and enable a more comparable overview of schools' security systems and known security weaknesses.
- 12.3.7 Some examples observed of variances or weaknesses which could pose greater risk in schools include:
- Concealed areas of school buildings and grounds
 - External door systems / practice that increase the risk of intruders
 - Perimeter fencing and access arrangements / restrictions
 - Different methods of tracing and monitoring the presence of non-school staff, contractors and other visitors accessing schools
 - Varying extents to which different areas of the school can be locked down
 - Keyholder lists / access rights management, including the annual reset of all school access fobs as at one school
- 12.3.8 The significance of these points may increase where there is a heightened security threat. Management can confirm the adequacy of security and controls, which can aid decision making where an incident occurs and prioritise ongoing security improvement activity appropriately.

Recommendation

The Service should consider whether a more direct and comparable consideration of schools' status in terms of the Corporate Landlord's School Security Standards would better demonstrate assurance and weakness in controls.

Service Response / Action

Agreed. Additional questions relating to school security and the extent to which a school meets the security standards will be issued to schools alongside the suitability survey. Responses to the questions will then be reviewed and appropriate action will be planned

to bring about any required improvements.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2022	Service Manager Corporate Landlord	Significant within audited area

12.4 Anti-Weapon Policy Compliance

- 12.4.1 The Council's Anti-Weapon Policy was approved for educational establishments in 2017 by the Educational Operational Committee and is due for review in 2022. The Policy gives guidance to staff on how they should react, who they should involve, who needs to be informed, what they should record and the follow up actions which are necessary in the event of a weapon being found or used in an incident.
- 12.4.2 The focus of the Policy is on prevention, and the service mitigates the risk of weapons being taken into / used in schools by working with parents, to educate and build a culture for young people, which signals the unacceptability of carrying weapons.
- 12.4.3 Schools are provided with an Anti-Weapon School Pack, which contains educational / promotional materials and are expected to comply with the Policy by ensuring that:
- Anti-Weapon Policy training is provided regularly for all staff.
 - A table-top exercise is completed to test the school's weapon incident procedure.
 - Anti-Weapon resources are displayed throughout the school.
 - Pupil training involving the Police is provided at P7, S1 and S5 stages.
 - Pupil Councils discuss and give feedback on Anti-Weapon strategy / resources.
 - Parents are given Anti-Weapons Policy and guidance leaflets.
 - Pupils and Parents are given Anti-Weapon Agreements to read, sign and return.
 - SEEMIS is updated to evidence Anti-Weapon Agreements have been returned.
 - Weapons incidents are recorded in SEEMIS Pastoral Notes.
 - ECS and Corporate Health & Safety are notified of all weapons incidents.
- 12.4.4 Management draws assurance from the Quality Assurance System regarding schools' compliance with the Anti-Weapon Policy in respect of staff training, incident procedure testing and display of Anti-Weapon resources.
- 12.4.5 Where a weapons incident occurs, detail of this is recorded in pupils' pastoral notes in SEEMIS and in the Corporate Health and Safety system, further detail of which is included in section 2.4 below.
- 12.4.6 Confirmation of the return of signed Anti-Weapon Agreements is recorded for each pupil in SEEMIS. This marks the completion of a process which begins with Anti-Weapon Policy training and information sessions for pupils. In these sessions, pupils are given the Anti-Weapon Agreement with guidance leaflets for reading and discussion with parents and both are expected to sign the Agreement and return it to the school.
- 12.4.7 While schools are committed to complying with the Anti-Weapon Policy, there is no single record that demonstrates this. Management assurance over schools' compliance with the Anti-Weapon Policy could be greater if a check of SEEMIS records was undertaken on an annual basis.
- 12.4.8 In the event of a weapons incident, a single record of policy compliance would strengthen the Council's position by evidencing that school and pupil security is suitably prioritised, and that all reasonable steps have been taken to prevent the carrying of weapons in schools.

Recommendation

The Service should ensure that it can demonstrate that the ongoing requirements of the Anti-Weapons Policy are being met by each school by checking SEEMIS annually.

Service Response / Action

Agreed. A check of SEEMIS will be done annually in October to ensure that all Anti-Weapon Agreements have been signed and returned to confirm compliance with the Anti-Weapon Policy.

Implementation Date

October 2022

Responsible Officer

Chief Education Officer

Grading

Significant within audited area

12.5 Data Recording and Management Reporting

- 12.5.1 Complete and consistent management information is vital to ensure that school security strategy keeps pace with changing circumstances and emerging security threats. Having a clear categoric overview of the location, nature, and level of threat posed by security incidents can highlight the significance of contributing and mitigating factors. It can expose trends which need to be addressed and help identify where additional controls could strengthen school and pupil security further.
- 12.5.2 The Service indicates that current governance arrangements provide management with adequate assurance over school and pupil security. All pupil-related security incidents are recorded in pupils' pastoral notes in SEEMIS. Where appropriate, these and other security incidents may be recorded in the Council's Health and Safety records via the YourHR system. The Service informs the police of all weapon incidents and record these in a spreadsheet. The spreadsheet is also used to record information received from the police of pupil-related weapon incidents which have occurred outwith school hours.
- 12.5.3 SEEMIS has an effective suite of absence reports which help the Service mitigate risks associated with unexplained absence from class, truancy, and regular absence. The system can also produce a chronological record from individual pupils' pastoral notes. However, the ability to report consistent and complete school and pupil security data in a way which allows comparisons across schools, age groups, time periods, etc is more limited.
- 12.5.4 Corporate Health and Safety Near Miss and Injury records include broad categories which indicate the nature of incidents, including whether violence or a weapon was involved. More specific data such as the type and source of a weapon involved, or intent and nature of an intruder, is often available in the system and is useful information but requires additional work to obtain.
- 12.5.5 The Education Support Weapons Incident record can be filtered and sorted but also includes additional non-school, pupil-related, weapon incidents of which the Police have informed the Service. The consistency of weapon and school detail, and the absence of categorisation restricts the usefulness of the data. For example, school names are frequently recorded with multiple variants (e.g. School A, Primary A, Primary School A, Primary A, A After School Club); and the description of similar 'weapons' varies in each record.
- 12.5.6 Although the Service considers current information sources provide adequate assurance over school and pupil security, more consistency in data collection and recording would increase the Service's ability to produce effective management reports. These could confirm its overall assurance of school and pupil security and may also assist the Service in the following:

- Identifying changes in school and pupil security risks
- Assessing the effectiveness of incident response
- Developing staff training and awareness
- Ensuring pupil and parent information sessions continue to be relevant
- Allowing incidents to be analysed by area, type or other variables
- Identifying where the use and development of resources will be beneficial
- Informing school and pupil security strategic decisions

12.5.7 Combined with the use and development of resources, the Council can be better placed to ensure its strategy and practice continues to protect school pupils and staff from violence and harm.

<u>Recommendation</u>		
The Service should ensure school and pupil security incident data is recorded in a consistent manner which allows management reporting to be enhanced.		
<u>Service Response / Action</u>		
Agreed. The Service will explore ways in which incident data can be organised to make management information more useful and readily available.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2022	Chief Education Officer	Significant within audited area

12.5.8 The Corporate Health and Safety Lead indicated that there can be issues with over and under-reporting, largely because of the professional judgement required to determine whether an incident should be recorded. Training is available which can help ensure that the risk appetite is similar across schools. It was noted from documents provided by staff that some schools may be using Near Miss and Injury reporting guidance which has now been superseded. The Corporate Health & Safety Lead has since re-issued the latest guidance out to all Head Teachers through their forum to raise staff awareness.

12.6 Escort of Vulnerable Pupils

12.6.1 Aberdeen City Council provides transport for approximately 2,000 school pupils, around a fifth of whom have Additional Support Needs. Transport requirements are assessed via an application process and in accordance with Guidance for the Provision of Escorts, arrangements are assessed annually to ensure that vulnerable pupils are escorted safely to and from school.

12.6.2 The Passenger Transport Unit provides guides for those involved including the Pupil & Parent guide and Escorts & Drivers guide. These demonstrate the expectations, roles, and responsibilities of everyone involved.

12.6.3 Further guidance is written into taxi-operator contracts in respect of safety and the adequacy of vehicles, and contracts are governed by a liquidated damages and penalty points Performance Management System to ensure high standards are maintained. The governance framework in place should protect vulnerable pupils provided procedures are followed.

12.6.4 The Parent & Guardian's Handbook states that "*Under no Circumstances shall a child be left unattended*". There are adequate systems and guidance in place to ensure that vulnerable pupils are safely transported to and from their place of education. These also detail the appropriate escalation procedures staff should follow in the event of an incident which merits Senior Management or Police involvement.

12.7 Assurance over Pupils' location

- 12.7.1 To ensure that children are properly cared for and protected, the Council needs systems and procedures which confirm their whereabouts and make it possible to act promptly in the event of a child being unaccounted for.
- 12.7.2 Alternative arrangements are in place for monitoring pupils' whereabouts on excursions outwith school. Monitoring arrangements for home-based schooling periods during lockdown have also varied. These variants have not been reviewed in this audit.
- 12.7.3 The Council's Guidance on Managing and Promoting Pupil Attendance is intended to reduce the short term vulnerability that can be caused by pupils not being in school. The Service seeks to promote good attendance and prevent truancy, creating an ethos in that good attendance and punctuality is the norm.
- 12.7.4 The Service has policies and procedures in place which, in combination with the Attendance Guidance, and the recording and monitoring facilities in SEEMIS, seek to prevent a deterioration in school ethos and pupil attitudes towards attending class. The policies include:
- Child Protection Policy
 - Positive Relationships Policy
 - Supporting Positive Behaviour Policy
 - Anti-Bullying Policy
 - Minimising Exclusion Policy
- 12.7.5 Some of these are Corporate Policies that apply across all schools whilst others are adopted / adjusted at school level to demonstrate the local commitment to making school a positive experience for all pupils.
- 12.7.6 Attendance can deteriorate for reasons that may stem from pupils' school life, home life, relationships, health, and wellbeing. Over prolonged periods, regular absence can be monitored using SEEMIS attendance reports. Issues are addressed by Service management in accordance with the Guidance on Managing and Promoting Pupil Attendance and, where necessary, the Children Missing from Education Policy.
- 12.7.7 The Guidance on Managing and Promoting Pupil Attendance requires class teachers to register pupil attendance within a set time of class commencing, i.e. morning and after lunch for primary schools and period by period following morning registration at Academies.
- 12.7.8 Absences must be supported by a note or phone call from parents confirming the reason that the school office records in SEEMIS. School office staff run attendance reconciliation reports in SEEMIS throughout the day, and where class teachers' input of pupil attendance varies without apparent explanation, they will escalate this through Guidance and Senior Management. The protocol is for parental contact to be made via phone or the Groupcall messaging system within 30 minutes of the unexplained absence being identified. The Police may also be contacted to reduce the period that a pupil is left at risk.
- 12.7.9 The systems in place to monitor the whereabouts of pupils are robust and follow up procedures are clear. Through each Child's Plan and Person Centred Risk Assessments, the Service can also determine where there may be a greater risk of truancy. SEEMIS provides an alert for class teachers to take extra care in monitoring these pupils.
- 12.7.10 In the event of a child trying to leave class without authorisation, teachers have been provided with guidance on the escalation and follow up protocol, which ensures the

Council makes every effort to protect children they have responsibility for on such occasions.

AUDITORS: J Dale
C Harvey
P Smith

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<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>
Significant within audited area	<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>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 June 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2118 – Capital Project Management
REPORT NUMBER	IA/AC2118
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Capital Project Management.

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 Capital Project Management.

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

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.
Privacy Impact Assessment	Not required

9. APPENDICES

- 9.1 Internal Audit report AC2118 – Capital Project Management.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Governance

Capital Project Management

Issued to:

Steven Whyte, Director of Resources
John Wilson, Chief Officer – Capital
Roddy MacTaggart, Programme Manager
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
External Audit

EXECUTIVE SUMMARY

Background

The Council's non-Housing (General Fund) Capital Programme and Housing Capital Programme budgets for 2021/22 are £214.39m and £147.88m respectively, as approved by Council in March 2021, at the annual budget meeting. The Capital Board, chaired by the Chief Officer – Capital is responsible for considering new Capital Project proposals in principle, for Capital Projects recommended for addition to the Capital Programme outwith the annual budget meeting and for referring these to the City Growth and Resources Committee for approval where appropriate. In addition, the Capital Programme Committee is responsible for monitoring the development and delivery of the council's capital programme and scrutinising related outcomes. Capital Project and Programme Managers are responsible for monitoring their respective budgets in accordance with the Council's Scheme of Governance; and the Chief Officer – Capital is responsible to the Corporate Management Team for monitoring the overall Capital Programme. General Fund and Housing Capital Programmes expenditure is scrutinised on a quarterly basis by the City Growth and Resources Committee.

Objective

The objective of this audit was 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.

Assurance

The Council's Procurement Regulations, Powers Delegated to Officers and Capital Project Management procedures are comprehensive and clear in relation to Capital Project Management requirements. Capital Projects under review had been reviewed by Committee or the relevant delegated officer and progress was monitored at meetings with contractors. However, documentation evidencing compliance with some aspects of the Council's detailed Capital Project Management governance requirements were absent.

Assurance over this area could be improved by: ensuring business cases and checklists are completed as required for all Gate stages of Capital Projects; documenting the outcome of six monthly reviews; and reporting Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews as required.

Findings and Recommendations

Full Business Cases were not approved, as described in Appendix 1, for a sample of Capital Projects reviewed. Also, with the exception of the Early Learning and Childcare expansion projects reviewed, Project Gate Checklists, for all stages of Capital Project Management, were not completed. Where checklists detailing necessary governance considerations are not considered, and business cases are not approved as required, there is an increased risk of inappropriate progression of Capital Projects or project slippage, benefits not being realised, and unintended financial pressures. A recommendation graded 'Significant within audited area' was raised with the Service to ensure all required Capital Project gate Business Cases and Checklists are completed and necessary approvals are obtained and recorded prior to progressing beyond each Capital Project gate.

Evidence of six-monthly reviews of Full Business Cases, Project Plans, Risks and Issues Logs, and Lessons Learned Logs by the Capital Board was absent. The Service is in the process of developing a template six-monthly review document that

will include requirements to send a revised business case, risks and issues log, project governance documentation and the Gate 5 Review Checklist to the Capital Programme Board. In addition, the Service has advised the current online dashboard made available to the Service for Capital Project Management purposes is not used as it is deemed unfit for purpose and that work is ongoing to develop a replacement online monitoring system. However, until these arrangements are in place, there is a risk that required six-monthly considerations might not be covered, increasing the risk to project outcomes. Recommendations graded 'Significant within audited area' were raised with the Service to ensure that the six-monthly reviews outcomes are formalised and supporting documentation retained and to develop an online Capital Project monitoring system in consultation with all relevant stakeholders.

Post Occupancy Evaluation and Benefits review should take place 12 months after the entry/go live date. The realisation of the agreed benefits in the Business Case should be reviewed, as should the performance of the facility, with recommendations made to operational management on changes / improvements to maximise benefits and performance. These reviews have not taken place due to the impact of COVID-19. Whilst it is understood COVID-19 has had an impact on delivery by the Service and the use of Council buildings, there is a possibility that the impact of the pandemic will be longer lasting than initially anticipated. The Service has advised that design review meetings capture post project evaluation key information. However, in the absence of Post Project Evaluation and Post Occupancy Evaluation and Benefits Review documentation, there is an increased risk lessons will not be fully documented for future reference, prior to new Capital Projects being commenced. A recommendation graded 'Significant within audited area' was raised with the Service to report Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews as required.

Management Response

The Chief Officer – Capital was able to explain and justify any omissions of Strategic Outline Cases and Outline Business Cases, such as the fit of specific projects within a wider programme of projects, for example demolition of 29-31 Queen Street (McKays) in the broader Queen Street City Centre Masterplan. Nevertheless, the Service will reinforce the need for Strategic Outline Cases across all other Clusters and monitor compliance at the Capital Board. The Service is satisfied with the current governance arrangements related to Business Cases (Strategic, Outline and Full) however accepts Project Gate Checklists, for all stages of Capital Project Management, were not completed for the sample under review and will review the current arrangements related to the completion of Gate Checklists.

The Service will develop and introduce an online dashboard and formalise six-monthly review outcomes and related documentation for Capital Project performance reporting. In addition, the Service will formalise Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews reporting.

INTRODUCTION

- 10.1 The Council's non-Housing (General Fund) Capital Programme and Housing Capital Programme budgets for 2021/22 are £214.39 million and £147.88 million respectively, as approved by Council in March 2021.
- 10.2 The Capital Board, chaired by the Chief Officer – Capital is responsible for considering new Capital Project proposals and for referring these to the City Growth and Resources Committee for approval where appropriate, whilst the Capital Programme Committee is responsible for monitoring the development and delivery of the council's capital programme and scrutinising related outcomes.
- 10.3 In line with the Council's Financial Regulations, Capital Project and Programme Managers are responsible for monitoring their respective budgets in accordance with the Council's Scheme of Governance, using relevant financial systems; and the Chief Officer – Capital is responsible to the Corporate Management Team for monitoring the overall Capital Programme. Expenditure to date and forecast expenditure for the General Fund and Housing Capital Programmes are scrutinised on a quarterly basis by the City Growth and Resources Committee.
- 10.4 The objective of this audit was 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.
- 10.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Roddy MacTaggart, Programme Manager, and John Wilson, Chief Officer – Capital.

11. FINDINGS AND RECOMMENDATIONS

11.1 Written Policy and Procedures

- 11.1.1 Comprehensive written policies and procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.
- 11.1.2 The control of Capital budgets is clearly covered within section 8.6 of the Financial Regulations, including: capital budget preparation; capital monitoring; and capital virements.
- 11.1.3 Capital Projects must also follow the requirements set out within the Council's Procurement Regulations. As Capital Projects are "works", where the contract is below £250k the Chief Officer – Capital, has the delegated authority to approve this expenditure, provided the necessary consultation under the Council's Scheme of Governance has taken place; above this value projects should be listed on a procurement workplan by the relevant Director or Chief Officer for approval by the City Growth and Resources Committee (formerly the Strategic Commissioning Committee). In addition, where Capital Projects are added outwith the annual budget process, the City Growth and Resources Committee (formerly the Strategic Commissioning Committee) must approve the associated Outline and Full Business Case. Business cases can only be submitted to the City Growth and Resources Committee on the approval of the Chief Officer – Capital following consultation with the Director of Resources and the Chief Officer – Finance.
- 11.1.4 Additionally, under the Council's Powers Delegated to Officers, business cases that relate to a Capital Project that is already part of the Capital Programme approved by Council as part of the budget process, may be approved by the Director of Resources following consultation with the Chief Officer – Capital, Head of Commercial and Procurement and Conveners of the Capital Programme Committee and the City Growth and Resources Committee.
- 11.1.5 Further detailed instructions on the procurement process are covered within the Procurement Manual. This includes the expected procedures if a contract is likely to go over budget, expectations for quotations and competitive tendering, scoring of quotations, awarding of contracts and contract management.
- 11.1.6 Procedural documentation on Capital Project Management is available through the Project Management toolkit on SharePoint which has been in use since 2015. These procedures are based on the Royal Institute of British Architects (RIBA) Plan of work and the principles of Prince2 project management methodology, with progression of a project through the RIBA stages required to be recorded on a project log sheet. The 8 stages are:
- 0: Strategic Definition.
 - 1: Preparation and Briefing.
 - 2: Concept Design.
 - 3: Spatial Coordination.
 - 4: Technical Design.
 - 5: Manufacturing & Construction.
 - 6: Handover and Close Out.
 - 7: In Use.
- 11.1.7 The Council's standard project management process for Capital Projects consists of four identified project stages, alongside eight review stages (Gates). These help ensure a

project has been properly defined and managed and is still viable. The Council's four Project Stages are:

- 1. Define - Agree the Change
- 2. Implement - Plan and Make the Change
- 3. Close - Close the Project
- 4. Measure - Measure the Benefits

11.1.8 The 8 Project Review Points (Gates) are:

- Gate 1 - Approve Strategic Outline Case (Stage Define)
- Gate 2 - Approve Outline Business Case (Stage Define)
- Gate 3 - Approve Full Business Case and Tender Documents (Stage Implement)
- Gate 4 - Approve Selected Tender (Stage Implement)
- Gate 5 - Six Monthly Reviews (Capital Project reviews go to the Capital Programme Committee) (Stage Implement)
- Gate 6 - Project Close (Stage Close)
- Gate 7 - Post Project Evaluation (Stage Measure)
- Gate 8 - Post Occupancy Evaluation and Benefits (Stage Measure)

11.1.9 The Project Management Toolkit (toolkit) procedures are extensive and cover all relevant areas of project management at a high level.

11.2 Project Stage - Define

Gate 1 – Approve Strategic Outline Case

11.2.1 The first stage a Capital Project goes through is the Strategic Outline Case. The purpose of this is to determine if it is appropriate to explore the proposed project further and take it to the Outline Business Case stage. The Strategic Outline Case should include details of any costs required to develop the business case. The decision on whether to proceed should be based on whether the project aligns with the Local Outcome Improvement Plan (LOIP) and the Council's key strategies, will bring worthwhile benefits, and whether the investment is justified in terms of time, money, and the disruption and risk involved. It should also ensure that the required funding and staff resources can be made available to take the project to the next step and beyond.

11.2.2 For Capital Projects, the Strategic Outline Case should be reviewed by the following: Directorate Senior Management Team (SMT); appropriate Programme Board; and Capital Board. Where Capital funding is required to fund the development of the Business Case, further Committee approval may be needed to approve funding; beyond this, Committee approval of the Strategic Outline Case is not necessary. The outcome of the review can be either to approve; modify/rework the proposal for resubmission at a late date; request a pilot exercise to test assumptions; put on hold for now; or reject. According to the toolkit, a proposed project can only progress to the next review gate, regardless of gate stage, if it is approved at the earlier gate stage.

11.2.3 For the sample of projects under review (see appendix 1), evidence of Strategic Outline Cases being completed was not available. The Service advised that the requirement for Strategic Outline Cases was introduced in September 2019, meaning it was not required for 2 (Torry Academy demolition and Northfield Academy replacement of flat felt roofs) projects detailed in appendix 1 based on their commencement date. In addition, a Strategic Outline Case was not required for the 2 Early Learning and Childcare expansion projects as they were based on a Scottish Government commitment.

- 11.2.4 However, there was a requirement for an Outline Business Case for the remaining 2 projects (Demolition of Aberdeen Journals Building and Demolition of 29-31 Queen Street). The Service advised that the Queen Street demolition was required to achieve the City Centre Masterplan and as such a Strategic Outline Case was not needed. The Service has advised that the decision to demolish the Aberdeen Journals Building pre-dated the requirement for a Strategic Outline Case also. Separately the Service advised not all Capital Projects require to follow Toolkit requirements, including in relation to the Condition and Suitability Programme projects; this increases the risk alternative project governance requirements will not be followed.

Recommendation

The Service should ensure all the Capital Project Management procedures cover approval requirements for all Capital Projects.

Service Response / Action

Agreed. The requirement for a Strategic Outline Case was added to the project management process 11 September 2019. In general, most new projects are complying with this. It is noted that a large proportion of the chosen projects for audit were already instructed by Council (prior to the introduction of the need for a SOC) or were directed by the Scottish Government in the case of Early Learning and Childcare provision. The Service will reinforce the need for SOCs across relevant Clusters and ensure compliance at the Capital Board.

The Toolkit will be reviewed to ensure it is appropriate for application to all Capital Projects.

Implementation Date

March 2022

Responsible Officer

Programme Manager

Grading

Significant within audited area

Gate 2 – Approve Outline Business Case

- 11.2.5 The Outline Business Case provides a more detailed overview of the project’s objectives and business need and should provide enough information to determine that the project should be granted approval to go ahead in principle, in order to develop designs and plans, prepare tender documents and update the Full Business Case; or reject the idea; or rework it. During this stage all relevant parameters including resources and budget to develop the Full Business Case should be considered as well as the expected timescale for completion. It should also be determined if the Outline Business Case justifies the investment and is of a high enough priority to go ahead. Funding should also be approved at this stage. The Outline Business Case is considered by: the appropriate Programme Board; the Capital Board; Corporate Management Team (CMT); and approved or otherwise by the appropriate Committee.

- 11.2.6 For the sample under review, only the Torry Academy Demolition had an Outline Business Case approved by the Capital Board and Committee as required, despite all projects progressing to later stages as discussed below. Where Business Cases are not prepared and approved as required, there is an increased risk projects will progress which do not meet Council priorities, or which are unaffordable. The Service has advised the requirement for an Outline Business Case pre-dated all other projects under review; the Toolkit does not make reference to when an Outline Business Case is not required for a Capital Project. A recommendation has already been made at 2.2.5 to revise procedures.

11.3 Project Stage - Implement

Gate 3 – Approve Full Business Case and Tender Documents

- 11.3.1 The next step in the process is for designs to be agreed, tendering to begin, and to approve the Full Business Case for the project. It is a chance for the governance of the project to be formally reviewed and for approval of the proposed designs and plans which marks the start of implementation of the construction stage of the project. Procurement Regulations require that Committee approval is secured prior to tendering, except in cases where there is delegated authority to the Chief Officer - Capital (in the case of works this is anything under £250k).
- 11.3.2 At this point the project should have the project designs, project plan (which includes risks issues communications etc.), corporate procurement/tender documents and the Full Business Case. According to the Capital Project Toolkit, the Full Business Case should be approved by the following: Project Board (or where none exists the appropriate Programme Board); Programme Board; Capital Board; and where authority is not delegated to the Chief Officer – Capital, CMT and the appropriate Committee.
- 11.3.3 The Project Board is chaired by the Project Sponsor and is a regular meeting of the managers and other senior officers involved in managing the delivery of the project. Board members have responsibility and accountability for a particular area defined by their specific role in the project and support the Project Sponsor and the Project Manager in the delivery of the project. Programme Boards are similar to Project Boards, however instead of covering a singular project, cover a programme of works such as the Housing Programme.
- 11.3.4 The Capital Board leads on the development and delivery of the Council's Capital Programmes, such that they align with the Priorities as set out in the Local Outcome Improvement Plan (LOIP) and the Local Development Plan (LDP). The Board consists of the Director of Resources and the Chief Officers of Capital, Strategic Place Planning, Finance, Governance, Corporate Landlord, Commercial and Procurement, City Growth, Early Intervention and Community Empowerment, Operations and Protective Services and Digital and Technology. Additionally, Legal and Finance shall be represented at every Board meeting by one of their Officers; and other Chief Officers may attend when required for particular issues.
- 11.3.5 The outcome of the Full Business Case review may be that the project is approved, approved with recommended rework, or rejected for rework and resubmission at a later date. The decision should be based on whether the Full Business Case, plus accompanying plans and designs can adequately deliver the objectives, expected benefits and scope of the project within the agreed costs and timescales; whether the procurement is appropriate and has followed the required process, whether the tender documents are viable, and that all expected activities have been adequately addressed.
- 11.3.6 A Full Business Case is expected to give a detailed breakdown of expected costs of the respective project, including costings of alternative options, which includes not progressing the project. Of the 6 projects reviewed, only 1 of the 5 Capital Projects reviewed that required Committee approval had a Full Business Case approved as required by Committee (*Capital Programme Committee – May 2018*) (demolition of Torry and Kincorth Academies). Evidence of Business Case approval by the respective Directorate Management Team, Project Board, Programme Board or Capital Board was requested but not available.
- 11.3.7 Where Business Cases are not prepared and approved as required, there is an increased risk projects will progress which do not meet Council priorities, or which are unaffordable. Furthermore, for the sample under review (appendix 1), there was no evidence of Project Gate Checklists, available from the PMO toolkit, being reviewed, for all stages of Capital Project Management, with the exception of Gate 3 Checklists for the two Early Learning and Childcare expansion projects. Where checklists detailing necessary governance

considerations are not considered, there is an increased risk of inappropriate progression of Capital Projects or project slippage, benefits not being realised, and unintended financial pressures

<u>Recommendation</u>		
The Service should ensure all required Capital Project gate Business Cases and Checklists are completed and necessary approvals are obtained and recorded prior to progressing beyond each Capital Project gate.		
<u>Service Response / Action</u>		
Agreed. The need for checklists and Business Cases (where applicable) will be highlighted across relevant Clusters and compliance will be ensured at the Capital Board.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2022	Programme Manager	Significant within audited area

- 11.3.8 Planning permission should also be sought at this stage where required. Whilst a Design Team Request for Service form and Project records the expected date planning permission will be obtained for construction and demolition projects and the Service has advised Project Log Sheets cover Planning Consent, Listed Building Consent, Conservation Area Consent and Building Warrant approval, the Gate 3 checklist does not specifically cover planning permission increasing the risk that this could be missed.

<u>Recommendation</u>		
The Gate 3 checklist should be revised to cover planning permission.		
<u>Service Response / Action</u>		
Agreed. All professional staff are already aware of this requirement for the delivery of a project (where required) but agree that this can be added to minimise the risk of planning approval impacting on any given project. The Gate 3 checklist shall be revised to cover planning permission.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2022	Programme Manager	Important within audited area

- 11.3.9 Projects are put out to tender which includes publishing on Public Contracts Scotland tendering site where appropriate. Tendering may be by open competition, a mini-competition using framework suppliers, or a call-off from a framework supplier. Each tender is then scored against criteria shared with bidders. All sampled projects had evidence of appropriate tendering procedures, i.e. the tender with the highest aggregate score for quality and price was selected and the contract opportunity and award had been appropriately advertised on the Public Contracts Scotland website where required.

- 11.3.10 Of the 6 projects reviewed, 5 did not require planning permission (Torry Academy demolition, Aberdeen Journals demolition, Queen Street demolition, Northfield Academy replacement roofs, and remodelling of Loriston Nursery). Planning permission was approved as required, prior to the commencement of the Cults Nursery extension, undertaken as part of the Council's Early Learning and Childcare expansion.

Gate 4 – Approve Selected Tender

- 11.3.11 Gate stage 4 takes place at the end of the tendering process, once procurement timescales have elapsed and tenders have been received, reviewed, and the most appropriate contractor identified. The selected tender will then require authorisation before the contract is awarded. The decision to approve the selected tender should be based on whether the selected tender has been properly and fully evaluated against the tender specification – including costs, resources required and the role of the supplier in delivery, and that procurement has followed the correct process. The tenders may be either approved, rejected or re-evaluated following decisions from: the Project Board, the Programme Board, the Capital Board, CMT, and Committee or Chief Officer where that power has been delegated. For each of the six projects reviewed, tenders had been appropriately scored and selected.
- 11.3.12 In line with the Council's Procurement Regulations, procurements shall only be undertaken by Delegated Procurers who have been designated as such by the Head of Commercial and Procurement Services and who hold relevant Delegated Procurement Authority (DPA) – this is achieved by completing the associated DPA training to the required level needed for the procurement being undertaken. The Commercial and Procurement Service maintain a Register of Delegated Procurers and their DPA level. Whilst contracts reviewed were awarded appropriately, the Service advised that a review of training completion would be beneficial to ensure compliance. A recommendation is included to track progress.

Recommendation

Capital Cluster staff involved in procurement activity should ensure they have completed the necessary Delegated Procurement Authority training.

Service Response / Action

Agreed.

Implementation Date

May 2022

Responsible Officer

Chief Officer – Capital

Grading

Important within audited area

Gate 5 – Six-Monthly Reviews

- 11.3.13 This gate provides an opportunity for regular reviews of a project to establish how it is performing against its agreed milestones and objectives. The Project Management Toolkit requires a Full Business Case, Project Plan, Risks and Issues Log, and Lessons Learned Log to be reported to the: Project Board; Programme Board; Capital Board; CMT; and the Capital Programme Committee. The Service advised this depends on the project in question and in the absence of a Project Board this should go through the Capital Board; the Toolkit is under review in terms of where reporting is required. Evidence of consideration of these documents by the Capital Board, where applicable, was unavailable as indicated in appendix 1 below; such documentation should be retained to support project management continuity in the event of key individuals leaving or being absent.
- 11.3.14 The Service has advised a template six-monthly review document is currently being developed. The six-monthly review documentation will include requirements to share relevant project governance documentation and the Gate 5 Review Checklist to the Capital Board. This will establish if the project remains within scope, within budget, and within expected timelines, as well as determining whether or not project deliverables, risks and any related issues have changed and remain acceptable. Until this is in place there's a risk of variation in practice and that required elements might not be covered, increasing the risk to project outcomes.

Recommendation

The Service should ensure that the six-monthly reviews outcomes are formalised and supporting documentation retained.

Service Response / Action

Agreed. The Service Senior Management Team monitor regularly the projects which they have responsibility to deliver. Any developing issues will already be being raised at monthly progress meetings. Having noted that, as already advised, having a formal 6-monthly review template would be beneficial going forward for performance monitoring purposes and identifying risks/issues/trends impacting on project delivery.

Implementation Date

April 2022

Responsible Officer

Programme Manager

Grading

Significant within audited area

- 11.3.15 The Service has advised that an early version of an online dashboard was provided for monitoring Capital Projects however the Service do not use it as they deem it to be unfit for purpose. The Service also advised that the dashboard does not provide the level of detail required to ensure appropriate oversight and that information shows up in small fonts that are difficult to read. Work is ongoing to develop a bespoke dashboard that works well for Capital Projects. If it can be made sufficiently comprehensive and relevant stakeholders are able to update the system regularly, live performance information via an online system has the potential to increase accountability for Capital Project progression and improve performance. A recommendation is included to track progress.

Recommendation

Online dashboard Capital Project performance reporting should be developed in consultation with all relevant stakeholders.

Service Response / Action

Agreed. A proposed form of dashboard has been developed and consideration has been given to how it is best implemented to provide best value. Consultation will be carried out prior to implementation.

Implementation Date

August 2022

Responsible Officer

Chief Officer – Capital

Grading

Significant within audited area

- 11.3.16 Committee progress updates had taken place for 5 Capital Projects under review in appendix 1 that required such updates. Progress updates on the Condition and Suitability Programme to City, Growth and Resources are annual rather than six monthly. The Northfield Academy flat felt roof replacements was part of the Condition and Suitability Programme; the Capital Project was approved originally by the Finance, Policy and Resources Committee in September 2017. Early, Learning and Childcare Expansion Programme reporting was of a high standard, giving site progress and budget monitoring updates at a Capital Project level (two nursery projects reviewed), and the Torry Primary School and Community Hub progress updates were at the Programme level.
- 11.3.17 Monitoring of contractor performance should take place throughout the duration of contracts. In the case of the demolition of the Aberdeen Journals Building reviewed, only an initial meeting prior to work commencing had occurred at the time of the audit as expected due to the current stage of the project. Minutes of meetings, between senior Council officers and contractor representatives, or progress update reports, were maintained where required as indicated in appendix 1.

- 11.3.18 Schedules of works detail timelines for all required jobs within a project and help monitor job progression and sources of delay which require to be mitigated. These were in place for all six projects reviewed.
- 11.3.19 Budget monitoring should take place throughout the duration of a Capital Project by the named Contract Administrator Payments are made through self-billed invoices; these are based on third party Quantity Surveyor (QS) valuations of completed works, approved by the Contract Administrator if in agreement, and authorised for processing by the Council's QS team. A sample of invoices for the Capital Projects described in appendix 1 was reviewed, and appropriate approval had been recorded.

11.4 Project Stage - Close (Gate 6)

- 11.4.1 Once a project has achieved its agreed milestones and objectives it should be formally closed by passing through Gate 6 – Project Close. At this stage project managers should ensure that a transition to operational management has taken place, that all outstanding work, risks, issues, and actions are catered for and that arrangements have been put in place for the post project Measure Gates, which are further described in section 2.5.
- 11.4.2 To close the project the Business Case should have been delivered as far as is feasible and transition to operational management should be completed. There should be no risks, issues or changes outstanding that are unacceptable to operational management and contract management processes and responsibilities should be in place. The closure of a project must also be approved by the following: Project Board; Programme Board; Capital Board; CMT; and Capital Programme Committee, or other appropriate Committee.
- 11.4.3 Capital Project completion was only reported to Committee for three of the five projects under review; the Service advised completion is not required for Condition and Suitability projects meaning there was only one exception (Demolition of 29-31 Queen Street). Furthermore, completion had not been approved as required by the Project Management Toolkit for four projects under review, by the Project Board, Programme Board or Capital Board, as required (see appendix 1). A recommendation has already been made at paragraph 2.3.7 above to ensure all required Capital Gate checks are completed.
- 11.4.4 A formal declaration of practical completion is required at this stage. This was in place for all five Capital Projects reviewed as required.

11.5 Project Stage - Measure

- 11.5.1 Following on from formal closure of the project, two review stages take place. Due to the impact of the Covid-19 pandemic, at the time of writing the Service advised that these have not yet been completed for any projects. While projects, such as the renovation of the Aberdeen Art Gallery, may have reached the time periods for these reviews to take place, the Service advised it is not possible to fully evaluate project key performance indicators against previous levels due to the ongoing impact of Covid-19 on the way services are delivered.

Gate 7 – Post Project Evaluation

- 11.5.2 Gate stage 7 consists of a post-project evaluation which normally takes place around six months after entry, or the project go live date. This evaluation should evaluate the success of the project against its original business case, evaluate how well the project adhered to project standards and agree any lessons learnt. This review is then passed to the appropriate Programme Board, the Capital Board, CMT, and Capital Programme Committee (or other appropriate Committee).

Gate 8 – Post Occupancy Evaluation and Benefits Review

- 11.5.3 Gate Stage 8 consists of the Post Occupancy Evaluation and Benefits review. This would normally take place 12 months after entry/go live date. The realisation of the agreed benefits in the Business Case should be reviewed, as should the performance of the facility, with recommendations made to operational management on changes / improvements to maximise benefits and performance. The review is then sent to the appropriate Programme Board, the Capital Board, CMT, and the Capital Programme Committee (or other appropriate Committee). Review recommendations can lead to further realisation of benefits, other improvements to the facility, or lessons learned for similar projects. Additionally, a further post occupancy evaluation can take place after another 12 months if required by the Board or Committee.
- 11.5.4 Whilst it is understood Covid-19 has had an impact on Service delivery and the use of Council buildings, there is a possibility that the impact of Covid-19 will be longer lasting than initially anticipated. In the absence of Post Project Evaluations and Post Occupancy Evaluation and Benefits Reviews, there is an increased risk lessons will not be formalised for future reference prior to new Capital Projects being commenced.

Recommendation

The Service should report Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews as required.

Service Response / Action

Agreed. Whilst post project reports have been delayed as a result of the Covid -19 pandemic the Service continues to take cognisance of risks/issues encountered in past projects to inform the development of future projects.

To formally record these lessons, a review will be carried out to collate and assess lessons for sharing across the organisation and if applicable incorporation within the project management toolkit.

Implementation Date

March 2022

Responsible Officer

Programme Manager

Grading

Significant within audited area

AUDITORS: C Harvey
A Johnston
C Johnston

Appendix 1 – Capital Project Sample Gate Controls

Capital Project	Date of Practical Completion	Gate Control	Control in Place (Yes/No)
Torry Academy Demolition (required for Torry Primary School and Community Hub new build)	8/11/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> Approval by Directorate Management Team Approval by the appropriate Programme Board Approval by the Capital Board Approval by Committee (funding to develop business case) <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> Approval by Directorate Management Team Approval by the appropriate Programme Board Approval by the Capital Board Approval by CMT Approval by Committee <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> Approval by Project Board / Programme Board Approval by the Capital Board Approval by CMT Approval by Committee / Delegated Officer <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> Approval by Project Board / Programme Board Approval by the Capital Board Approval by CMT Approval by Committee (or Chief Officer where delegated) <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> Review by Project Board / Programme Board Review by the Capital Board Review by CMT Review by Committee <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> Approval by Project Board / Programme Board Approval by the Capital Board Approval by CMT Reported to Committee <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> Review by Programme Board 	<p>N/A N/A N/A N/A</p> <p>N/A N/A N/A N/A N/A</p> <p>N Y N/A Y</p> <p>N/A N/A N/A Y</p> <p>Y N N/A Y</p> <p>N N N N</p> <p>N/A</p>

		<ul style="list-style-type: none"> Review by the Capital Board Review by CMT Review by Capital Programme Committee 	N/A N/A N/A
		<p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> Review by Programme Board Review by the Capital Board Review by CMT Review by Capital Programme Committee 	N/A N/A N/A N/A
Cults School – Nursery Extension (Expansion of Early Learning and Childcare (ELC))	20/8/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> Approval by Directorate Management Team Approval by the appropriate Programme Board Approval by the Capital Board Approval by Committee (funding to develop business case) <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> Approval by Directorate Management Team Approval by the appropriate Programme Board Approval by the Capital Board Approval by CMT Approval by Committee / Delegated Officer <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> Approval by Project Board / Programme Board Approval by the Capital Board Approval by CMT Approval by Committee / Delegated Officer <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> Approval by Project Board / Programme Board Approval by the Capital Board Approval by CMT Approval by Committee (or Chief Officer where delegated) <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> Review by Project Board / Programme Board Review by the Capital Board Review by CMT Review by Committee <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> Approval by Project Board / Programme Board Approval by the Capital Board 	N/A N/A N/A N/A N/A N/A N/A N/A Y N/A N/A N N/A N/A Y N/A N/A Y N N

		<ul style="list-style-type: none"> • Approval by CMT • Reported to Committee 	N/A Y
		<p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee 	N/A N/A N/A N/A
		<p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee 	N/A N/A N/A N/A
Loirston School – Remodel Existing Nursery (Expansion of ELC)	13/8/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> • Approval by Directorate Management Team • Approval by the appropriate Programme Board • Approval by the Capital Board • Approval by Committee (funding to develop business case) <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> • Approval by Directorate Management Team • Approval by the appropriate Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee / Delegated Officer <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee (or Chief Officer where delegated) <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> • Review by Project Board / Programme Board • Review by the Capital Board • Review by CMT • Review by Committee 	N/A N/A N/A N/A N/A N/A N/A Y N/A N/A N N/A N/A N/A Y N/A N/A Y

		<ul style="list-style-type: none"> • Review by Project Board / Programme Board • Review by the Capital Board • Review by CMT • Review by Committee <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Reported to Committee <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Y</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
<p>Demolition of 29-31 Queen Street</p> <p>(part of Queen Street Redevelopment Programme)</p>	6/4/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> • Approval by Directorate Management Team • Approval by the appropriate Programme Board • Approval by the Capital Board • Approval by Committee (funding to develop business case) <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> • Approval by Directorate Management Team • Approval by the appropriate Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee / Chief Officer <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee / Chief Officer <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N</p> <p>N</p> <p>N</p> <p>N</p> <p>N/A</p> <p>N/A</p>

		<ul style="list-style-type: none"> • Approval by CMT • Approval by Committee (or Chief Officer where delegated) <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> • Review by Project Board / Programme Board • Review by the Capital Board • Review by CMT • Review by Committee <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Reported to Committee <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee 	<p>N/A Y</p> <p>N/A N/A N/A N/A</p> <p>N N N N</p> <p>N/A N/A N/A N/A</p> <p>N/A N/A N/A N/A</p>
Demolition of Aberdeen Journal Building – Site 16 Lang Stracht	N/A Expected 24/6/22	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> • Approval by Directorate Management Team • Approval by the appropriate Programme Board • Approval by the Capital Board • Approval by Committee (funding to develop business case) <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> • Approval by Directorate Management Team • Approval by the appropriate Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee / Delegated Officer 	<p>N/A N/A</p> <p>N/A N/A</p> <p>N/A N/A N/A N/A</p> <p>N N N N</p>

		<p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Approval by Committee (or Chief Officer where delegated) 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Y</p>
		<p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> • Review by Project Board / Programme Board • Review by the Capital Board • Review by CMT • Review by Committee 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
		<p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> • Approval by Project Board / Programme Board • Approval by the Capital Board • Approval by CMT • Reported to Committee 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
		<p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
		<p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> • Review by Programme Board • Review by the Capital Board • Review by CMT • Review by Capital Programme Committee 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>

Appendix 2 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<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>
Significant within audited area	<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>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 June 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2208 – Revenue Budget Monitoring
REPORT NUMBER	IA/AC2208
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Revenue Budget Monitoring.

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 Revenue Budget Monitoring.

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

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.
Privacy Impact Assessment	Not required

9. APPENDICES

- 9.1 Internal Audit report AC2208 – Revenue Budget Monitoring

10. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor
Jamie.Dale@aberdeenshire.gov.uk
(01467) 530 988



Internal Audit Report

Governance

Revenue Budget Monitoring

Issued to:

Steven Whyte, Director of Resources
Jonathan Belford, Chief Officer - Finance
Fraser Bell, Chief Officer - Governance
Lesley Fullerton, Finance Operations Manager
External Audit

EXECUTIVE SUMMARY

Background

The Local Government (Scotland) Act 1973 requires every local authority to make proper arrangements for their financial affairs and to keep accounts of all transactions relating to all funds of the local authority. The Council's net revenue expenditure budget for 2021/22 for the General Fund is £499.56 million (Function and Corporate Budgets) and gross expenditure for the Housing Revenue Account (HRA) is £94.68 million.

Budget holders across each Function have been assigned responsibility for specific budget areas of income and expenditure. Finance supports budget holders by providing access to budget monitoring information including year-end budget to forecast outturn figures and year to date budget to actual figures. Finance, in consultation with relevant budget holders, then prepares revenue budget monitoring reports for the Council's Performance Board, and the City Growth and Resources Committee, highlighting spending patterns and forecast variations from budget in order to demonstrate performance and advise on any areas of risk and corresponding management action.

Objective

The objective of this audit was to ensure that robust procedures are in place for monitoring the revenue budget.

Assurance

In general, revenue budget monitoring arrangements are robust, with budget responsibility adequately allocated, regular budget holder reports issued and budget holder meetings taking place.

Assurance could be enhanced through improved procedures, including: example budget monitoring reports and explanations on their use; accruals and budget profile arrangements, and making procedures available to budget holders via the staff intranet. Agreeing clear reasons for material outturn to budget variances and associated mitigating actions, with budget holders and Senior Management, for reporting to Committee; and ensuring the Council's Scheme of Virement is adhered to, will also improve assurance over this area.

Findings and Recommendations

Whilst Finance's Budget Monitoring procedures cover the budget monitoring process generally, they could be improved by: a clearer structure that includes headings describing what is being covered; describing arrangements for profiling budgets; including accrual recording and back up requirements; including examples of the reports issued to budget holders, Senior Management and the Committee reports, with details of how to interpret these; and by making these available to Council officers and Elected Members on the staff intranet. These improvements would reduce the risk of budget monitoring and budget management requirements not being understood. A recommendation graded 'Significant within audited area' was raised for Revenue Budget Monitoring procedures to be reviewed, updated and shared with relevant staff.

Finance is required to agree outturns, reasons for material (£50k or more) outturn to budget variances at an individual cost centre / account (subjective) level and related mitigating action, at budget holder meetings. Whilst meeting minutes reviewed included a 'Revenue Outturn' agenda item, they did not always include agreement of the outturn, reasons for material outturn to budget variances identified and related

mitigating actions. This increases the risk of subsequent reporting errors. A recommendation graded 'Significant within audited area' was raised with the Service for budget holder and Senior Management Team agreement to be obtained and documented for, outturns, reasons for outturn to budget variances and related mitigating actions.

In breach of Financial Regulations, budget virements were applied without the necessary approvals by Committee / reporting to Committee, meaning budget has been transferred for an alternative use without Committee's required knowledge or approval where required. A recommendation graded 'Significant within audited area' was raised with Finance for virements to be processed in accordance with Financial Regulations.

Management Response

Finance has agreed to review, update and share budget monitoring procedures as appropriate. Finance will also seek agreement of Cluster outturns, and associated reasons and mitigating action for material outturn to budget variances, from Chief Officers, following agreement of outturns by Service Managers. In addition, Finance will review the requirements of the Council's Scheme of Virement to ensure compliance.

11. INTRODUCTION

- 11.1 The Local Government (Scotland) Act 1973 requires every local authority to make proper arrangements for their financial affairs and to keep accounts of all transactions relating to all funds of the local authority. The Council's net revenue expenditure budget for 2021/22 for the General Fund is £499.56 million (Function and Corporate Budgets) and gross expenditure for the Housing Revenue Account (HRA) is £94.68 million.
- 11.2 Budget holders across each Function have been assigned responsibility for specific budget areas (cost centres) of income and expenditure. Finance supports budget holders by providing access to budget monitoring information including year-end budget to forecast outturn figures and year to date budget to actual figures. Finance, in consultation with relevant budget holders then prepares revenue budget monitoring reports for the Council's Performance Board, and the City Growth and Resources Committee, highlighting spending patterns and forecast variations from budget in order to demonstrate performance and advise on any areas of risk and corresponding management action.
- 11.3 The objective of this audit was to ensure that robust procedures are in place for monitoring the revenue budget
- 11.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jonathan Belford, Chief Officer – Finance, and Lesley Fullerton, Finance Operations Manager.

12. FINDINGS AND RECOMMENDATIONS

12.1 Written Policy, Procedures and Training

- 12.1.1 Comprehensive written policies and procedures, which are easily accessible by all members of staff, can reduce the risk of errors and inconsistency. These are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff; importance increased in the event of an experienced employee being absent or leaving.
- 12.1.2 The Council's Chief Officer – Finance's responsibilities are described generally under Section 95 of the Local Government Act 1973 (Scotland), which requires every local authority to ensure that the proper officer has responsibility for the administration of the Council's financial affairs. In addition, the Council's Financial Regulations describes, at a high level, budget monitoring roles and responsibilities of the Chief Officer – Finance, Chief Officers, budget holders, and the respective Committees (City Growth and Resources Committee and the Pensions Committee).
- 12.1.3 Under the Financial Regulations, the Chief Officer – Finance is required to provide Chief Officers and budget holders with up-to-date financial information on income and expenditure compared to the approved budget. Furthermore, the Chief Officer – Finance is required to report on a quarterly basis, a comparison of actual figures to year-to-date budget and a full year forecast, to the City Growth and Resources Committee, for the General Revenue Fund, Housing Revenue Account and the Common Good Fund. Chief Officers and budget holders are required to assist by monitoring their respective budgets using the Council's approved financial systems and notifying the Chief Officer – Finance of any changes to forecast. Furthermore, the Committee may seek explanations and action as highlighted by the Chief Officer – Finance.
- 12.1.4 Financial Regulations also includes a clear Scheme of Virement, describing the procedure for moving budgetary provision from one budget head to another, including the required authorisation.
- 12.1.5 A budget monitoring procedure titled 'Budget Monitoring Process 20/21' is also available, which Finance advised is available to Finance staff as well as budget holders; this describes the budget monitoring process in more detail. A comprehensive procedure is also available to Finance staff, describing how to post a journal for the purposes of updating the general ledger.
- 12.1.6 The Budget Monitoring Process 20/21 procedure includes an explanation of the required outcomes of monthly budget holder meetings, including the need for budget holders to explain forecast to budget variances of greater than £50k , as well as the related mitigating action to be undertaken where appropriate, with budget holder minutes used to update the quarterly 'Highlights report', to be agreed with the respective Chief Officers and Senior Management, prior to the financial position being reported to Committee. In addition, the procedure covers the requirements of the Council's Scheme of Virement.
- 12.1.7 Whilst the Budget Monitoring Process 20/21 procedure covered the process generally, it could be more clearly structured, including headings to describe what is being covered. Whilst the budget holder meetings and virements are adequately described, there is no explanation of how year to date budgets are established or the requirements relating to accruals in terms of threshold and required supporting documentation, increasing the risk the year-to-date budget and actual position will not be reported correctly. The procedure also does not include examples of the reports issued to budget holders, the Highlights report or the Committee reports, nor do they explain how these should be interpreted by budget holders / Chief Officers / Directors. Furthermore, Finance's budget monitoring

procedures could not be accessed via the staff intranet. This increases the risk budget monitoring and budget management requirements will not be understood by respective Council officers and Elected Members.

<u>Recommendation</u>		
Revenue Budget Monitoring procedures should be reviewed, updated and shared with all relevant staff.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2022	Finance Operations Manager	Significant within audited area

- 12.1.8 Records of formal training were not available, however Finance advised informal training is provided via monthly budget holder meetings. More formal guidance and training would ensure the requirements of budget holders are better understood, improving the completeness and accuracy of budget monitoring information and explanations of variances.

<u>Recommendation</u>		
Formalised training should be introduced for budget holders explaining budget monitoring requirements and related reports.		
<u>Service Response / Action</u>		
Agreed. Finance can confirm that we will maintain training as part of our Business Advice meetings generally and formalise this process by documenting the training undertaken in the related minutes.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2022	Finance Operations Manager	Important within audited area

- 12.1.9 Officer responsibility for managing budgets is recorded at Function (level 3); Chief Officer (level 4); Service Manager (level 5 and level 6); and Budget Manager (level 9) cost centre levels within the Council's Integrated Financial System (IFS). If a budget holder leaves the Council and no replacement is identified or recruited, then the responsibility is temporarily assigned to the officer responsible for the next higher cost centre level. All cost centres had been allocated a responsible officer with the exception of one Common Good cost centre (Q77365) where a responsible officer had not been allocated; however, a suitable officer was responsible for a higher cost centre level for monitoring purposes.

12.2 Interfaces and Period End Ledger Closedown

- 12.2.1 Transaction data is held within the integrated financial system. The system is regularly updated with new transactions, for example: invoices, payroll, and journal entries (financial adjustments). At the end of each month checks are carried out and the current period is closed for new transactions, balances are rolled forward, and all new transactions will be posted to the next period.
- 12.2.2 The Accounts Payable module, Accounts Receivable module, General Ledger and Purchase Ordering and Receipting system interfaces were reviewed as part of Internal Audit 2203 Financial System Interfaces and Reconciliations. The accuracy of financial information transferred into the Council's IFS was found to be well controlled based on a review of a sample of 51 interface batches. However, it was agreed updated procedures,

improved Digital and Technology (D&T) records of interface adjustments, and a system of review for interface adjustments prepared by D&T and Finance would enhance assurance over this area.

12.2.3 Internal Audit 2203 also covered Accounts Payable and Accounts Receivable sub-ledger reconciliations; no exceptions were noted. At period end the accounts payable and accounts receivable sub-ledgers are closed down and reports are run to confirm that this has taken place successfully; the sub-ledgers were closed timeously in July and August 2021 and system exception reports, which included a check of sub-ledger totals to general ledger control account totals, had been run on the same day the sub-ledgers were closed down and no exceptions were reported. More detailed reconciliation reports of accounts payable and accounts receivable sub-ledgers to their respective general ledger control accounts for July and August 2021 were also reviewed as part of Internal Audit 2203. These had been completed in a timely manner and no reconciling differences were noted.

12.3 Budget Monitoring Reporting Timetable

12.3.1 A reasonably comprehensive budget monitoring reporting timetable is in place for 2021/22 covering the following deadlines / dates by period:

- Budget holder meeting
- Budget holder meeting minutes completed
- Outturns (forecasts per budget holder meeting) in ledger
- Pre-Highlights meeting (within Finance)
- Ledger close date
- Accruals processed
- Committee draft report to Director
- Highlights reports issued
- Highlights meeting
- Committee draft out for consultation
- Committee draft report deadline
- Pre-agenda meeting
- Performance Board date
- Committee final report deadline
- Committee date

12.3.2 However, it was noted that the timetable did not cover the schedule for issuing BOXI system budget monitoring reports to budget holders, increasing the risk budget monitoring reports will be issued prior to necessary checks and updates being completed or that reports will not be issued as required.

Recommendation

The Quarterly Reporting Timetable should be reviewed and updated as appropriate with consideration given to BOXI reporting deadlines and related checks.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Finance Operations
Manager

Grading

Important within audited
area

12.4 Budget Holder Meetings

12.4.1 As stated in the 'Budget Monitoring Process 20-21' procedure:

“The budget holder meeting is the key forum for communication of finance related issues between Finance and budget holders across the Council. All Functions have a nominated Finance Service contact for their budget holder meetings. The first point of contact for finance related queries is the Accounting mailbox, thereafter the input of the Finance contact may be sought. The budget-holder meeting may be face to face, by telephone or Teams and the frequency will be determined by the Finance Partner/Accountant according to risk assessment of the budget area, with consideration given to requests made by budget holders”.

- 12.4.2 The required outcomes from the budget holder meetings include:
- Finance to advise on latest financial position for the Council
 - Budget holder to advise on current key business issues - for 2020/21 this includes looking separately at Covid and non-Covid issues
 - Agreement on forecasts
 - Budget holder update on reasons and mitigating action relating to material variances
 - Finance to provide appropriate challenge to budget holder forecasts
 - Discussion on current year budget milestones (e.g. savings achieved, grant funding received) and future years demand data and proposals
 - Finance to highlight any financial control issues e.g. Following the Public Pound
 - Finance update on capital, balance sheet, earmarked reserves and technical issues
 - Budget holder to provide update on staffing, including resignations, filling of posts, maternity leave and staffing plans
- 12.4.3 Finance also maintains a spreadsheet ‘Budget Holder Meetings KPI’s 2021/22’. This details all budget holders, frequency of meetings, finance contact, the meeting date and the date minutes were sent, with the spreadsheet tracking whether or not minutes were supplied within 5 days of the meeting concerned based on dates entered. Internal Audit compared the budget holders listed in the integrated financial system with the schedule and noted that all budget holders were included in the schedule. A sample of 10 meetings was selected from the KPI schedule and minutes were available that confirmed meetings had taken place as described in the KPI schedule.
- 12.4.4 As stated at paragraph 2.4.2, it is a requirement of Finance’s budget monitoring procedures to discuss current year budget milestones at the budget holder meeting. Seven of 10 budget meeting minutes recorded budget milestone updates with three indicating there were no updates applicable.
- 12.4.5 Of the 10 minutes reviewed, none of the reports formally noted the budget holder’s agreement of the reported year to date budget position. Finance advised the Council’s budgets are not specifically profiled over the year but are split evenly based on number of months to date at time of reporting, meaning, there is no need for budget-holders to agree the year-to-date budget position. This is because a system of accruals is in operation to reflect income and expenditure yet to be incurred / received. Accruals are considered further at paragraph 2.5.5.
- 12.4.6 Finance is required to agree outturns, reasons for material (£50k or more) outturn to budget variances at an individual cost centre / account (subjective) level and related mitigating action, at the budget holder meetings. Whilst all 10 meeting minutes described at paragraph 2.4.4 above included a ‘Revenue Outturn’ agenda item, 4 did not include agreement of the outturn, and of the 5 with material outturn to budget variances identified, 2 did not include all required reasons, and 3 did not include related mitigating action. Where this detail is not agreed there is a greater risk Senior Management and Committee

will not receive sufficient information about the Council's financial position and of necessary corrective action not being taken where required.

- 12.4.7 Finance advised that Chief Officers do not provide agreement of their respective Cluster's forecast at their budget holder meetings, since outturns are agreed at a lower level by the respective Service Manager; despite budget monitoring procedures requiring Chief Officers to agree all forecasts with the respective Chief Officer. The meetings are instead regarded as an overview for the Chief Officer. However, this is not explained in the Budget Monitoring Process 20-21 procedure. Furthermore, in the absence of Chief Officer 'sign-off' of a Cluster's outturn, there is increased risk a Chief Officer will not understand their Cluster's forecast financial position and progress with required mitigating actions, resulting in Committee reporting errors and uncorrected financial pressures. Finance also explained that outturns are not always agreed at budget holder meetings generally since they are dependent on the timing of meetings relative to associated work by Finance and of Service cooperation to provide necessary information. However, the Budget Monitoring Process 20-21 procedure requires agreement of: forecasts, material outturn to budget variances and reasons for these variances, with budget holders, as an outcome of budget holder meetings.

Recommendation

Budget holder agreement of outturns, reasons for outturn to budget variances and related mitigating actions to correct material outturn to budget variances should be agreed and the outcome documented.

Service Response / Action

Agreed. Finance procedures will be updated to require that Chief Officers obtain agreement of outturns, reasons for budget variances and related mitigating actions to correct material outturn to budget variances at a cost centre / account level, from Service Managers, when the Highlights Reports are issued to Chief Officers. Chief Officers will then be required to respond with an email confirming the agreed position.

Implementation Date

June 2022

Responsible Officer

Finance Manager Operations

Grading

Significant within audited area

12.5 Budget Holder BOXI Reports

- 12.5.1 Revenue budget monitoring reports are issued to budget holders using the BOXI system on a monthly basis; the level of reporting depends on the seniority of the officer concerned with full year budget compared to full year 'outturn' (forecast) and year to date budget compared to actual by expenditure and income category (e.g., staff costs, premises costs, supplies and services, customer receipts, government grants etc), at all reported budget levels. Directors receive the Council's consolidated position; position by general fund, HRA and trading accounts; Function consolidated position; and their respective Cluster / Chief Officer financial positions. Chief Officers receive their respective general fund, HRA and trading account Cluster financial positions and the financial positions for each of their respective Service Areas; and Budget Managers receive their consolidated general fund, HRA and trading account financial positions for their respective budgets and the same for their respective Service Areas.
- 12.5.2 The level of detail included in budget monitoring monthly reports emailed to budget holders, depends on the level of responsibility defined in the financial ledger system as described at paragraph 2.1.9 above. All budget holders receive a BOXI report for their area of responsibility. At level 9 budget responsibility is defined at a cost centre level and the associated budget holders receive level 9 cost centre and account BOXI reports, covering their allocated cost centres at an account (subjective) level, a transactional ledger

report showing the actual income and expenditure incurred, as well as details of outstanding PECOS orders, and Covid budget transactions were applicable. Level 6 and level 5 Service Managers and level 3 Chief Officers and Directors also receive a BOXI report and any Covid transactions they are responsible for at an account (subjective) level, unless they also have level 9 responsibility for any cost centres, in which case they will receive BOXI reports for their allocated level 9 cost centres also.

- 12.5.3 As stated in paragraph 2.3.2 above, deadlines are not formalised for BOXI based budget reporting however a sample of 25 BOXI budget monitoring reports was reviewed and all had been issued to budget holders in advance of that month's scheduled Highlights meeting and in the case of the periods when quarterly Highlights reports were required to be issued (period 3 and 6), all had been issued in advance of the Highlights report deadline (Highlights reports are considered at section 2.6 below).

Budget

- 12.5.4 It was not possible to verify the accuracy of the reported annual budgets in the sample of 25 BOXI reports below Function level since budgets are not agreed by Council / Committee below this level. The Function level General Fund and total HRA 'Original Budgets' according to the Integrated Financial System agreed to the budget position reported City, Growth and Resources as part of the quarter 1 2021/22 Projected Financial Position statement.

The Function level General Fund and total HRA 'Original Budgets' according to the Integrated Financial System were also compared to the General Fund and HRA budgets agreed by Council in March 2021 however the opening general fund Function level 'Original Budgets' differed to that agreed by Council in March 2021 (Commissioning £539k lower, Customer £74k higher, Operations £4.58 million higher, Resources £244k higher and Corporate £4.04 million – net total difference £319k in line with General Fund surplus reported to Council in March 21). This indicates virements affecting the Original Budget have been processed after the budget was agreed in March; approval of virements is considered further in section 2.8 and a related recommendation has been made to ensure the Council's Scheme of Virement is complied with.

Actual Expenditure and Income

- 12.5.5 Actual expenditure and income figures reported via BOXI will include accounts payable, accounts receivable, and payroll transactions as well as accrued / anticipated expenditure and income recorded in the ledger. The actual expenditure figures were reviewed for the sample of 25 BOXI reports and were agreed to the general ledger.
- 12.5.6 Included within reported actual expenditure figures are 'accruals'. An accrual is an accounting term for including transactions completed to date but not yet recorded in the financial system, within the current period's results. Accruals may be processed for items which have been purchased and received, but not yet invoiced – in order to reflect the current level of expenditure. Similarly spend committed via Purchase Order may be accrued for in advance in order to demonstrate that the remaining budget has been reduced. It may also be appropriate in some instances to process a negative accrual (a prepayment) where expenditure has been incurred but the value is still to be received.

However, since accruals are not separately identified in BOXI budget monitoring reports, but are instead reflected in the reported actual figures, they can mask the variable nature of expenditure throughout the year, and should they be unsupported, can risk the year end actual position not being in line with expectations. A schedule of accruals included within actual figures reported to budget holders since April 2021 was obtained from Finance and a sample of 20 was selected for review. All were adequately described in the

ledger and supported.

Forecast Outturns

- 12.5.7 The deadline for budget holder meetings and updating the outturn in the Council's integrated financial system precedes budget holder BOXI reports being issued, so the reports reflect the correct outturn position. However, a BOXI report is issued prior to the budget holder meetings for information. As stated in paragraph 2.4.2 above, revenue outturn is a standing agenda item for budget holder meetings; results relating to a sample of 10 meetings are described at paragraphs 2.4.5 to 2.4.9 above, including a recommendation to formalise agreement of outturns which would help ensure the accuracy of the reported position via BOXI.

12.6 Financial Performance Reporting – Senior Management

- 12.6.1 A Highlights Report is produced by the designated Accountant for each quarter per the timetable described at paragraph 2.3.1 above. The budget holder meeting minutes are used to inform quarterly Highlights Reports. The Highlights Reports are prepared by Function, with each Function Highlights Report detailing:

- The full year budget and outturn and year to date budget and actual by Cluster
- Assumptions and risks
- Earmarked reserves spend
- Analysis of significant variances (i.e. over £50k) with reasons and related mitigating action so outturn is contained within the approved budget
- Details of Covid related costs
- Analysis of spend to date

- 12.6.2 On reviewing the Highlights Reports for the first quarter of 2021/22 it was noted that whilst the budget and outturn position according to the five Function Highlights Reports agreed to that reported to the City, Growth and Resources Committee on 10 August 2021, the reasons for overspent positions in the Highlights Reports were not always explained and mitigating action was often not included. Examples include:

- Operations - 'Children's Social Work' £185k – *'This includes £1.2m overspend on OOA and £806k underspend on fostering service.'*
- Resources - 'Asset Man Planning' £173k – *'The majority relates to a final electricity bill for the AECC building of £222k. Hire of accommodation underspent by £50k'*
- Commissioning – 'Assurance' £115k – *'There is a forecasted overspend in staffing of and an under recovery of income in relation to licensing.'*

- 12.6.3 Where underlying causes for outturn to budget variances and corrective action is not clearly documented as required, there is a greater risk budget pressures will not be addressed.

- 12.6.4 Finance is required to agree the reported position in the Highlights Report with the respective Chief Officers. However, as highlighted in paragraph 2.4.7 this is not done in practice. A recommendation has already been made at paragraph 2.4.9 to address the need for agreement of outturns, reasons and mitigating action with Chief Officers.

- 12.6.5 The Performance Board, co-chaired by the Director of Resources and Chief Operating Officer, considers various aspects of Council performance including financial performance. Quarter 1 and quarter 2 financial positions were reported to the Performance Board as required, with the need to control expenditure conveyed by the Chief Officer – Finance to the Board.

12.7 Financial Performance Reporting – Committee

- 12.7.1 Section 8.3.2 in the Councils Financial Regulations states that the Chief Officer – Finance is required to report on a quarterly basis, a comparison of actual figures to year-to-date budget and a full year forecast, to the City Growth and Resources (CG&R) Committee, for the General Revenue Fund, Housing Revenue Account and the Common Good Fund and to provide revenue budget monitoring updates on the North East Scotland Pension Fund to the Pensions Committee. With the exception of quarter 1, where related reporting to City, Growth and Resources Committee was impacted by Covid-19, the Projected Financial Position was reported quarterly to the City Growth and Resources Committee and as required to the Pensions Committee for 2020/21.
- 12.7.2 The Q1 Projected Financial Position for 2021/22 reported to City, Growth and Resources Committee on 10 August 2021 was reviewed; this covered General Fund, Housing Revenue Account and Common Good revenue budgets (as well as Earmarked Reserves and the General Fund and HRA Capital Programmes).
- 12.7.3 The HRA forecast was equal to budget whilst the Common Good revenue budget had a net underspend of £65k that was explained. A deficit of £13.60 million was reported as at 30 June 2021 on the General Fund Financial Reporting Summary explained generally as being due to the impact of COVID-19 on income levels, with Earmarked Reserves as a result of Scottish Government funding in place to address this.
- 12.7.4 The three largest overspends / under-recoveries of income as at 30 June 2021 were reviewed (Operations - £5.56 million; Resources - £2.97 million; and Council Tax - £5 million). Whilst reasons for overspends were reasonably well explained, some mitigating action was not well explained. For a Council Tax £5 million under-recovery of income for example, the mitigating action described was “Additional work is being undertaken to improve collection levels”, with no explanation of what the “additional work” was. The Chief Officer – Finance’s view is that there is a limit to the information that can be provided in the Committee report to maintain a concise, high-level overview. Details of overall mitigating actions are given which provide an explanation of how the overspend will be dealt with in each Committee Report; this was the case for the position reported to 30 June 2021 reviewed.
- 12.7.5 On reviewing the financial position for 2020/21 reported to City Growth and Resources Committee as part of the 2020/21 quarter 4 financial performance update, the note for a £37.71 million underspend against Miscellaneous Services explained the underspend as largely relating to capital financing costs, however the Service explained this should have been reported as largely relating to an underspend associated with unused Covid-19 grant funding moved to earmarked reserves. The Covid-19 grant underspend contribution to earmarked reserves was however explained elsewhere in the Financial Position 2020/21 report.

12.8 Budget Virements

- 12.8.1 The term “virement” refers to the transfer of budgetary provision from one budget head to another. The Council’s Scheme of Virement, including related limits and authorisation requirements, is described in the Council’s Financial Regulations as follows:

Scope	Limit	Approval to Vire
1. Within or between Account Code Groupings, within individual budget holder areas of responsibility (e.g., printing & stationery to telephones – within admin costs or Administration	Up to £20,000 or 10% of the budget grouping, whichever is the lesser	Budget Manager
	Up to £100,000	Chief Officer
	Over £100,000	Director, reported to City, Growth and Resources Committee in Financial

Scope	Limit	Approval to Vire
Costs to Supplies & Services)		Performance Report
2. Between Functional Services Budgets but within Chief Officer area of responsibility (e.g., Primary to Secondary Education, Libraries to Community Learning, or Learning Disability to Mental Health)	Up to £20,000 or 10% of the budget grouping, whichever is the lesser	Chief Officer
	Up to £100,000	Director, reported to City, Growth and Resources Committee in Financial Performance Report
	Over £100,000	City, Growth and Resources Committee
3. Between Functional Service Budgets within Function Budgets (e.g., transfer from Education to Environmental Services)	Up to £250,000	Director, reported to City, Growth and Resources Committee in Financial Performance Report
	Over £250,000	City, Growth and Resources Committee
4. Between Function Budgets i.e., across committees (e.g. transfer from Commissioning to Operations)	Up to £500,000	Chief Executive, reported to City, Growth and Resources Committee in Financial Performance Report
	Over £500,000	City Growth and Resources Committee

12.8.2 A sample of five virements processed since 1 January 2021, was reviewed to ensure the virements were processed in accordance with Financial Regulations. This included two category two virements and three category four virements. Whilst it was noted that virements were posted in accordance with Service requests, officers approving virements did not have the delegated authority to do so under the Council's Financial Regulations. Furthermore, two of these virements were not approved by City Growth and Resources and three were not reported to the same Committee as required.

Recommendation

Virements should be processed in accordance with Financial Regulations.

Service Response / Action

Agreed. Process to be reviewed and updated.

Implementation Date

June 2022

Responsible Officer

Finance Operations
Manager

Grading

Significant within audited
area

AUDITORS: J Dale
C Harvey
A Johnston
F Magodo

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<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>
Significant within audited area	<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>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 June 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2210 – Learning Disabilities
REPORT NUMBER	IA/AC2210
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on Learning Disabilities

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 Learning Disabilities.

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

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.
Privacy Impact Assessment	Not required

9. APPENDICES

- 9.1 Internal Audit report AC2210 – Learning Disabilities

10. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor
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(01467) 530 988



Internal Audit Report

Learning Disabilities

Issued to:

Sandra MacLeod, Chief Officer – Aberdeen City Health and Social Care Partnership (ACHSCP)
Alex Stephen, Chief Finance Officer – ACHSCP
Katharine Paton, Service Manager – ACHSCP
Sue Bosbury, Group Manager – ACHSCP
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
External Audit

EXECUTIVE SUMMARY

Background

Aberdeen City Council Learning Disability Integrated Care Services are support services with housing support and care at home combined. They support individuals to maintain their own tenancies in shared accommodation, houses of multiple occupancy or rented properties within Aberdeen City. The staff provide individualised support to people with varying levels of ability to develop their daily living skills so that they can be more independent. Support is provided to people who may require some care at home, such as help with medication, preparing meals or getting to appointments. Support services help a variety of requirements from those with complicated needs to those who need time limited support to allow them to plan and achieve their preferred lifestyle.

Objective

The objective of this audit was to ensure that there is adequate control exercised over income and expenditure.

Assurance

Controls are in place and no material errors were identified. However, issues were identified in the consistency of their application, particularly in respect of management of cash transactions. Improvements agreed with the Service will increase assurance over these areas.

Findings and Recommendations

Written procedures are in place covering most of the Service's activities but would benefit from being reviewed and updated to reflect and improve current practice. A recommendation graded Significant within audited area was made to do so.

The Service handles cash for petty cash transactions, management of amenity funds, and assisting in service users' management of funds. Any cash-based system has inherent risks, as cash is portable and desirable. Whilst no material errors were identified, weaknesses were identified in respect of management and record keeping for cash transactions and balances. In the absence of clear, consistent, and applied procedures checks and balances, there is an opportunity for cash to go missing or for cash records to be incomplete and variations left unexplained. In addition to potential for financial loss, this leaves staff and the Service vulnerable to challenge or criticism in the event of missing funds or unexplained discrepancies. Recommendations graded Significant within audited area were raised for the Service to develop and implement stronger cash controls to mitigate this risk. There are similar risks in respect of inventories of equipment held on site, which need to be put in place.

Whilst in general staff were paid correctly, with only minor issues identified in timesheet completion, supporting records and approvals were not always complete. A recommendation graded Significant within audited area was made to ensure time records are sufficiently comprehensive.

In breach of the Council's Financial Regulations, an order had been placed without an official purchase order; and one transaction had been approved by a signatory without recorded delegated authority. Recommendations graded Significant within audited area were made to ensure orders are raised where required and to ensure delegated authority is in place where appropriate.

Management Response

The Service has agreed to review and enhance procedures to improve control over cash, inventories, timesheet records, ordering goods and services, and other financial administration at the centres. As part of the review staff and managers will refresh and acknowledge their understanding of the various requirements, and the authorised signatory list will be updated.

11. INTRODUCTION

- 11.1 Aberdeen City Council Learning Disability Integrated Care Services are support services with housing support and care at home combined. They support individuals to maintain their own tenancies in shared accommodation, houses of multiple occupancy or rented properties within Aberdeen City. The staff provide individualised support to people with varying levels of ability to develop their daily living skills so that they can be more independent. Support is provided to people who may require some care at home, such as help with medication, preparing meals or getting to appointments. Support services help a variety of requirements from those with complicated needs to those who need time limited support to allow them to plan and achieve their preferred lifestyle.
- 11.2 The objective of this audit was to ensure that there is adequate control exercised over income and expenditure.
- 11.3 The main sources of income are client support charges and donations, and expenses are primarily staff costs and the running costs of the centres.
- 11.4 The following establishments were included for review as part of the audit:
- Len Ironside Centre
 - Back Hilton Road
 - Rowan Road
 - Dominies Road
 - Balnagask Court
 - Kaim Court
 - Stocket Parade
- 11.5 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Sue Bosbury (Group Manager) and Katherine Paton (Service Manager).

12. FINDINGS AND RECOMMENDATIONS

12.1 Written Procedures

- 12.1.1 Comprehensive written procedures that are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, particularly in the event of an experienced employee being absent or leaving. Guidance should be available to all and should reflect current systems and adhere to any regulatory requirements.
- 12.1.2 Documentation held within the centres was generally suitable, with the majority following corporate guidelines held on the intranet. However, not all activities performed at each centre had been documented.
- 12.1.3 There were no documented procedures for the management of an amenity fund (see section 2.2 below), and the procedures for filling in timesheets for relief staff were limited to those listed on the timesheet itself (see section 2.4). These guidelines could be clarified, particularly for new or existing staff performing duties which are new to them, to reduce risk of error. For amenity funds, procedures should be revised to record and reconcile all the relevant financial information.
- 12.1.4 For client personal funds, two different forms were being used in the centres to record entries in and out of cash tins held for individuals. It would be preferable to use one version of the form for all centres for consistency that could be double-signed, and which clearly consolidates the information included on the two current forms.
- 12.1.5 Some of the procedures available to the Service on the Zone intranet site dated back to 2004 (finance procedures), and included names, posts, processes, and systems which were out of date. If these are still being used, they should be updated to reflect current practice and requirements.

Recommendation

The Service should carry out a review of its written procedures to ensure that they are up to date, encompass the totality of operations and encourage consistency between different establishments. This review should be carried out annually or following any known change in operating procedures.

Service Response / Action

Agreed. The Service will review procedures and ensure they are up to date and accessible. Amenity fund procedures have been updated and shared, and timesheet guidance is being prepared. Forms are being amended and combined where possible, and procedures will be updated to reflect.

Implementation Date

August 2022

Responsible Officer

Group Manager

Grading

Significant within audited area

- 12.1.6 As part of staff training at the centres, a 'finance procedure acknowledgement form' is regularly being used, which staff sign to record that they have read, understood, and will apply relevant procedures including Financial Regulations and financial and non-financial internal controls. This promotes understanding and familiarity with the relevant controls. Whilst there was evidence of these being used and updated/reviewed by staff at most of the centres within the last year, two of the seven centres' records had not been signed

since 2019. There is therefore a risk staff at these locations may not have up to date knowledge of the required processes.

Recommendation

The Service should ensure procedure acknowledgement forms are refreshed annually. This could be timed to coincide with the annual review of procedures in general, recommended at 2.1.5 above.

Service Response / Action

Agreed. All teams will discuss at next team meetings and staff will review/discuss and sign the acknowledgement sheets. These will be scanned and filed in a folder on SharePoint.

Implementation Date

August 2022

Responsible Officer

Group Manager

Grading

Important within audited area

12.2 Amenity Funds

- 12.2.1 Some establishments maintain Amenity or Voluntary Funds, which may be used to provide additional services that may not otherwise be available to service users through Council funds. These are separate from Council or Health and Social Care Partnership funds and rely on fundraising income and donations. As Funds are not managed using Council systems, they are not subject to the same controls as those in place over Council expenditure. It is therefore important that other controls are in place to safeguard the Funds. The Council's Financial Regulation 5.22 sets out that Voluntary Funds are to be subject to the same financial rigour and probity as if they were Council funds. General guidance is available setting out key controls for Amenity Funds, though Funds may have their own Constitution setting out alternatives.
- 12.2.2 The Len Ironside Centre maintains an 'Anniversary Fund'. Funds are managed by the Team Leader, in conjunction with Senior Support Workers, and are used to purchase Birthday and Christmas presents, arrange social events, and obtain additional equipment or services e.g., games, barbecue and entertainment for the benefit of service users. There is no Constitution or formal procedure for managing this Fund. In the absence of a constitution, it may be more difficult to determine whether planned use of the Fund is aligned with the intentions of its funders and beneficiaries; and to ensure it is managed appropriately. However, in this instance there was evidence of a level of control in place from Client Committee meetings, newsletters, and a set of petty cash procedures.
- 12.2.3 The 'Anniversary Fund' funds are held in a separate bank account, and there is also a cash tin held for minor purchases. Whilst there were records of income and expenditure available, the quality and consistency of these varied. There was evidence of review of receipts, bank statements, and cash balances, however not all the transactions had been signed and countersigned as required to demonstrate appropriate separation of duties. Records did not all match exactly to the receipts on file. Larger donations reviewed were paid into the bank promptly, however smaller amounts received were not identifiably deposited during the period covered by the audit. And whilst there were regular records of cash having been counted, there was no record of a bank reconciliation process being completed. More robust and consistently applied procedures would provide more assurance over the process, compliance with the Council's Financial Regulations, and protect staff integrity in the event of discrepancies arising.

Recommendation

The Service should ensure Amenity / Voluntary Funds are managed and documented consistently, including recording all income and expenditure detail and retaining

supporting records; counter-signatories for all records; and periodic bank and cash reconciliations. Where differences arise, these should be reviewed with management and actions recorded.

Where Funds do not have a formal 'Constitution', consideration should be given to developing and agreeing one with its trustees / beneficiaries.

Service Response / Action

Agreed. Procedures will be updated and reinforced. Consideration will be given to developing a constitution for the anniversary fund.

Implementation Date

August 2022

Responsible Officer

Group Manager

Grading

Significant within audited area

- 12.2.4 A grant of £4,600 for the purchase of specialist bikes was awarded and paid by the Health and Social Care Partnership to the Fund in September 2019 and is reflected in the Fund's bank balance and bank statements. After obtaining the grant, similar bikes were donated to the centre instead, and therefore the money had not been required to be spent to purchase them as originally intended. The Service advised it has not been spent but the intention is to retain it for future upkeep of the equipment. The grant award letter stated that the money must be returned if the project does not go ahead, and there is a requirement to provide a project evaluation after completion. As the funds have not been used for the project, they may have to be paid back. Confirmation needs to be sought from the funder.

Recommendation

The Service should ensure grant funding is used in accordance with the purposes agreed with the grant funder or returned.

In the instance of the £4,600 'bike' funding, the Service should seek approval from the Health and Social Care Partnership that the funds can be utilised for upkeep of the equipment. This confirmation should be in the form of an award letter or other formal documentation. If this approval is not granted, the funds should be returned immediately.

Service Response / Action

Agreed. The Service has contacted the funder for clarification as to next steps.

Implementation Date

August 2022

Responsible Officer

Group Manager

Grading

Important within audited area

12.3 Management of Clients' Personal Funds

- 12.3.1 The Service has named staff who act as legal guardians for 39 supported people. There are formal Department for Work and Pensions (DWP) procedures that explain the records that all registered care services must keep, and guidance on notification and reporting. In addition there are local procedures for cash control.
- 12.3.2 The records that are being maintained are a financial sheet for each client where all monies in and out are recorded, and weekly checks are completed. Bank statements are checked to make sure they correspond with monies on cash sheets by two staff members.
- 12.3.3 Centres were not consistent in following procedures as each used different forms for recording spend from cash tins held for clients. Expenditure was not always clear. There were no plans / budgets to describe how client funds should be spent. The audit trail of

money leaving cash tins did not refer to budget or intended spend as expected from the procedures, and receipts were not all available. In some cases, a ticket was provided in place of a receipt to explain expenditure - which was good practice, but not the norm. This practice could assist in quantifying how many receipts and their value are missing. Missing receipts are potentially an oversight but could mask unauthorised spend.

- 12.3.4 Authorisation of spend from cash tins was not recognisably by Team Leaders – various staff had signed for it and did not consistently record two signatures. Occasionally a note was made of when money was taken out of the cash tin to explain what it was for, and receipts and change returned to fully explain the spend. This practice was described in the procedures and mitigates against the risk of money not being fully accounted for creating opportunity for unexplained differences.
- 12.3.5 Reconciliation between finance sheets, receipts, and bank statements of all client spend in every month was not clear or complete. Spend using bank cards did not clearly reconcile with the bank statement and receipts of purchases made and bank statements did not show formal review. The absence of this audit trail creates opportunity for missing funds or misdirected bank spend to go unnoticed. Financial audit forms were used but not in a consistent manner by the centres. One was spot checked and another double-signed by initials. None had been signed by Team Leaders.
- 12.3.6 Any cash-based system has inherent risks, as cash is portable and desirable. In the absence of clear, consistent, and applied procedures checks and balances, there is an opportunity for cash to go missing or for cash records to be incomplete and variations left unexplained. In addition to the financial loss, this leaves staff and the Service vulnerable to challenge or criticism in the event of missing funds or unexplained discrepancies. A stronger control framework should be in place to mitigate this risk.

Recommendation

The Service should review and reinforce the process for managing clients' personal funds to ensure they are managed consistently, including clear record keeping, separation of duties, management review, and reconciliation of all funds to records of income and expenditure on a regular basis. Where differences arise, these should be reviewed with management and actions recorded.

Service Response / Action

Agreed. Procedures will be reviewed and updated to ensure suitable plans, controls and checks are in place and can be applied.

Implementation Date

August 2022

Responsible Officer

Group Manager

Grading

Significant within audited area

12.4 Payroll

- 12.4.1 Establishments have salaried staff that are paid monthly and staff for relief work who are paid following the submission of timesheets. Procedures for completing timesheets are printed on the timesheet itself, and for employees requesting overtime separate guidance documents are available.
- 12.4.2 The Payroll process for relief staff was well controlled, and an underpayment of 40 hours work was already under investigation, having been identified through existing review processes. Small errors in coding were corrected by Payroll or not significant from a group

perspective. All relief staff were paid the same hourly rate for all hours worked relative to their scale point.

- 12.4.3 Service application of procedures for completing relief staff timesheets was generally adequate, except that although timesheets were always signed by an authorising manager, daily hours worked were not signed on every line in accordance with corporate guidance. This is in place to allow immediate line managers to record their acknowledgement of hours worked each day before the authorising manager provides final approval of the timesheet.
- 12.4.4 Five of nineteen timesheets reviewed (26%) had no identifiable hours on the associated rota. Any inconsistencies create opportunity for incorrect payment of hours. Having a clear record of planned and actual times worked aids in reviewing resourcing and ensuring claims for payment of additional / relief hours are accurate.

Recommendation

The Service should ensure it has a clear record of staff time planned and worked, against which timesheet claims are reviewed prior to authorisation.

Service Response / Action

Agreed. Line managers have been instructed to fully complete all authorisations where required, and staff will be asked to clarify what shifts are for if they are not on the rota.

Implementation Date

Implemented

Responsible Officer

Group Manager

Grading

Significant within audited area

12.5 Travel & Subsistence

- 12.5.1 Travel and subsistence claims were not routinely required. Guidance is available on the intranet and the form itself. Where claims had been made, the reason for the claim was not clear. Each item should be fully explained to ensure only necessary work-related expenses are being claimed for.
- 12.5.2 Authorisation of claim forms needs to be clarified as one form was signed by a Senior Support Worker on behalf of her Team Leader, neither of whom were on the authorised signatory form for travel and subsistence. Misunderstanding of authorisation of claims could result in unauthorised payments, or delays in payment if returned by Payroll.

Recommendation

The Service should ensure claims are only submitted for payment once approved by authorised signatories. Claims should not be authorised unless the purpose and detail of journeys / expenditure is clear.

Service Response / Action

Agreed. All travel and subsistence forms will now have to be signed off by the Group Manager or Adult Services Manager.

Implementation Date

Implemented

Responsible Officer

Group Manager

Grading

Important within audited area

12.6 Petty Cash / Purchase Cards

- 12.6.1 Petty cash should only be used for low value infrequent purchases where payment by other means would incur disproportionate administrative costs. It should not be used to

circumvent purchasing regulations. One establishment holds a petty cash float of £200, though the Service has identified an intention to reduce this now that purchase cards are available. Corporate procedures are in place covering management of petty cash.

- 12.6.2 Internal Audit's review of a sample of petty cash records identified that they were complete and fully supported by receipts. However, the petty cash record was not always double-initialled against entries as the form was designed to allow. And one petty cash claim had been signed by a manager for whom the 'petty cash' category of authorisation is not recorded on the Service's authorised signatory list. Officers should only be acting within the delegated authority recorded.

Recommendation

The Service should ensure its authorised signatory list is up to date, then ensure only those with the appropriate levels / categories approve specified transactions and paperwork. An annual review should be implemented to supplement updates due to any staff onboarding or attrition.

Service Response / Action

Agreed. The signatory list will be reviewed and updated, and officers reminded of their delegated authority.

Implementation Date

Implemented

Responsible Officer

Group Manager

Grading

Significant within audited area

- 12.6.3 There were two records of petty cash – one hand-written and another in spreadsheet format – to aid completion of paperwork to replenish funds. It was highlighted that this could be inefficient, and the centre has since rationalised its approach.
- 12.6.4 Purchase cards should only be used for low value or regularly purchased items where it would not be economical to raise and process a purchase order and the associated invoice. Purchase cards represent an open line of credit, which presents a risk if not regularly reviewed.
- 12.6.5 All establishments have purchase cards. Two people in each centre: the Team Leader and Senior have been issued with cards. Procedures were in place for the use of purchase cards and the cards themselves are locked in the safe until needed. Appropriate transaction and monthly spend limits have been set for each, with variation depending on the intended use, and there is an option to temporarily extend limits for planned purchases. The Group Manager reserves advance approval for items over £100.

12.7 Procurement

- 12.7.1 To demonstrate best value in procurement it is important that goods and services are obtained through a competitive or negotiated process, and that appropriate contracts are in place with regular suppliers. Corporate suppliers with contracts arranged by Commercial and Procurement Services (CPS) and Scotland Excel are in place for a range of goods and services, are recorded on the Council's contracts register, and Financial Regulations require that these are used where available in the first instance. The Council has a 'no purchase order – no payment' policy in operation, except in specific circumstances (e.g. for utilities and other payments for which alternative control arrangements are in place).
- 12.7.2 A sample of higher value payments was reviewed, and in all but one case contracts were in place and purchase orders had been raised and items recorded as received. One invoice paid for training was not supported by a purchase order. Whilst best value has

been achieved through the purchase in this instance, orders should be raised and approved in advance to ensure this is always the case, and to comply with Financial Regulations.

<u>Recommendation</u>		
The Service should ensure purchase orders are raised for all purchases that require them.		
<u>Service Response / Action</u>		
Agreed. Managers have been reminded to raise purchase orders for any works that require to be done before authorising in order to ensure the procurement process is followed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Group Manager	Significant within audited area

12.8 Budget Monitoring

- 12.8.1 The budgets are overseen by the Group Manager and Adult Services Manager, in context with other cost centres. Team Leaders receive monthly budget monitoring reports to review, and report any discrepancies to Payroll, though not all were familiar with the report content.
- 12.8.2 Training of team leaders to assist in understanding their budgets and variances would be beneficial so that discrepancies can be resolved in good time and adjustments made to reduce costs if possible, mitigating against the risk of inefficient and unexplained / incorrectly coded spend.

<u>Recommendation</u>		
The Service should ensure Team Leaders managing budgets are suitably trained to do so.		
<u>Service Response / Action</u>		
Agreed. Training will be put in place for managers in order to better understand their budgets.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
August 2022	Group Manager	Important within audited area

12.9 Inventory

- 12.9.1 Financial Regulations require Services to maintain inventories of all assets. Inventories should be able to be relied upon in the event of an insurance claim, and corporate guidance suggests records should identify items with a value of over £100 or which are classed as portable and desirable (e.g. electrical goods).
- 12.9.2 There is an inventory of items held in personal cash tins such as identification papers and birth certificates, of which a monthly check is completed. Clients provide their own furniture for their accommodation.
- 12.9.3 The Service does not currently hold other inventory records, though corporate records will be available for specific ICT equipment. Furnishing / office fittings were considered by the Service to be old and unlikely to hold any value for insurance. These could however have a higher replacement cost. One centre has invested in sensory equipment, games, and

outdoor equipment, in addition to the bikes referenced at 2.2.4 above. In the absence of inventories, such items may be more difficult to keep track of and ensure they can be replaced in the event of loss.

Recommendation

The Service should ensure it holds up to date inventories in line with corporate guidance, and reviews these annually against items on site, and as and when items are added or disposed of.

Service Response / Action

Agreed. An inventory sheet has been developed, and we will inventory all non-ICT equipment in services. Any non-essential items or items that are no longer fit for purpose will be returned to facilities management or recycled.

Implementation Date

August 2022

Responsible Officer

Group Manager

Grading

Significant within audited area

12.10 Income

12.10.1 Most of the income to the centres was from housing benefit passed on to Social Work. There was income to the Len Ironside Centre for actual sessions attended from centre, online and home visits, charged at £0.70 per session. A list of attendees was kept for each session, from which invoices were raised. The centre had been closed due to COVID restrictions and resumed sessions from 1 April 2021.

12.10.2 The Council set a charge of £8.40 for day care sessions, at its budget setting meeting in March 2021, which the Service charges for externally commissioned care. The £0.70 per session charge for the Len Ironside Centre does not appear on the list of charges set as part of the budget. All fees and charges should be agreed at the appropriate level.

Recommendation

The Service should undertake a review to ensure all fees and charges are set in accordance with policy.

Service Response / Action

Agreed. The Service will review with Finance to determine an appropriate approach.

Implementation Date

December 2022

Responsible Officer

Group Manager;
Chief Finance Officer
(ACHSCP)

Grading

Important within audited area

AUDITORS:

- J Dale
- C Harvey
- G Flood
- H Beecroft

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<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>
Significant within audited area	<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>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

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