



UNAUDITED ANNUAL ACCOUNTS
FOR THE PERIOD
1 APRIL 2019 TO 31 MARCH 2020

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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 2019/20 and understand our financial performance for the year to 31 March 2020. 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 2019/20 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 is now the third year of our early close procedures to enable the unaudited Annual Accounts to be produced by the end of April 2020 and the audited Annual Accounts by the end of June 2020.

In the first quarter of 2020 a coronavirus outbreak (COVID-19) activated across the globe. This resulted in the United Kingdom and Scottish Governments imposing restrictions through guidance and law on the movement of people which came into full effect on 23 March 2020. The impact of this has led to a “shutdown” of virtually all economic activity within the UK and large-scale government financial intervention, some of which local government has been asked to administer. This has resulted in a significant level of increased economic uncertainty for Aberdeen City and the Council. The latest assessed implications have been incorporated, where possible, throughout the document.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2020, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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. The impact of the COVID-19 outbreak has been considered by the CIPFA-LASAAC Code Board in respect of any adjustments required to the Code and it was concluded full application of the 2019/20 Code would apply. In line with the UK’s Financial Conduct Authority, Scottish Ministers have advised that under provisions made in The Coronavirus (Scotland) Act 2020 each authority may determine its date of publishing the Annual Accounts up to 30 November 2020 – an extension of 2 months. The Council has determined that it wishes to continue to work to the previously planned timetable, however, recognises that there are concerns about the valuation of assets arising from the RICS guidance <https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus/> that may lead to a modified audit opinion. The Council has also requested a review of pension fund figures which were prepared in February 2020 to ensure they could meet the annual account deadlines. As a result there may be a movement in pension fund figures between the draft and final annual accounts.

This situation is not unique to local authorities or the wider public sector. In a statement the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA) “strongly encourage investors, lenders and other users of financial statements to take into account the unique set of circumstances arising from COVID-19 which might result in uncertainty in companies’ financial positions, potential delays in the provision of financial information, the need for auditors to undertake additional work to support their audit opinions and the increased use of modified audit opinions, including qualifications arising from scope limitations.” In preparing these Annual Accounts the Council continues to consider guidance and standards to ensure that they reflect the most practicably transparent information for users.

For the 2019/20 Annual Accounts, the requirements of the new IFRS 16 for Lease Accounting have been deferred for a further year. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases would be considered finance leases unless they meet the specific exception criteria.

Highlights

Aberdeen City Council is the main provider of services to the City’s 228,000 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 2019/20, the Operations Function was our largest spending responsibility, accounting for £249 million of our total £402 million net service expenditure. This Function provided Education and Integrated Children's Services to over 23,380 children at a cost of £197 million and Operational and Protective services including roads and waste collection services at a cost of £52 million. £89 million was invested in Adult Social Work services as part of the Integration Joint Board arrangement with NHS Grampian. £34 million was spent on our Customer Function that includes housing support and customer facing services. The balance of £30 million was spent on the Resources and Commissioning Functions and City Growth, Place Planning and Governance service clusters. £91 million was spent on Council Housing – managing and maintaining 21,935 homes.

In 2019/20, we received total income of £457 million, comprising £262 million and £123 million raised locally through non-domestic rates and council tax respectively, whilst £72 million was received from government grants, with the balance coming from service-related grants, fees, charges and other income.

In setting its 2019/20 General Fund (GF) budget, against a backdrop of reducing revenue grant, £41.2 million of budget savings and increased income targets were approved; in addition, council tax was increased by 4.5% raising additional revenue of £5.2m. The savings were primarily proposed to be achieved by changes to the level or approach to service delivery of £17.9m, savings from contract spending and grant funding of £9.3m, increased fees and charges of £3.2m and other and one off savings of £5.6 million. Substantially these savings were achieved, and governance was put in place to track the savings and mitigate and offset risk areas.

The final out-turn position was a small budget surplus (£0.8 million), after taking into account group accounting adjustments and movements in reserves.

The Council introduced a revised reserves policy in March 2019. Usable revenue reserves stood at £60 million at 31 March 2020, and increase of £1.5 million on the previous year.

Significant progress has been achieved on capital projects during 2019/20 with a total investment of £158 million including:

- Construction works are completed on The Event Complex Aberdeen (TECA), which opened hosting several high-profile concerts, alongside the completed Hotels and Energy Centre. The final piece of infrastructure, the Anaerobic Digestion Gas to Grid (AD plant), will complete the complex in 2020.
- The City Centre Masterplan continues to invest in Aberdeen; Aberdeen Art Gallery re-opened to the public in November 2019 to widespread acclaim of the refurbishment; contractors have begun the regeneration of Union Terrace Gardens and the refurbishment of Provost Skene House; land assembly and enabling works have begun on the redevelopment of Queen Street.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre.
- There is continued investment in the City Region Deal for the Aberdeen Harbour Extension project at Bay of Nigg and the associated roads infrastructure.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside investment in Intelligent Street Lighting to compliment the investment in Street Lighting LED lanterns.
- Construction continued on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils.
- The Council continued its commitment to its New Schools and Early Learning programmes; design works progressed on the £100 million investment in 4 new educational campuses, and construction works began on various sites across the city to deliver the expansion of Early Learning and Childcare.

The annual review of our credit rating was undertaken during the year, with the rating affirmed in November 2019 at Aa3 with outlook reduced from stable to negative, in line with the recent change to the UK's rating.

The Council and Our Plans and Performance

- **Who we are** - We are one of 32 Councils in Scotland. We have 8,803 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.
- **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 2020/21](#)

On 3 March 2020 the Council Delivery Plan 2020/21 was approved. Full details can be viewed at the Council's website in Committee reports for the Council meeting in March 2020. 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.

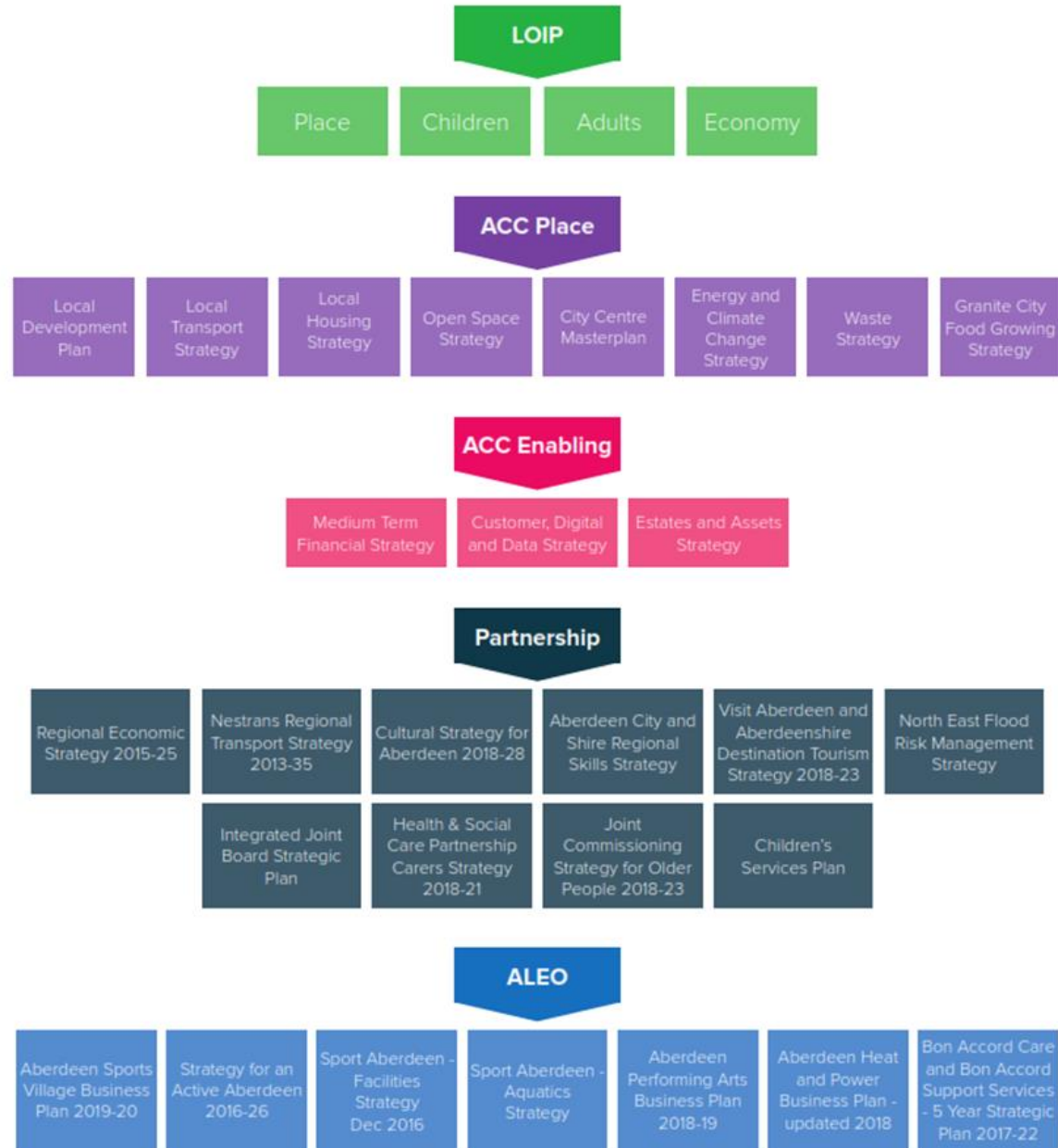
The Delivery Plan is aligned to further key documents below:

- [Local Outcomes Improvement Plan \(LOIP\)](#)

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 (CPP) Board. The LOIP was refreshed in 2019 and approved by the CPP on 26 February 2019. The LOIP can be viewed on the website of Community Planning Aberdeen.

- [Strategy Framework](#)

On 21 November 2019 the Strategic Commissioning Committee approved the commissioning of strategies as set out in the table on the next page. These strategies aim to set out the Council's contribution to the delivery of LOIP outcomes. Full details can be viewed at the ACC website in Committee Reporting for Strategic Commissioning Committee on 21 November 2019.



- [Policy Statement](#)

Approved in August 2017, providing the Administrations vision, Stronger Together – Prosperity for Aberdeen 2017-2022. Full details can be viewed at the Council's website in Committee reports for the Council meeting in August 2017. An update on the Policy Statement is provided in the Council Delivery Plan 2020/21.

- [The Target Operating Model](#)

On 23 August 2017, the Council approved a fundamental change in the way council services are managed and delivered through the implementation of a new Target Operating Model. Further development of the model was approved by Council on 11 December 2017 and a new governance structure aligned to the model was approved on 5 March 2018. The Scheme of Governance was further refreshed on 4 March 2019 and 2 March 2020. 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 and March 2020.

We are now entering the final phase of the transformation portfolio. The final phase has been designed to fully implement the transformation objectives by 2020/21. The remaining projects and their deliverables are set out in the Council's Delivery Plan 2020/21.

The projects are achieved through seven capabilities, with digital as a key enabler to support their delivery:

1. Managing demand through prevention and early intervention
2. Being flexible and adaptable
3. Ensuring accountability, transparency and openness
4. Becoming intelligence led
5. Encouraging inclusiveness, engagement and collaboration
6. Achieving consolidation and consistency
7. Focusing on outcomes that make a difference

- [Our Commissioning Approach](#)

2019/20 saw significant progress in the Council's implementation of a commissioning approach to service planning and delivery.

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 29th August 2019. The approved strategic commissioning approach has provided the basis for the development of the Council's planning and budgeting in 2020/21.

- [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 19th June 2018.

- [COVID-19 Response Plans](#)

At the Urgent Business Committee on 20 March 2020, arrangements for Governance were put in place to enable decision making in the light of the COVID-19 pandemic. This can be found on the ACC website at Committee Reporting for Urgent Business Committee on 20 March 2020.

Officers have established terms of reference for the response workstreams of Critical Services, Financial Resilience, Digital Resilience, Workforce Protection and Planning, Governance, Business Resilience, Care for People and Supply Chain. These workstreams report to an Incident Management Team of Chief Officers and Strategic Corporate Management Team for COVID-19 Response.

- **Legislative duties**

The Council Delivery Plan set out in the table below as at early March 2020 new legislation that may impact the Council directly during 2020/21. After that review of legislation the Coronavirus (Scotland) Act 2020 was given royal assent on 6th April 2020 and sets out emergency powers including protection of renters and debtors, modifications in relation to the role of public bodies, modifications in relation to criminal justice and alcohol licencing and a range of other provisions. An impact assessment of the Coronavirus (Scotland) Act 2020 has been undertaken to assure that the Council is appropriately responding to the new requirements and powers.

PEOPLE (Children)	PEOPLE (Adults)	PLACE
<ol style="list-style-type: none"> 1. The Head Teachers Education and Training Standards (Scotland) Regulations 2019 2. The Children and Young People (Scotland) Act 2014 (Modification) (No. 2) Order 2019 3. Female Genital Mutilation (Protection and Guidance) (Scotland) Bill 4. Children (Scotland) Bill 	<ol style="list-style-type: none"> 1. Tobacco Products Directive (2014/40/EU) – end of transitional period for menthol cigarettes. Implemented in the UK by the The Tobacco and Related Products Regulations 2016 2. Social Security (Scotland) Act 2018 3. Scottish Biometrics Commissioner Bill 4. Defamation and Malicious Publications (Scotland) Bill 5. Amendment of the Food Additives, Flavourings, Enzymes and Extraction Solvents (Scotland) Regulations 2013 6. Disclosure (Scotland) Bill 7. Consumer Scotland Bill 8. Civil Partnership (Scotland) Bill 9. Scottish Elections (Reform) Bill 10. Scottish Elections (Franchise and Representation) Bill 11. Period Products (Free Provision) (Scotland) Bill 	<ol style="list-style-type: none"> 1. Planning (Scotland) Act 2019 2. Animals and Wildlife (Penalties, Protections and Powers) (Scotland) Bill 3. The Electronic Invoicing (Public Contracts etc.) Amendment (Scotland) Regulations 2019 4. The Housing (Scotland) Act 1987 (Tolerable Standard) (Extension of Criteria) Order 2019 5. Non-Domestic Rates (Scotland) Bill 6. Revised statutory Code of Conduct under section 14 of Property Factors (Scotland) Act 2011 7. Local Connection and Intentionality Provisions in the Homelessness etc. (Scotland) Act 2003

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 so we have made significant investment in developing staff capability at all levels in order to ensure the long-term sustainability of our workforce. During 2019/20, under the responsibility of our Staff Governance Committee, we have continued at a pace to strengthen the behavioural framework and guiding principles established in March 2019. The ACC Workforce Plan was developed and approved and the Capability Framework was developed covering the transferable knowledge, skills and behaviours required of all staff at all levels of the organisation. A new approach to Continuous Review and Development was launched – embedding the guiding principles and capability framework. A Leadership Forum and Learning Academy were launched and Phase1 of the Leadership Development Programme delivered. ACC met the requirements for Year 1 of our Mental Health Action Plan.

Engaging with our staff

As well as investment in staff development we recognise the importance of an engaged and committed workforce. Over the last year we have ensured that staff engagement is a key part of our Key Performance Indicators (KPI). During 2019/20 we continued to develop programmes of engagement around transformation and the transformation zone. Initiatives that have already been implemented include listening and responding to our staff through means such as opinion surveys and staff events; recognising and celebrating employee success, such as our annual STAR Awards ceremony; a focus on employee wellbeing through health fairs, free health checks and other wellbeing initiatives; and providing a means for staff to put forward ideas and suggestions through the introduction of our online Ideas Hub.

Diversity at work

As an equal opportunity employer, we comply with our obligations under the Equality Act 2010. As a diverse city we have a diverse workforce and operate with a culture which is open, fair and transparent where any unlawful or unfair discrimination, prejudice, stereotyping or harassment is challenged and addressed. We maintain pay equality within and across our workforce.

Our Relationship with Scottish and UK Governments and Europe

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 2019 Annual Report on the City Region Deal Website at Abzdeal.com

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 will continue to be monitored over the transition period which extended from 31 December 2020, and afterwards when the new rules will apply. The Council receives its local authority grant funding from the Scottish Government; this is not connected to the European Union. At this stage there is no indication that either the UK or Scottish Parliaments intend to confer any new duties on local authorities in Scotland as part of the process. This matter will continue to be monitored closely by the Council, with risk registers regularly reviewed and updated.

The Council has a number of Arm's Length External Organisations (ALEOs), a number of which form part of our group and are reflected in the group accounts on pages 138 to 156. Significant investment is made in ALEOs by the Council and proper consideration must be given to their performance and governance arrangements. 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.

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.

Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 44 shows Net Assets of £1,132 million as at 31 March 2020 (£1,289 million at 31 March 2019), a reduction of £157 million. Long Term Assets have increased by £107 million (from £2,808 million at 31 March 2019), reflecting additions of £206 million to Property, Plant & Equipment (PPE), revaluation decreases of £51 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £4 million and depreciation of £72 million. Short Term Assets have increased by £37 million from the previous year, reflecting increases in Cash & Cash Equivalents (£31million), Short Term Investments (£5 million) and Debtors (£3 million). Current Liabilities have increased by £37 million from the previous year, in Short Term Borrowing from other local authorities (£16 million), Short term Creditors (£14 million) and Grants Received in Advance (£12 million). Long term liabilities have increased by £265 million, mainly due to an increase in Long Term Borrowing and pension liabilities.

Every effort has been made to reflect the value of Long Term Assets as at 31 March 2020, however the timing and impact of the Covid-19 means there is an increased level of uncertainty that may affect valuations, as referred to in RICS guidance, mentioned above.

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 105 – 106.

Total debt outstanding amounts to £1,198 million (2019 £1,056 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 second/long term empty homes, bus lane enforcement, pupil equity funding and general revenue grant received in advance.

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 5 March 2019, and again on 3 March 2020 and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 64 to 66.

- **Treasury**

The annual review of the Council's credit rating was undertaken in November 2019 and affirmed at Aa3 with the outlook reduced to negative from stable in line with the recent change to the UK's rating. In its credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance".

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

The Council's Treasury Management Strategy for 2019/20 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 Council Meeting on 4 March 2019.

- **Revenue**

During 2019/20, the Council set a net revenue expenditure budget of £526 million (being £439 million on the General Fund and £87 million on the Housing Revenue Account. The performance during the year resulted in a surplus of £2.2 million (represented by £1.7 million on the General Fund and £0.5 million on the Housing Revenue Account). This reflects the service performance after year-end adjustments, such as the use of reserves and statutory funds, but excludes statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 69 and the Comprehensive Income and Expenditure Statement (CIES) on page 43 as follows:

Financial Performance 2019/20	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	(1,662)	10,537	8,875	(4,561)	62,396	66,711
Housing Revenue Account	(500)	(7,247)	(7,747)	(32,060)	64,480	24,673
(Surplus) /Deficit on provision of services	(2,162)	3,291	1,129	(36,622)	126,876	91,383
Other Comprehensive Income and Expenditure						65,150
Total Comprehensive Income & Expenditure Surplus	(2,162)	3,291	1,129	(36,622)	126,876	156,533

- [Capital](#)

The Capital budget for the period 2019/20 to 2023/24 was set at £657 million (General Fund £503 million, Housing £154 million). Capital expenditure during the year was £210m, with around a quarter of this for spend on Housing. The capital programmes in 2020/21 were financed by capital grants (£30 million), borrowing (£133 million), revenue contributions from the Housing Revenue Account (£31 million) and other grant income / contributions (£16 million).

- [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 £3,274 million. This is an increase against the total assets of the Council, which are £3,167 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2018/19. Details can be seen on page 136.

- [Common Good](#)

The Common Good recorded an operating deficit of £2.2 million due to the approved use of cash balances in the 2019/20 budget to fund Sport Aberdeen to the value of £2.8 million. As this was one-off, then an underlying surplus of £0.6 million was achieved and cash balances were increased at the year end because of a capital receipt.

The above surplus is before revaluation of assets and other accounting adjustments are applied. The value of the Common Good is £124.1 million at 31 March 2020, an increase of £3.6 million from last year, reflecting movements in the value of assets to reflect current market conditions. Due to the same uncertainty referred to above for the Council Balance Sheet, the Long Term Asset valuations have an increased level of uncertainty. Further details on the Common Good can be seen at pages 130 to 133.

- [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 2020 was £10.2 million, a small decrease of £0.4 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 133 to 135.

Outlook including Risks and Uncertainties

- [Impact of COVID-19](#)

The impact of the COVID-19 outbreak brings risk and uncertainty globally. Currently, predicting the impact for the national and local economy is extremely uncertain. A timely and relevant local assessment is to be found in 'State of the Economy: April 2020' published by Dr Gary Gillespie, Chief Economist to the Scottish Government on 21 April 2020. This report summarises recent developments in the global, UK and Scottish economies and provides an analysis of the performance of, and outlook for, the Scottish economy. It quotes:

'We have already seen significant impacts on the functioning of the global economy through substantial volatility and disruption to financial markets and international supply chains while at a domestic level, businesses and households are facing significant negative impacts on incomes and cashflow resulting from a collapse in demand amid restrictions on economic activity.'

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. The city is home to 11,000 'businesses' (including public administration), supporting around 189,000 jobs and generates an estimated £258 million in non-domestic rates.

The overall economic impact is already significant, but will hopefully be temporary, and is required to support the public health effort. The economic policy response to the pandemic has seen unprecedented levels of support to business, households and individuals during a period in which they are required to be economically inactive. It has seen a combination of fiscal, monetary and macro-prudential measures put in place that exceed those from the financial crisis.

The nature, timing and scale of the economic recovery will depend on the success of measures to contain the pandemic in Scotland, the UK and in our key trading partners. It will also depend on the pace and timing of the global economic recovery and international policies in place (e.g. travel restrictions and social distancing) that could continue to impact economic activity in Scotland through trade and foreign direct investment.”

The full document can be found at: <https://www.gov.scot/publications/state-economy-april-2020/>

- [Aberdeen Economy](#)

Aberdeen is at the heart of one of the most prosperous regions in the UK outside of London. 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 its export share considerably higher than its GVA share demonstrating the international reach of the city region.

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

The decline in the price of oil between 2014 and 2016 has had an impact on the Aberdeen economy. The UK offshore oil and gas industry currently supports more than 280,000 jobs, a rise of 1% since 2018 and the first rise since the 2013 peak of more than 460,000 jobs. Most of these jobs are highly skilled and well paid. There had been a limited recovery in the oil price from its historic low in January 2016, which enabled the sector in Aberdeen to refocus and look to the future. The sector is now assessing the wider impact COVID-19 is having on the world economy and the resulting reduced price of oil.

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. The city is home to 11,625 ‘businesses’ (including public administration), supporting around 191,700 jobs and generates an estimated £250 million in non-domestic rates.

The population is still projected to grow over the next 35 years and this has informed the preparation of the statutory Aberdeen City and Shire Strategic Development Plan for the region, and Aberdeen Local Development Plan for the city. The annual Housing Land Audit (a joint Aberdeen City and Aberdeenshire Council report) is prepared using data provided by developers. In the 2020 Audit for the Aberdeen City area, which due to the Pandemic is yet to be finalized, an anticipated projection of housing completions totaling 9,057 units up to the year 2026 is shown (2020-2026). These figures will be impacted by the current Pandemic Lockdown, the outcome of which will not be known for some time. These units will vary in size and type depending on where they are built. The Proposed Strategic Development Plan (2019) has calculated a Housing Supply Target of 17,702 units beyond the year 2025 (2026-2040).

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 new Target Operating Model building cohesion through the Place and City Growth functions. The Council's investment in its capital programme directly supports the investment in new assets that support the diversification of the city region economy, including tourism, events, leisure and culture, and the delivery of the City Region Deal commitments on roads, harbour and digital infrastructure.

2020/21 Budget and Medium Term Financial Outlook

The Council set its 2020/21 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 3 March 2020. The 2020/21 General Fund budget presented proposals to address a significant gap of £37.9 million to Elected Members that reduced to £34.6m after additional funding was announced on 27 February 2020 by Scottish Government.

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. Operations Function contributed most to our savings proposals from their redesign - Education and Integrated Children's Services contributed £9.5m and Operational and Protective services £2.1m. £6.9m was contributed by Social Work services as part of the Integration Joint Board arrangement with NHS Grampian. £4.3m was contributed by our Customer Function that includes housing support and customer service. The balance of £6.9m was met by the Resources and Commissioning Functions and City Growth, Place Planning and Governance service clusters, £4.9 million is proposed to be raised by increasing Council Tax by 4%. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals. This can be found on the ACC website at Committee Reporting for Council meeting on 3 March 2020.

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

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

In early assessment and scenario planning of the impact of the COVID-19 outbreak and through the Governance arrangements described above, the Council plans to put robust measures in place to continue to exhibit strong financial management of its financial affairs and evidence our ability to continue as a going concern.

- Risks and Uncertainties

The corporate risk register and assurance map were presented to the Audit, Risk and Scrutiny Committee on 25 September 2019. The key risks to the Council along with risk owners and mitigating actions are set out in this document. It can be found on the ACC website in Committee Reporting for the above committee.

The council operates a risk management policy and strategy which identifies risks affecting the council, aligned to the strategic plan objectives. A new Risk Management Policy that superseded the previous Risk Management Framework was approved by the Audit Risk and Scrutiny Committee in December 2019. It can be found on the ACC website in Committee Reporting for the above committee.

In response to the COVID-19 outbreak, a strategic and operational risk register are updated weekly.

Conclusion

The Council continues to maintain a healthy credit rating of Aa3 with a negative 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 2019/20 financial year results showed a surplus of £2.2 million for the year across all Council accounts. This shows another strong performance over the year and demonstrates longer term stability in service delivery going forward.

The impact of the COVID-19 outbreak brings global economic insecurities and specific uncertainties for the City of Aberdeen and the Council. Through our Council governance arrangement for responding to the emergency, and specific financial resilience plans we aim to manage and mitigate risks in a robust way to protect the sustainability of Council finances.

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 as it aligns 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 2019/20 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
6 May 2020

Angela Scott
Chief Executive

Councillor Douglas Lumsden
Co-Leader of the Council

Statement of Responsibilities

The Council is required to:

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

Signed on behalf of Aberdeen City Council

Councillor Douglas Lumsden

Co-Leader of the Council

6 May 2020

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 2020.

Jonathan Belford, CPFA

Chief Officer - Finance

6 May 2020

Annual Governance Statement

PURPOSE OF ANNUAL GOVERNANCE STATEMENT

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

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

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

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

SECTION 1 SCOPE OF RESPONSIBILITY

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2020 and up to the date of approval of the annual accounts.

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

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

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

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

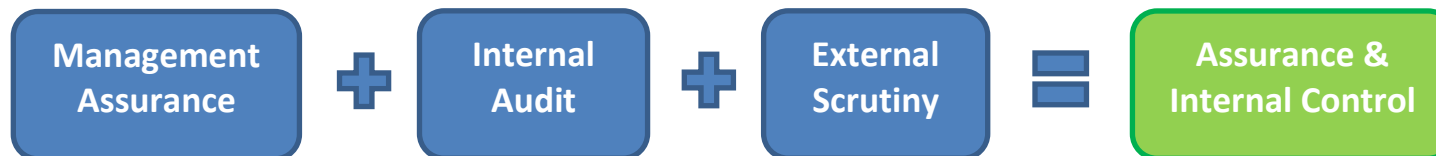
- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B** Ensuring openness and comprehensive stakeholder engagement
- Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits
-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

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

SECTION 2 REVIEW OF EFFECTIVENESS

2.1 SOURCES OF ASSURANCE

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



2.1.1 Management Assurance

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

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

These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses are incorporated into the 'Significant Governance Issues' section (Section 4) further to assessment of returns by the Corporate Management Team. For 2019/20, no issues were highlighted.

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.

During 2019/20 the Council undertook its agreed annual review of the Scheme of Governance, having monitored its use continuously during the year. The annual review is a structured process which considers how the Scheme has operated. Using a collaborative approach, feedback is sought from Members and officers in respect of any improvements that may be required. Consideration is also given to data from the committee annual effectiveness reports, particularly whether all the Committee Terms of Reference have been utilised throughout the year, as if not, this may mean that a review of the Terms of Reference is required. As a result of the annual review, further amendments were made to the Scheme to help ensure that the Council's governance arrangements remain effective.

Following the introduction of a governance structure to support delivery of the Target Operating Model (TOM), the Council approved a final organisational structure in March 2020 including the alignment of Business Intelligence & Performance Management to Customer, and of Governance, Strategic Place Planning and City Growth to Commissioning.

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

Group Entities

In terms of the controlling interest in the group entities, assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Managing Director or Finance Director, as evidenced by each organisation's most recent audited accounts. There are no significant areas to be included in this statement.

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

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

The following ALEOs fall within the remit of the Hub and are therefore subject to the Hub terms of reference:-

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

The Hub reported to the Audit, Risk and Scrutiny Committee in June and December 2019 on the level of assurance they had received from each ALEO and advising on the level of risk to the Council. There was also a review of ALEO Service Level Agreements and modifications made to these to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation. In addition, each ALEO presented an annual report to the Strategic Commissioning Committee in respect of their contribution to the Council and the city's outcomes.

The Assurance Hub reviewed the following areas in 2019/20:-

- Financial Management – review of quarterly trading accounts and annual audited accounts
- Review of risk registers
- ALEO internal and external audit reports
- Accountability and transparency of ALEO decision making
- Public participation in ALEO decision making
- Business continuity planning
- Information governance and data protection
- PREVENT strategy
- High level employment practices
- Induction and training programme for ALEO Board Members
- Composition and capacity of ALEO Board
- Medium term financial planning

In the most recent report, in all cases the overall ratings were Very Low, Low or Medium.

Integration Joint Board

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2019-20 to further strengthen its governance arrangements. These include:-

- Review of Board and Committee Terms of Reference
- Approval of ACHSCP Annual Report 2018-19
- IJB Developmental Workshop sessions – regular focus on the development of the Strategic Plan and areas of importance to the members
- Chairs of the IJB, Risk, Audit and Performance Committee and Clinical and Care Governance Committee reviewing remits of Committees to ensure alignment and reduce duplication
- Strategic Risk Register review – including revised risk register and risk appetite statement
- Further development of the Strategic Plan 2019-2022 – introduction of a series of 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.
- 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
- Hosted Services – regular review to enhance service provision
- 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

The IJB Chief Officer considers:-

- that the work undertaken to date has enabled the Partnership to be in a stronger position to face the challenges of the developing CoVid 19 pandemic.
- that the internal control environment operating during the reporting period has been enhanced and provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives and strategic priorities will be identified and actions taken to avoid or mitigate their impact.
- that sufficient systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement.

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

2.1.2 Internal Audit

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

In 2020, the Chief Internal Auditor will provide the Council with an annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2020.

The report will provide details of the position relating to the audits contained within the 2019/20 audit plan and highlight that the majority of recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment. Having taken all factors into consideration the annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control as drafted concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2020. The report will further confirm the organisational independence of Internal Audit.

The Audit, Risk and Scrutiny Committee received a range of reports during the year produced by Internal Audit which enabled scrutiny and questioning of officers to take place. This helped the Committee to gain assurance about the identified weaknesses and the actions being taken to address them. The Internal Audit plan for 2019/20 was agreed by the Audit, Risk and Scrutiny Committee on 14 February 2019. A total of 15 audits contained in the 2019/20 plan were completed by the end of the year along with 7 relating to 2018/19. A further 3 were with management for comment and 8 others were well progressed. 218 recommendations were made and agreed with management in finalised reports, of which 1 was classed as major at corporate level. The remainder were either significant within the audited area or important within the audited area. Although it is acknowledged that different areas of the organisation are audited each year, and there has been an increase in the number of recommendations made compared with 2018/19 (159), the total number of recommendations made by Internal Audit has reduced from 340 in 2016/17 and 274 in 2017/18.

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. The number of recommendations that had not met their initial timescale for implementation was 14 at the start of the year (as reported to Audit, Risk and Scrutiny Committee on 30 April 2019). The equivalent figure for the year end was 39, however the figure for the previous year was arrived at slightly later in the year than this statement, and so there may still be a reduction in this figure by the time the statement is considered by Committee.

2.1.3 External Scrutiny

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

2.1.4 COVID-19

In order to manage the response to the Covid19 pandemic, the Council has established a Corporate Management Team Strategic Response Group which is chaired by the Chief Executive. This group meets weekly and monitors the Council's Risk Management Plans supported by data dashboards to facilitate informed scenario planning and decision making. Risk Management Plans cover the areas of financial resilience, workforce planning & protection, supply chain stabilisation, business resilience, digital resilience, governance, care for people and critical services. This has allowed the Strategic Response Group to monitor the funding and logistical consequences of delivering the local government response and to assess the longer term disruption and consequences that may arise from the coronavirus pandemic. The Group has also considered a report of the impact on the Council's control environment and adequacy of its governance arrangements. Following consideration of the paper, proposals were agreed to engage with the Chief Internal Auditor to amend the Internal Audit Plan for 20/21 to reflect the new and emerging risks flowing from the pandemic. This would ensure that the Internal Audit Plan remained relevant to the organisation's risks. Also noting the changes made to the Council's Scheme of Governance at the Urgent Business Committee (UBC) on 20 March 2020 outlined below, the Strategic Response Group considered the governance arrangements at that time to be adequate. It was noted that the arrangements would be kept under review as part of the Governance Risk Management Plan.

The Strategic Response Group is supported by an Incident Management Team (IMT) which is chaired by the Duty Emergency Response Coordinator. Initially it met daily, and on occasion twice a day, but now meets weekly. It managed the initial response to the pandemic and associated government advice. The Group acts as a forum to provide situational awareness to all Chief Officers on matters such as the impact on business as usual in the delivery of services. It also acts as a forum for tactical decision making.

In addition to the above structures, the Chief Executive attends the Grampian Local Resilience Partnership which was activated in response to the pandemic. The multi-agency forum helps ensure a whole system approach to the response and subsequent recovery to the pandemic.

On 20 March 2020, recommendations were put before the Urgent Business Committee (UBC) to streamline the Council's decision-making structure to better enable staff and Members to adhere to the UK and Scottish Government's guidance and to support the operational response to the Covid-19 pandemic whilst allowing business of an urgent nature to be determined. The UBC determined that all Council, committee, subcommittee and working group meetings be cancelled until 21 August with the exception of the Planning Development Management Committee and other sub committees such as Licensing and Appeals, with any other business critical items to be considered at meetings of the Urgent Business Committee to ensure that business could proceed in the interim. Amendments were made to the Council's Standing Orders to enable remote attendance at meetings; additional powers were added to the Powers Delegated to Officers to allow specific Chief Officers to determine licensing and planning matters in exceptional circumstances; and slight amendments made to the current powers of the Chief Executive and all Chief Officers in respect of emergencies. Given the dynamic situation, the Council's committee arrangements will be kept under active review.

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 2019 to 31 March 2020. This includes a self evaluation of effectiveness as at 31 March 2020 thereby providing assurance around our systems of internal control:

Table A

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Attainment of CIPFA Governance Mark of Excellence. ➤ Information governance reporting and scrutiny through Audit, Risk & Scrutiny Committee, Corporate Management Team and monthly meetings of the Information Governance Group chaired by the Senior Information Risk Owner. Includes oversight of implementation of General Data Protection Regulation 2018 by Council and its ALEOs ➤ Monitoring of Scheme of Governance to ensure continued effectiveness; training delivered to elected members and officers; approval of further revisions to the Scheme to make decision making more efficient and transparent. ➤ Member Officer Relations Protocol revised and updated to reflect new Guiding Principles. ➤ Second annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content. CIPFA noted in their 2020 review of governance at Aberdeen City Council the engagement of Committee Members with the process by making specific suggestions for improvements to the reports in future years. ➤ Training on Bond Governance for Chief Officers, elected members and ALEOs, including production of videos which were used in training and made available to all staff on meeting room screens. KPMG reported (draft external audit intentions, January 2020) that while it considered the Bond to be a significant risk in their 2016-17 audit, it did not consider it to be a significant risk in the last two audits, demonstrating the Council's appropriate finance and governance arrangements. ➤ Roll out of Policy Framework for the maintenance and approval of policies to establish a consistent design and content for all Council policies and to ensure they link to strategic outcomes and risk. Includes establishment of a digital library of policies through Sharepoint which can be accessed by policy owners and users. ➤ Policy guidance, template and policy update procedure made available online to all staff. ➤ Further development of online consultation and legislative trackers so that Council is well placed to influence national policy and legislative changes and is ready to implement new legislative duties.
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ Staff Governance Committee, including trade union adviser representatives. The first annual effectiveness report for the Staff Governance Committee contained very positive comments from trade union advisers about the operation of the committee throughout the year. ➤ Weekly Director and trade union meetings to strengthen engagement. ➤ Regular meetings between Chief Officers and TU representatives for cluster level engagement. ➤ Continued expansion of the Leadership Forum at all levels, with 358 officers affiliated, and participation and collaboration through events, webinars and use of Sharepoint, in order to contribute to an open distributive leadership. ➤ Following extensive engagement, introduction of a set of Guiding Principles as the new behavioural framework for the Council, noted by KPMG as representing best practice and contributing significantly to the effectiveness of the Council's transformation. ➤ Again, following extensive engagement, introduction of Continuous Review and Development to replace Performance Review and Development, with a focus on continuous improvement and regular discussions between staff and their managers in respect of attainment of work objectives, knowledge and skills, behaviours and self and team assessment. ➤ Review of ALEO Service Level Agreements and modifications made to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation. ➤ Continuation of enhanced digital capabilities, including new online services such as the introduction of a chatbot to enhance the customer experience. ➤ Implementation of plan to develop customer service aligned with the requirements of Customer Service Excellence accreditation which the Council aims to achieve by the end of 2020, taken forward through engagement with staff and customers

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Participation in UNICEF'S Child Friendly Partners Programme for Child Friendly Cities and Communities, including the establishment of a city-wide pupil forum to meet regularly to support the identification and setting of strategic priorities for the education service, discuss a range of relevant issues and influence the recommendations being taken to the Education Operational Delivery Committee. ➤ Review of existing processes and requirements in respect of impact assessments and preparation of a digital form for report authors to use to evaluate how proposals and decisions will directly or indirectly have an impact on different communities; whether the Council is meeting its legal requirements in terms of Public Sector Equality Duty, Equality outcomes and Human Rights; whether Children's Rights have been impacted; whether socio-economic disadvantage is reduced; and whether any measures need to be put in place to ensure any negative impacts are eliminated or minimised. ➤ Introduction of We CARE Customer Charter which outlines what good customer service should look like across all Council services and how customers should expect to be treated. ➤ Increased publishing of both Council and partners' "Open Data" to the wider community to promote transparency and encourage innovation around that data. ➤ Ongoing involvement in project groups including chairing the Community Engagement Group. ➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee. ➤ The development of a Distributive Leadership Model to underpin a new approach to urban governance recognising the need for a modern collaborative approach to place (the City and the broader region) leadership.
	<ul style="list-style-type: none"> ➤ Approval of a Strategy Framework - ensuring all strategies on the Council's Framework align to the Local Outcome Improvement Plan (LOIP), have clear data led outcomes based on the needs of the population and are aligned to each other. ➤ Approval of commissioning intentions defining the contribution of the organisation to the Local Outcome Improvement Plan. ➤ Approval of the Aberdeen Local Development Plan to facilitate the delivery of the Council's outcomes. ➤ Work undertaken to revise committee report template and guidance introduced to ensure due consideration given to environmental and climate impact of any proposals – to be rolled out April 2020. ➤ Rollout of Performance Management Framework based around a cycle of four activities: Plan, Do, Study, Act ensuring an integrated approach to performance management and planning. Information and intelligence supports delivery and enables scrutiny of existing priorities and leads the development of learning, forward planning and commissioning. ➤ Development and roll out of "real time" interactive dashboards to support operational delivery of services as well as analytics, contract management and public performance reporting. ➤ Introduction of interactive dashboards for elected members which allow permanent access to the most up to date performance data, moving towards performance management and scrutiny being a continuous process. ➤ Undertaking a pro-active approach to addressing Aberdeen's contribution to climate change and the current and future impacts of it on the city and organisation, helping to meet the legislative requirements of the Climate Change (Scotland) Acts 2009 and 2019. This supports environmental considerations aligned to the Council's credit rating and contributes to the delivery of outcomes for climate change under the Local Outcome Improvement Plan (LOIP), including <ul style="list-style-type: none"> ○ Work to develop and refresh place-based and council net zero and climate resilience plans. ○ Approval of Aberdeen Adapts; a city Climate Adaptation Framework in December 2019 incorporating the views of 41 local organisations and setting the priorities, goals and action areas to build long term city resilience to climate change. ○ Submission of an annual Climate Change Report to Scottish Government in November 2019, providing qualitative and quantitative information on the progress with reducing emissions from Council assets and operations; and with building climate resilience.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
<p>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> ➤ Approval of Council Delivery Plan 2020/21 setting out the Council's annual contribution to the LOIP, city and regional outcomes, and transformational activities. ➤ Approval of a joint strategic commissioning approach for both the Council and Aberdeen Integration Joint Board. ➤ Delivery of transformation objectives through programmes of work incorporating a suite of transformational projects designed to deliver the capabilities, digital strategy and associated benefits, both financial and non-financial, to help deliver the TOM. ➤ Finalised Council structure with redesign of Business Intelligence and Performance Management service to Data and Insights cluster and move from Commissioning Function to Customer Function to assist in understanding of need, demand, service delivery and to support data driven decision making. ➤ Finalised structure also moves Governance, along with Strategic Place Planning & City Growth, into the Commissioning function, recognising the key role Governance has played and continues to play in the embedding of the commissioning model – a key element of the Target Operating Model and recognising the importance that Place Planning & City Growth play in setting the strategic direction for the city against which the Council's commissioning intentions will be set. ➤ Assurance 365 – transforming the Council's approach to assurance management and governance arrangements across the Council by utilising the full functionality of Office365 to provide 'real time' data. ➤ Scheme of Governance kept under continuous review and amendments made and approved March 2020. ➤ Annual reports for each ALEO reported to Strategic Commissioning Committee. ➤ ALEO Assurance Hub monitoring of ALEOs through exception reporting to allow it to assess the level of ALEO risk to the Council and its outcomes. ➤ ALEO Assurance Hub workplan 2020 reported to Audit, Risk and Scrutiny Committee for member oversight and assurance. ➤ Influencing strategy frameworks of partners to help ensure alignment with the LOIP and encourage interventions necessary to delivery LOIP outcomes, through, for example, Multi-Agency Transformation Management Group. ➤ In respect of the LOIP, 52 of the 54 project charters presented to the Community Planning Aberdeen Board have been approved and are now live. A large number of these projects are either currently testing or are showing signs of improvement, including:- <ul style="list-style-type: none"> • increasing the number of families who request additional support and receive an offer of an appropriate service within 30 days of receipt of the child's plan to 80% by 2021; • increasing the number of individuals who are on a custodial sentence, CPO Supervision or Diversion from Prosecution supported to make progress on the Employability Pipeline by 2021; • increasing the number of individuals who are involved in cuckooing incidents who undertake effective interventions or who are referred to relevant support services in priority localities by 2021; increasing community food growing in schools, communities and workplaces by 2021; • increasing by 20% the number of young people identified as being at risk of becoming involved in offending behaviour who are engaged in targeted community-based activities by 2021; • reducing the instances of anti-social behaviour as a result of appropriate and effective interventions in targeted areas by 10% by 2021; • increasing the number of young people living in Quintiles 1,2 and 3 who achieve a sustained positive destination by working with communities to 90%; • increasing the number of young people taking up foundation apprenticeships to 142 by 2021; • increasing the confidence of parents and young people to recognise and seek support in response to deteriorating mental wellbeing; the confidence of school-based staff to recognise and respond to children who require support and directing them to the school Nursing Service to 90%, and the support provided by the school Nursing service to children and young people with escalating mental wellbeing concerns by 50%.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
<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"> ➤ The Community Planning Partnership has been successful in gaining the commitment of non-statutory CPA partners in the delivery of the improvement projects and there is at least one non CPA partner involved and contributing to 77% of the improvement projects, ensuring capitalisation on the wider resources available. ➤ Continued training of councillors and officers on their obligations relative to the London Stock Exchange and Bond issue and on the Scheme of Governance. ➤ Introduction of Core HR, including giving employees more control over their own career and performance, but also more responsibility ➤ Introduction of Guiding Principles (Purpose, Pride, Team, Trust, Value) – created by staff and for staff to guide the way officers work, the way officers behave with each other and to make sure staff all have the same understanding of what it means to work for the Council. ➤ Introduction of Continuous Review and Development across the Council – with an emphasis on regular quality conversations between employees and their line manager to reflect on achievements and development needs and to plan ahead. ➤ Capability Framework – a new self and team assessment against the knowledge, skills and behaviours Aberdeen City Council needs employees to have – with a Learning Academy to allow employees to upskill ➤ Continued expansion of Leadership Forum at all levels, with 358 officers affiliated, and participation and collaboration through events, webinars and use of Sharepoint, in order to contribute to an open distributive leadership. ➤ Continuation of training programme on use of data to support informed decision making and enable robust measurement and evaluation of interventions. ➤ Introduction of new intranet, including many learning and training resources for staff, webinars and opportunities for development ➤ Ongoing evaluation of Elected Member Development Programme with work undertaken to identify alternative delivery methods to increase take-up. ➤ Award of gold accreditation level from Investors in Young People recognising excellence in recruiting and retaining young people.
<p>F - Managing risk and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> ➤ In respect of the self-assessment of the uncontrolled risk of asbestos fibres as a significant governance issue in 2018/19, an action plan was created and monitored by CMT Stewardship in relation to procedures for dealing with accidental disturbances of asbestos, training and contract management. This was also reported to the Staff Governance Committee in January and March 2019 and the Health and Safety Executive confirmed in March 2019 that they were satisfied with actions taken and procedures put in place to prevent a reoccurrence. ➤ Following the above, Elected Members on the Staff Governance Committee requested a standing item on the committee agenda for three cycles to allow for discussion of any asbestos related matters however there was no report required following implementation of the action plan. ➤ Internal Audit's Annual Report for 2019/20 presented to Audit, Risk and Scrutiny Committee in April 2019. ➤ Risk Registers kept under continuous review and reported to Committees. ➤ Assurance Maps included in risk information to provide a visual representation of the sources of assurance associated with each Cluster. Evidences the breadth and depth of assurance sources, so that Committees and Senior Management Teams can determine where these are insufficient – this information includes detail on the three lines of defence – doers, helpers, checkers. ➤ Cluster Risk Registers demonstrating how effectively risk is being managed through the controls which flow out of the above sources of assurance, through the Corporate Risk Register reviewed by the Audit, Risk and Scrutiny Committee and Corporate Management Team. ➤ Risk Management Policy – introduction of policy and supporting documents to (a) provide practical guidance on the approach required to effectively manage risk; (b) set out the Council's approach to managing threats and opportunities through a risk appetite statement; (c) provide practical tools with which to manage risk in a way which supports the Council in its delivery plans and commissioning intentions; and (d) nurture a philosophy of risk intelligence and maturity through developing informed and proactive risk owners and managers. ➤ Continued reporting from ALEO Assurance Hub to Audit, Risk and Scrutiny Committee on its oversight approach which balances the Council's need for assurance with an ALEO's right to govern itself as an independent entity.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
<p>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<p>The Hub adopts 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. Reporting is based on the degree of assurance provided on each ALEO's financial management; risk management and governance arrangements.</p> <ul style="list-style-type: none"> ➤ Work undertaken on committee report template risk section and guidance revised to align with content of Risk Management Policy. ➤ Monthly meetings of CMT Stewardship, Strategy and Transformation ➤ Monthly meetings of Information Governance Group chaired by the Senior Information Risk Owner. ➤ Organisational Resilience Group retained oversight of resilience actions, including incident debriefs, reporting quarterly to CMT. ➤ Review of credit rating by credit rating agency noting the Council's 'strong institutional framework' through internal governance and scrutiny. ➤ Procurement Control Board managing and monitoring reduction of expenditure. ➤ Scrutiny of safety management plans by Staff Governance Committee. ➤ Corporate Investigation Team minimising financial losses to the public purse as a result of fraudulent activities. ➤ Creation of separate risks registers to account for major emerging risks, including EU Exit and Covid19 pandemic. ➤ EU Exit Steering Group established, with membership including Chief Officers leading thematic Incident Management Teams prepared for activation as required. As noted above, a separate Risk Register was created and reviewed by the Steering Group and reported to the Corporate Management Team on a monthly basis. ➤ Roll out of revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan. ➤ Financial modelling; with a deep dive to focus on some areas; assignment-based, sharing Finance experience and expertise with colleagues across the Council to improve financial controls and financial stewardship. ➤ Work undertaken in Finance to support strategic work (e.g. demand analysis, benchmarking and data analysis), supporting the commissioning led approach to the budget. ➤ Improvements to finance systems with a focus on the ledger, providing monthly system-based information to managers; updated procedures for month and quarter end; work to improve graphical presentation of data and key metrics through Power BI. ➤ Commissioning led approach to the budget provided the opportunity for managers to influence and shape their service budget. Detailed reviews undertaken of areas of the business where activity is critical, leading to a better and more comprehensive understanding of cost drivers and the need for managers to control productivity as well as cost. ➤ Revised Scheme of Governance taking on board feedback gathered from officers and Members through the year. ➤ Roll out of revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan and development and roll out of "real time" interactive dashboards to support operational delivery of services as well as analytics, contract management and public performance reporting. ➤ 'Assurance 365' project seeking to delivery 'real time' dashboards for assurance data empowering managers to make informed decisions based on most up to date data. ➤ Second annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content – considered to be, 'best practice.' ➤ Internal Audit reporting throughout the year to Audit, Risk and Scrutiny Committee in respect of progress on outstanding audit recommendations, and approval of Internal Audit Annual Plan 2020/21 at Committee in February 2020.

SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2020/21 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 Stewardship arm of the Corporate Management Team.

An action plan is in place to take forward areas of development identified by CIPFA, following the Council's success in achieving the Governance Mark of Excellence in March 2020. The table below highlights the primary actions planned in 2020/21.

Table B

CIPFA Principle of Good Governance	Primary Actions Planned 2020/21
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Embedding improvement work flowing from CIPFA Governance Mark of Excellence Report 2020. ➤ Monitoring and annual review of Scheme of Governance to ensure that it continues to provide effective assurance for Members and officers, and future audit testing will monitor application of the various governance procedures and their effectiveness. ➤ Second annual review by Committees of their effectiveness against Terms of Reference. ➤ Continued monitoring of Member Officer Relations Protocol to ensure that it is consistently applied and to encourage consistency of Member / Officer behaviours ➤ Continuation of the Scheme of Governance training. ➤ Bond Governance – continue to embed implications of trading on London Stock Exchange within organisation. ➤ Ongoing policy review to determine whether these are still required and consider if there is opportunity to consolidate and remove unrequired process to ensure they provide a better experience for the user and great consistency and clarity of understanding, or whether they could be converted to procedures. ➤ Ongoing work to create more awareness of policies, the need for regular review and the aim of improving compliance. ➤ Keeping Guiding Principles and capability framework under review, encouraging and monitoring desired staff behaviours.
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ Annual review of the ALEO Assurance Hub. ➤ As part of its commitment to transparency, the Council is participating in a programme, through the Scottish Cities Alliance, which will increasingly make “open data” available through a dedicated portal. The availability of “open data” is not only a tool for promoting openness and transparency, but is a potentially valuable resource for individuals or groups outside the Council to increase value for the city by creating insight and / or applications. ➤ The Customer Feedback Team will continue to work with services to improve the quality and speed of responses to Elected Members. ➤ Continued embedding of the improvements in Customer and Community Empowerment and Engagement and taking the steps required to demonstrate Customer Service Excellence ➤ Development of models for civic leadership and engagement to strengthen collaborative decision making. ➤ Continued participation in UNICEF'S Child Friendly Partners Programme for Child Friendly Cities and Communities, and roll out and review of the city-wide pupil forum established by Education Operational Delivery Committee which will meet regularly to support the identification and setting of strategic priorities for the education service, discuss a range of relevant issues and influence the recommendations being taken to Committee. ➤ Roll out of combined impact assessment form and supporting guidance
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Review of support to Trusts to ensure that funding and support is aligned with outcomes. ➤ The Strategic Commissioning Committee will continue to perform a monitoring role, approving commissioning activity to help ensure that the needs and outcomes specified in the LOIP are being achieved. ➤ Continued embedding of commissioning for outcomes – not only in external commissioning, but in commissioning of internal services.

CIPFA Principle of Good Governance	Primary Actions Planned 2020/21
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> ➤ Ongoing work in respect of long term sustainability and climate change, including governance arrangements for development and delivery being integrated with Powering Aberdeen which aims to increase uptake of sustainable and renewable technologies ➤ Use of Quality Improvement (QI) and the Model for Improvement framework to drive improvement activity. This approach has been embedded throughout Community Planning Aberdeen since 2016 to support delivery of the LOIP and Locality Plans. Spreading its use within the Council will provide the Council with a systematic approach to managing improvement to deliver improved services and outcomes. ➤ Ongoing programme of work to develop and update commissioned and recommissioned strategies, taking account of the IJB's strategies, partnership strategies and ALEO strategies to help ensure that all strategies affecting the place are consistent and aligned to the LOIP and one another. ➤ Identification of any gaps in the approved Strategy Framework, allowing proposals to be made to the relevant committee as necessary. Ongoing work to identify and develop a set of strategic implementation plans to support the delivery of the Council's strategies. Continuation of work to develop and refresh place-based and council net zero and climate resilience plans. ➤ Preparation and collation of data for second annual report to Committees. Continued review of annual report after each year to ensure that format is effective, taking on feedback from Members. ➤ Move of Governance, along with Strategic Place Planning & City Growth clusters, into the Commissioning function, recognising the key role Governance has played and continues to play in the embedding of the commissioning model – a key element of the Target Operating Model and recognising the importance that Place Planning & City Growth play in setting the strategic direction for the city against which the Council's commissioning intentions will be set. ➤ Evaluation of progress in delivering better outcomes. ➤ Further review of the Outside Bodies policy in 2020/21 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.
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> ➤ Continuation of digital work – roll out of tools to change the way employees work so that the Council can realise added value and deliver more efficiently and effectively; as well as further developments for digitising services to the public. ➤ Review after one year of operation of the new approach to internal recruitment and movement of staff. ➤ Ongoing Continuous Review and Development work throughout the year, including development plans for individuals being taken forward. ➤ Embedding of recent developments, including Guiding Principles, staff development and the capability framework and the workforce plan. ➤ Continuation of development planning sessions for new and existing Chief Officers. ➤ Ongoing work to improve Elected Member Development Programme, with the aim of increasing attendance, while identifying alternative methods of delivery to assist those who have had difficulty attending training in the past due to work, study or family responsibilities, to include more flexible access such as online training within the Learning Academy and rebranding as Essential CPD. ➤ Ongoing review of People Policies, updating them to align with, and act as behaviour reinforcers for, the Guiding Principles.
F - Managing risk and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Ongoing reporting through Performance Management Framework to evidence the delivery of better outcomes. ➤ Monitoring of satisfactory completion of amended risk section in committee report template (to be introduced in April 2020) which aligns with Council's Risk Management Policy. ➤ Development and delivery of a risk appetite statement. ➤ Develop business case for digital platform for closing health and safety audits, fire risk assessments, compliance monitoring, workplace inspections and incident investigations. ➤ Updating and approval of Business Continuity Policy ➤ Reviewing approved Internal Audit Plan 2020/21 to account for Covid19 pandemic to ensure third line of defence is being targeted against Council's greatest risks.

CIPFA Principle of Good Governance	Primary Actions Planned 2020/21
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ Health and Safety training matrix for staff at all levels to be introduced. ➤ Embedding of Value for Money approach through continuation of rigorous approach to business case methodology; with justification for changes and base line information sought and obtained ahead of decisions being made; a focus on essential spend instruction; continued scrutiny of commissioning and purchasing from ECMT; and the Demand Management Control Board to continue challenging procurement business cases with a view to demonstrating improved outcomes. ➤ Further improvements to finance Business Partnering value adding arrangements through active management.
	<ul style="list-style-type: none"> ➤ 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. ➤ Approval of a risk based Internal Audit Plan 2020/21. ➤ Approval of programme for the ALEO Assurance Hub 2021/22. ➤ Embedding of 'real time' dashboards in respect of performance and assurance helping to empower staff to make informed decisions. ➤ Further development of committee effectiveness reports.

SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2018/19 identified 2 significant governance issues and in reviewing the progress made by officers of these actions, both have progressed sufficiently to be removed.

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

Table C

Issue Ref.	Issue Description	Source of Evidence	Action
1	New issues in 2019/20		
	None		
2			

SECTION 5 LEVEL OF ASSURANCE OBTAINED

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2020. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance. As the interim transitional structure continues to embed and as working practices are improved through digital design and delivery, levels of assurance are expected to increase.

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

On behalf of Aberdeen City Council, 6 May 2020:

Angela Scott
Chief Executive

6 May 2020

Councillor Douglas Lumsden
Co-Leader of the Council

Remuneration Report

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

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

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2019 (SSI No. 2019/23) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2018 (SSI No. 2018/38). 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 2019/20, the salary of the Leader of Aberdeen City Council is £40,765. 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, £30,575.

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 £456,416. 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, £30,575, with the remaining Senior Councillors receiving 75 per cent of that sum, £22,930.

In 2019/20, Aberdeen City Council had 17 Senior Councillor posts. The salary and allowances paid to them totalled £444,745 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.

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

Table 3: Details of exit packages.

Table 4: Details of remuneration paid to the Council's Senior Councillors. The 'Other Expenses' shown include the cost of travel and subsistence incurred or booked on behalf of Councillors travelling on Council business.

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

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

Table 1: Remuneration Bands

	2018/19	2019/20		2018/19	2019/20
Remuneration Band	Number of Employees		Remuneration Band (cont'd)	Number of Employees	
£50,000 - £54,999	116	133	£155,000 - £159,999	-	2
£55,000 - £59,999	80	151	£160,000 - £164,999	1	1
£60,000 - £64,999	25	41	£165,000 - £169,999	2	-
£65,000 - £69,999	10	19	£170,000 - £174,999	1	-
£70,000 - £74,999	10	9	£175,000 - £179,999	1	-
£75,000 - £79,999	9	7	£180,000 - £184,999	2	-
£80,000 - £84,999	8	4	£185,000 - £189,999	1	-
£85,000 - £89,999	4	13	£190,000 - £194,999	-	1
£90,000 - £94,999	1	1	£200,000 - £204,999	-	-
£95,000 - £99,999	-	1	£205,000 - £209,999	1	-
£100,000 - £104,999	-	1	£210,000 - £214,999	-	-
£105,000 - £109,999	2	1	£220,000 - £224,999	1	1
£110,000 - £114,999	3	2	£225,000 - £229,999	1	-
£115,000 - £119,999	2	-	£230,000 - £234,999	-	-
£120,000 - £124,999	4	3	£235,000 - £239,999	2	-
£125,000 - £129,999	2	1	£240,000 - £244,999	-	1
£130,000 - £134,999	4	-	£245,000 - £259,999	-	-
£135,000 - £139,999	1	1	£260,000 - £264,999	1	-
£140,000 - £144,999	1	-	£265,000 - £289,999	-	-
£145,000 - £149,999	1	1	£290,000 - £294,999	1	-
£150,000 - £154,999	4	-	Total	302	395

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

Table 2: Total Remuneration Paid to Councillors

	2018/19 £	2019/20 £
Salaries	948,916	958,597
Allowances	-	-
Expenses	58,220	39,134
Total	1,007,136	997,731

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'000					
	2018/19	2019/20	2018/19	2019/20	2018/19			2019/20		
					Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	-	81	52	774	71	845	569	50	619
£20,000 - £39,999	-	-	37	24	669	297	966	466	179	645
£40,000 - £59,999	-	-	13	13	187	530	717	231	382	613
£60,000 - £79,999	-	-	10	3	195	486	681	32	175	207
£80,000 - £99,999	-	-	5	5	77	377	454	68	387	455
£100,000 - £149,999	-	-	15	8	296	1,531	1,827	117	902	1,019
£150,000 - £199,999	-	-	9	-	148	1,556	1,704	-	-	-
£200,000 - £249,999	-	-	3	2	53	407	460	31	398	429
£250,000 - £299,999	-	-	-	-	-	-	-	-	-	-
£300,000 - £349,999	-	-	1	1	21	323	344	17	311	328
Total	-	-	174	108	2,420	5,578	7,998	1,531	2,784	4,315

Table 3 shows the number of exit packages agreed during the year and the cost of those packages.

Table 4: Remuneration of Senior Councillors

2018/19	Councillor Name	Responsibility	2019/20			Total Remuneration £	Notes
			Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £		
40,581	Jennifer Laing	Co Council Leader	40,765	82	-	40,847	1
31,778	Douglas Lumsden	Co Council Leader	30,575	85	647	31,307	2
55,713	Barney Crockett	Lord Provost	30,675	911	9,907	41,493	
30,502	Jennifer Stewart	Depute Lord Provost	30,819	273	330	31,422	3
21,293	Alan Donnelly	Depute Provost (until 24 January 2019)	-	-	-	-	
29,832	Ryan Houghton	Business Manager	30,575	82	-	30,657	4
-	Alex Nicoll	Convener, Audit, Risk and Scrutiny (from 2 March 2020)	5,069	16	-	5,085	5
30,025	Stephen Flynn	Convener, Audit, Risk and Scrutiny (until 5 January 2019)	23,342	69	33	23,444	
22,789	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	22,930	82	70	23,082	
-	Jackie Dunbar	Interim Group Leader (from 6 January until 21 January 2020)	972	3	-	975	
29,847	Yvonne Allan	Convener, Staff Governance	30,575	82	-	30,657	6
23,913	Philip Bell	Vice Convener, Operational Delivery	22,930	101	2,391	25,422	
22,582	Freddie John	Vice Convener, Strategic Commissioning	22,930	82	-	23,012	
30,389	John Wheeler	Convener, Operational Delivery	30,575	82	735	31,392	7
23,213	Lesley Dunbar	Vice Convener, Public Protection	22,930	90	69	23,089	
23,146	Gordon Graham	Vice Convener, Operational Delivery	22,930	629	-	23,559	
41,086	John Reynolds	Convener, Licensing Committee	30,575	209	11,093	41,877	8
29,954	Marie Boulton	Convener, Capital Programme	30,575	88	73	30,736	9
22,306	Ross Grant	Vice Convener, City Growth and Resources	22,930	76	-	23,006	
22,681	Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson	22,930	82	69	23,081	
-	Mohammed Tauqueer Malik	Convener, Pensions	23,445	82	3,609	27,136	10
22,402	Claire Imrie	Mental Health Spokeperson	17,138	82	-	17,220	
554,032	Total		516,185	3,288	29,026	548,499	

Table 4 Notes

Note 1:	Councillor Laing is also Convener of Strategic Commissioning; Urgent Business Committee and Aberdeen City Region Deal.
Note 2:	Councillor Lumsden is also Convener, City Growth and Resources and Vice Convener of the Capital Programme and Urgent Business.
Note 3:	Councillor Stewart is also Convener Public Protection and Vice Convener Planning Development Management.
Note 4:	Councillor Houghton is also Vice Convener Staff Governance.
Note 5:	Councillor Nicoll is also Convener SNP Group from 6 January 2020.
Note 6:	Councillor Allan is also Convener Appeals.
Note 7:	Councillor Wheeler is also Convener Education Operational Delivery.
Note 8:	Councillor Reynolds is also Vice Convener Pensions Committee.
Note 9:	Councillor Boulton is also Convener Planning Development Management.
Note 10:	Councillor Tauqueer Makis is also Depute Business Manager.

Table 5: Remuneration of Senior Employees of the Council

2018/19			2019/20	2019/20			
Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration* £	Returning Officer Fee note 1 £
151,407	Angela Scott	Chief Executive	155,949	155,949	-	155,949	-
123,493	Andy MacDonald	Director of Customer Services	121,129	121,129	-	121,129	-
124,935	Frank McGhee	Director of Commissioning (until 30 April 2019)	121,129	41,075	-	41,075	
117,601	Rob Polkinghorne	Chief Operating Officer	121,129	121,129	-	121,129	
117,601	Steven Whyte	Director of Resources	121,129	121,129	-	121,129	
50,595	Jonathan Belford	Chief Officer - Finance	89,337	89,337	-	89,337	
86,735	Fraser Bell	Chief Officer - Governance (Monitoring Officer)	89,337	90,865	-	90,865	1,528
85,044	Gale Beattie	Chief Officer - Strategic Place Planning	85,597	85,797	-	85,797	
83,104	Richard Sweetnam	Chief Officer - City Growth	85,597	85,597	-	85,597	
14,169	Alison McAlpine	Chief Social Work Officer (shared responsibility)	58,374	58,374	-	58,374	
14,169	Isabel McDonnell	Chief Social Work Officer (shared responsibility)	58,374	58,374	-	58,374	
151,056	Anne Donaldson	Chief Social Work Officer (until 31 December 18)	-	-	-	-	
19,388	Graeme Simpson	Chief Social Work Officer (until 31 July 18)	-	-	-	-	
37,722	Eleanor Sheppard	Chief Education Officer	77,224	77,224	-	77,224	
1,177,019	Total			1,105,979	-	1,105,979	

*	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 Parliament Elections (Returning Officers' Charges) Order 2019 (UK SI 2019/1454). 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 19/20 he delegated some of the RO duties/fees to 2 other employees.

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

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

Table 6: Remuneration – the Council’s Subsidiary Bodies

2018/19			2019/20			
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Compensation for Loss of Office £	Benefits Other Than in Cash £	Total Remuneration £
94,213	Alistair Robertson	Managing Director Sport Aberdeen Ltd	99,900	-	-	99,900
-	Alexis Chappell	Managing Director Bon Accord Support Services Ltd (from 1 September 2019)	58,658	-	-	58,658
55,903	Alistair MacLean	Acting Managing Director Bon Accord Support Services Ltd (until 31 August 2019)	48,548	-	-	48,548
39,828	Sandra Ross	Managing Director (until 31 August 2018) Bon Accord Support Services Ltd	-	-	-	-
189,944	Total		207,106	-	-	207,106

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	Contribution rate 2018/19	Pensionable pay	Contribution rate 2019/20
On earnings up to and including £21,300	5.5%	On earnings up to and including £21,800	5.5%
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,100 and up to £35,700	8.5%	On earnings above £26,700 and up to £36,600	8.5%
On earnings above £35,700 and up to £47,600	9.5%	On earnings above £36,600 and up to £48,800	9.5%
On earnings above £47,600	12%	On earnings above £48,800	12%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th 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 2020.

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 2020.

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 2019 £	For year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
Jennifer Laing	Co Council Leader	7,653	7,850	Pension Lump Sum	8 2	1 -
Douglas Lumsden	Co Council Leader	5,740	5,888	Pension	2	1
Barney Crockett	Lord Provost	5,740	5,888	Pension Lump Sum	7 2	1 -
Jennifer Stewart	Depute Lord Provost	5,740	5,888	Pension Lump Sum	6 2	1 -
Alan Donnelly	Depute Provost (until 24 January 2019)	3,565	-	Pension Lump Sum	- -	(7) (10)
Ryan Houghton	Business Manager	5,740	5,888	Pension	2	1
Stephen Flynn	Convener, Audit, Risk and Scrutiny (until 5 January 2019)	5,740	4,505	Pension	3	1
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,305	4,416	Pension Lump Sum	5 2	- -
Jackie Dunbar	Interim Group Leader (from 6 January until 21 January 2020)	-	188	Pension Lump Sum	5 2	5 2
Yvonne Allan	Convener, Staff Governance	5,740	5,888	Pension Lump Sum	8 2	1 -
Philip Bell	Vice Convener, Operational Delivery	4,305	4,416	Pension	1	-
Freddie John	Vice Convener, Strategic Commissioning	4,305	4,416	Pension	1	-
John Wheeler	Convener, Operational Delivery	5,740	5,888	Pension	2	1
Lesley Dunbar	Vice Convener, Public Protection	4,305	4,416	Pension	3	-
Gordon Graham	Vice Convener, Operational Delivery	4,305	4,416	Pension Lump Sum	5 2	- -
John Reynolds	Convener, Licensing Committee	5,740	5,888	Pension Lump Sum	8 2	2 -
Marie Boulton	Convener, Capital Programme	5,740	5,888	Pension Lump Sum	7 2	1 -
Ross Grant	Vice Convener, City Growth and Resources	4,305	4,416	Pension	4	1
Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson	4,305	4,416	Pension	1	-
Mohammed Taugeer Malik	Convener, Pensions	-	4,438	Pension	3	3
Claire Imrie	Mental Health Spokeperson	4,305	3,377	Pension	1	-
Total		97,318	98,374	Pension Lump Sum	82 18	13 (8)

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2019 £	For year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
Angela Scott	Chief Executive	28,913	30,098	Pension	73	4
Andy MacDonald	Director of Customer Services	1,866	23,378	Pension	28	3
				Lump Sum	17	1
Frank McGhee	Director of Commissioning (until 30 April 2019)	17,872	1,948	Pension	-	(2)
Rob Polkinghorne	Chief Operating Officer	1,866	23,378	Pension	2	(1)
Steven Whyte	Director of Resources	22,697	23,378	Pension	42	3
				Lump Sum	59	1
Jonathan Belford	Chief Officer - Finance	9,765	17,242	Pension	35	34
				Lump Sum	59	59
Fraser Bell	Chief Officer - Governance (Monitoring Officer)	16,740	17,242	Pension	16	2
Gale Beattie	Chief Officer - Strategic Place Planning	16,414	16,520	Pension	28	2
				Lump Sum	43	1
Richard Sweetnam	Chief Officer - City Growth	16,039	16,520	Pension	24	2
				Lump Sum	21	1
Alison McAlpine	Chief Social Work Officer (shared responsibility)	2,735	11,266	Pension	16	2
				Lump Sum	16	-
Isabel McDonnell	Chief Social Work Officer (shared responsibility)	2,735	11,266	Pension	26	2
				Lump Sum	45	3
Graeme Simpson	Chief Social Work Officer (until 31 July 18)	3,742	-	Pension	32	5
				Lump Sum	46	6
Anne Donaldson	Chief Social Work Officer (until 31 December 18)	8,419	-	Pension	-	(32)
				Lump Sum	-	(65)
Eleanor Sheppard	Chief Education Officer	7,280	16,027	Pension	27	3
				Lump Sum	60	3
TOTAL		157,083	208,263	Pension	349	27
				Lump Sum	366	10

- 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 2019 £	For year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
Alistair Robertson	Managing Director Sport Aberdeen Ltd	8,814	9,360	Pension	57	5
Alexis Chappell	Managing Director Bon Accord Support Services Ltd (from 1 September 2019)	-	10,500	Pension	1	1
Alistair MacLean	Acting Managing Director Bon Accord Support Services Ltd (until 31 August 2019)	9,280	8,690	Pension	-	(8)
Sandra Ross	Managing Director (until 31 August 2018) Bon Accord Support Services Ltd	6,874	-	Pension	-	(10)
Total		24,968	28,550	Total	57	(13)

Angela Scott
Chief Executive

Councillor Douglas Lumsden
Co-Leader of the Council

6 May 2020

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 Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2018	(40,697)	(11,808)	(13,460)	0	(65,965)	(1,317,926)	(1,383,891)
Movement in Reserves during 2018/19							
Total Comprehensive Income & Expenditure	81,284	23,138	0	(482)	103,940	(8,962)	94,978
Adjustments between accounting basis & funding basis under regulations (note 5)	(65,139)	(30,906)	(663)	0	(96,708)	96,708	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	16,145	(7,768)	(663)	(482)	7,232	87,746	94,978
Transfers to/from Other Statutory Reserves (note 6)	(10,502)	7,268 *	3,298	0	64	(64)	0
(Increase)/Decrease in 2018/19	5,643	(500)	2,635	(482)	7,296	87,682	94,978
Balance at 31 March 2019 carried forward	(35,054)	(12,308)	(10,825)	(482)	(58,669)	(1,230,244)	(1,288,913)

*£7.3m was transferred from Housing Revenue Account (HRA) revenue balances to General Fund (GF) to compensate the GF for the fair value transfer of land to the HRA. This transfer was treated as a capital receipt by the GF and was transferred to the GF Capital Fund

	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 2019 brought forward	(35,054)	(12,308)	(10,825)	(482)	(58,669)	(1,230,244)	(1,288,913)
Movement in Reserves during 2019/20							
Total Comprehensive Income & Expenditure	60,236	31,147	0	0	91,383	65,150	156,533
Adjustments between accounting basis & funding basis under regulations (note 5)	(58,601)	(31,652)	(853)	0	(91,106)	91,106	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,635	(505)	(853)	0	277	156,256	156,533
Transfers to/(from) Reserves	(1,971)	5	301	0	(1,665)	1,665	0
(Increase)/Decrease in Year	(336)	(500)	(552)	0	(1,388)	157,921	156,533
Balance at 31 March 2020	(35,390)	(12,808)	(11,377)	(482)	(60,057)	(1,072,323)	(1,132,380)

Comprehensive Income and Expenditure Statement

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

2018/19				2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
314,563	(33,429)	281,134	Operations	330,491	(50,687)	279,804
105,592	(68,565)	37,027	Customer	101,003	(63,804)	37,199
32,531	(2,520)	30,011	Commissioning	13,970	(5,004)	8,966
52,769	(39,724)	13,045	Resources	193,358	(180,426)	12,932
30,696	(7,112)	23,584	Place	33,748	(9,547)	24,201
3,995	(1,347)	2,648	Governance	5,593	(2,309)	3,284
226,726	(140,292)	86,434	Integration Joint Board	236,387	(145,080)	91,307
36,110	7,146	43,256	Corporate	60,479	(821)	59,658
116,789	(96,161)	20,628	Housing Revenue Account	125,133	(100,460)	24,673
919,771	(382,004)	537,767	Cost of Services	1,100,162	(558,138)	542,024
0	(72)	(72)	Other Operating Expenditure (note 8)	1,137	0	1,137
97,751	(50,576)	47,175	Financing and Investment Income and Expenditure (note 9)	104,027	(54,537)	49,490
0	(480,930)	(480,930)	Taxation and Non Specific Grant Income (note 10)	0	(501,268)	(501,268)
1,017,522	(913,582)	103,940	(Surplus) or Deficit on Provision of Services	1,205,326	(1,113,943)	91,383
		(9,404)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(11,118)
		0	(Surplus)/deficit on revaluation of available for sale financial assets			0
		(4,617)	Actuarial (gains)/losses on pension assets/liabilities			78,187
		5,059	Other (gains)/losses			(1,919)
		(8,962)	Other Comprehensive Income and Expenditure			65,150
		94,978	Total Comprehensive Income and Expenditure			156,533

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 2018 £'000	31 March 2019 £'000		Note	31 March 2020 £'000
2,311,324	2,438,886	Property, Plant & Equipment	28	2,154,702
197,370	197,691	Heritage Assets	27	197,819
148,592	145,832	Investment Property	26	538,156
18,076	17,638	Long Term Investments	38	16,932
8,222	7,592	Long Term Debtors	38	7,539
2,683,584	2,807,639	Long Term Assets		2,915,148
56,202	70,520	Cash and Cash Equivalents	17	101,542
98,705	45,213	Short Term Investments	38	50,454
77,292	92,158	Short Term Debtors	33	94,760
1,174	1,832	Inventories	32	2,017
6,198	5,693	Assets Held for Sale	31	3,656
239,571	215,416	Current Assets		252,429
(79,435)	(197,228)	Short Term Borrowing	38	(213,138)
(78,613)	(80,860)	Short Term Creditors	34	(95,301)
(5,758)	(5,259)	Short Term Provisions	35	(2,253)
(3,222)	(4,230)	PPP Short Term Liabilities	30	(3,020)
(5,607)	(5,607)	Accumulated Absences Account	13	(6,129)
(578)	(2,989)	Grants Receipts in Advance - Revenue	37	(712)
(7,855)	(13,091)	Grants Receipts in Advance - Capital	37	(25,529)
(181,068)	(309,264)	Current Liabilities		(346,082)

1 April 2018 £'000	31 March 2019 £'000		Note	31 March 2020 £'000
(890,982)	(895,954)	Long Term Borrowing	38	(1,021,809)
(58,425)	(58,029)	Finance Lease	25	(57,602)
(108)	(13)	Long Term Creditors	38	0
(679)	(551)	Long Term Provisions	35	(613)
(97,751)	(138,223)	PPP Long Term Liabilities	30	(135,202)
(310,251)	(332,108)	Pension Liabilities	22	(473,889)
(1,358,196)	(1,424,878)	Long Term Liabilities		(1,689,115)
1,383,891	1,288,913	Net Assets		1,132,380
		Usable Reserves:		
(40,697)	(35,054)	General Fund Balance		(35,390)
(11,808)	(12,308)	Housing Revenue Account		(12,808)
(13,460)	(10,825)	Statutory and Other Reserves		(11,377)
0	(482)	Capital Grants Unapplied Account		(482)
(1,317,926)	(1,230,244)	Unusable Reserves	13	(1,072,323)
(1,383,891)	(1,288,913)	Total Reserves		(1,132,380)



Jonathan Belford, CPFA
Chief Officer - Finance

6 May 2020

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.

2018/19 £'000		2019/20 £'000
(103,940)	Net Surplus or (Deficit) on the provision of services	(91,383)
162,692	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	195,596
(29,420)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,486)
29,332	Net cash flows from Operating Activities (note 14)	74,727
(119,469)	Net cash flows from Investing Activities (note 15)	(165,306)
104,455	Net cash flows from Financing Activities (note 16)	121,601
14,318	Net increase or (decrease) in cash and cash equivalents	31,022
56,202	Cash and cash equivalents at the beginning of the reporting period	70,520
70,520	Cash and cash equivalents at the end of the reporting period (note 17)	101,542

Notes to the Accounts

1. Accounting Policies

i General Principles

The Annual Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year ended 31 March 2020. 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 2019/20 supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods 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.

iii Carbon Reduction Commitment Allowances

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

iv Cash and Cash Equivalents

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

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

v Charges to Revenue for Non Current Assets

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

- depreciation attributable to the assets used by the relevant service; 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.

vi Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 1.7%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price; and
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts 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.

viii Financial Liabilities

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

estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). 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.

ix 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.

x Foreign Currency Translation

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

xi Government Grants and Contributions

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

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

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

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

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

xii Heritage Assets

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

- **Fine Art & Applied Art Collection**

The Art collection includes paintings (both oil and watercolour), installations and sculptures, decorative and applied art including silver, ceramics and glass etc and is reported in the Balance Sheet at 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).

xiii 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.

xiv 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.

xv 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.

xvi 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.

xvii 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.

xviii 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.

xix 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.

xx 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.

xxi 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.

xxii 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.

xxiii 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.

xxiv 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.

xxv New accounting standards

The Code of Practice on Local Authority accounting for 2019/20 was revised to include the latest International Financial Reporting Standards (IFRS) coming into effect:

- Amendments to IAS 40 Investment Property; Transfers of Investment Property
- Annual Improvements to the IFRS Standards 2014-16 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation

These changes have been considered as part of the preparation of the Council's accounts for 2019/20 and neither are considered to have a material impact on the financial statement.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

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

- IFRS 16 Leases will require local authorities that are lessees to recognise these leases on their balance sheets as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. As a result of the current Covid-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021.
- IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures. This amendment clarifies that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. This will have no impact on the Council as it already complies.
- IAS 19 Employee Benefits: Plan amendment, curtailment or settlement – this specifies how organisations determine pension expenses when changes to a defined benefit pension plan occur.

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 £192 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 8.75%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.3m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £27.8m.

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 £35.2 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 £35.9 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2020 the Council had a balance of short term debtors of £94.760 million. This is net of an allowance for the impairment of debt of £68.868 million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £0.948 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 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.

2018/19	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	(41,683)	(30,160)	0	0	0	71,843
Revaluation losses on Property, Plant and Equipment	(41,961)	(24,015)	0	0	0	65,976
Capital grants and contributions applied	37,333	4,764	0	0	0	(42,097)
Write off carrying amount of non current assets sold	(907)	(84)	0	0	0	991
Write off carrying amount of non current assets scrapped	(420)	0	0	0	0	420
Statutory provision for the financing of Capital spend (3R's)	4,537	0	0	0	0	(4,537)
Movement in the fair value of Investment Properties	(2,822)	0	0	0	0	2,822
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	9,533	4,483	0	0	0	(14,016)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	(4,103)	14,440	0	0	0	(10,337)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(663)	1,065	0	(402)
Proceeds from sale of non current assets	971	745	0	(1,716)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(149)	(502)	0	651	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	429	0	0	0	0	(429)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(60,683)	(1,680)	0	0	0	62,363
Employer's pensions contributions and direct payments to pensioners payable in the year	34,785	1,104	0	0	0	(35,889)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	0	0	0	0	0	0
Total Adjustments	(65,140)	(30,905)	(663)	0	0	96,708

2019/20	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	(41,920)	(31,900)	0	0	0	73,820	
Revaluation losses on Property, Plant and Equipment	(3,414)	(32,147)	0	0	0	35,561	
Capital grants and contributions applied	42,697	1,483	0	0	0	(44,180)	
Write off carrying amount of non current assets sold	(1,837)	(111)	0	0	0	1,948	
Write off carrying amount of non current assets scrapped	0	0	0	0	0	0	
Statutory provision for the financing of Capital spend (3R's)	4,627	0	0	0	0	(4,627)	
Movement in the fair value of Investment Properties	429	0	0	0	0	(429)	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure</u>							
Loan principal repayments during the year	3,993	1,563	0	0	0	(5,556)	
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	(1,340)	30,496		0	0	(29,156)	
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(853)	813	0	40	
Proceeds from sale of non current assets	1,324	111	0	(1,435)	0	0	
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(130)	(492)	0	622	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	431	0	0	0	0	(431)	
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(96,050)	(1,576)	0	0	0	97,626	
Employer's pensions contributions and direct payments to pensioners payable in the year	33,112	920	0	0	0	(34,032)	
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(523)	1	0	0	0	522	
Total Adjustments	(58,601)	(31,652)	(853)	0	0	91,106	

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

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

	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Purpose of the Earmarked Reserve
General Fund:								
Devolved Education Management (Community Centres)	(562)	0	20	(542)			(542)	Community Education Centres funds c/forward
Devolved Education Management (School Funds)	(993)	(98)	829	(262)		138	(124)	School funds c/forward
Mithier Kirk - Reburial of Remains	(38)	0	13	(25)		25	0	Reburial of Human Remains
Business Plan Service Option	(153)	0	153	0			0	Investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(25)	0	19	(6)	(6)	6	(6)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which take place each year
Xerox Print Contract	(100)	0	87	(13)		13	0	2016/17 rebate from Xerox to fund various Data projects
Energy Efficiency Fund	(1,146)	0	0	(1,146)	(108)		(1,254)	Pump-prime funding for energy saving schemes
Bus Lane Enforcement	(891)	(185)	288	(788)		415	(373)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfer	(129)	0	27	(102)			(102)	Funding in relation to the transfer of Thomas Blake Glover House to the Council
Second/Long Term Empty Homes	(8,304)	(2,160)	0	(10,464)	(2,272)		(12,736)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing.
Mens Shed	(5)	0	5	0			0	Contribution to Men's Shed social club, Dyce
HMT Roof Works	(126)	0	91	(35)		35	0	HMT Roof Works
Developing Young Workforce	0	(90)	0	(90)		90	0	To prepare young adults for the transition from education to the workplace
De-risk the Council	(2,505)	0	2,100	(405)	(1,406)		(1,811)	Cash backing for Council guarantees to external organisations
Transformation Fund	(11,232)	0	4,229	(7,003)		3,548	(3,455)	Funding set aside towards the ongoing transformation of the Council
Pupil Equity Fund	(1,621)	(1,192)	1,618	(1,195)	(925)	1,195	(925)	Scottish Government Grant to raise attainment in Schools
18/19 RSG Redetermination	(1,211)	0	0	(1,211)		1,211	0	Scottish Government Grant carried forward
Sub Total	(29,041)	(3,725)	9,479	(23,287)	(4,717)	6,676	(21,328)	

	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund Continued	(29,041)	(3,725)	9,479	(23,287)	(4,717)	6,676	(21,328)	
Community Justice Redesign Post	(12)	0	0	(12)			(12)	Ring Fenced funding for this post. Year 2 & Year 3 costs will exceed grant so this reserve will be needed to cover additional costs.
Building Services IT Upgrade	(78)	0	78	0			0	Equipment identified as having the specifications that are required for business/service needs, and to help drive forward productivity and efficiencies with in mobile working
Approved Project Funding	(182)	0	39	(143)		42	(101)	Funding carried forward to support a variety of projects, previously approved
Contribution to Environmental Body	0	(43)	0	(43)			(43)	To make payment to environmental body in due course, if required
Various Projects 2019/20	0	(1,231)	0	(1,231)		1,231	0	Provide funding to support a variety of projects approved in the 2019/20 Budget
Repairs & Maintenance Fund				0	(900)		(900)	Provide funding to support a variety of projects approved in the 2020/21 Budget
Public Analyst - James Hutton Institute				0	(125)		(125)	Provide funds in 2020/21 to complete the Public Analyst move to James Hutton Institute
Children's Social Work - Mental Health Services				0	(63)		(63)	Provide ring fenced funding to support Children's Social Work - Mental Health Services.
Rapid Rehousing Transition Plan				0	(311)		(311)	Provide ring fenced funding to support Rapid Housing Transition Plan.
Additional Support for Learning				0	(507)		(507)	Provide Funding for Additional Support for Learning
Total General Fund	(29,313)	(4,999)	9,596	(24,716)	(6,623)	7,949	(23,390)	
	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA):								
Housing repairs	(1,854)	(2,213)	1,854	(2,213)	(1,718)	2,213	(1,718)	Repairs ordered prior to the year end.
House Sales - Not right to buy	(308)	(309)	309	(308)	0	0	(308)	One-off vacant properties sold on open market.
Total HRA	(2,162)	(2,522)	2,163	(2,521)	(1,718)	2,213	(2,026)	
Total Earmarked Reserves	(31,475)	(7,521)	11,759	(27,237)	(8,341)	10,162	(25,416)	

	General Fund	HRA		General Fund	HRA
2018/19	£'000	£'000	2019/20	£'000	£'000
Total Transfers in during the year	(4,999)	(2,522)	Total Transfers in during the year	(6,623)	(1,718)
Total Transfers out during the year	9,596	2,163	Total Transfers out during the year	7,949	2,213
Net Movement in Earmarked Reserves in 2018/19	4,597	(359)	Net Movement in Earmarked Reserves in 2019/20	1,326	495

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 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Purpose of the Earmarked Reserve
Capital	(11,794)	(8,127)	11,346	(8,575)	(941)	402	(9,114)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,339)	(702)	125	(1,916)	(461)	444	(1,933)	To meet the cost of uninsured claims
City Improvement	(336)	(4)	11	(329)	(3)	7	(325)	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	(13,474)	(8,833)	11,482	(10,825)	(1,405)	853	(11,377)	

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.

2018/19			2019/20			
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
231,281	49,853	281,134	Operations	257,240	22,564	279,804
32,273	4,754	37,027	Customer	31,852	5,347	37,199
28,741	1,270	30,011	Commissioning	8,086	880	8,966
5,785	7,260	13,045	Resources	6,246	6,686	12,932
13,666	9,918	23,584	Place	15,533	8,668	24,201
2,421	227	2,648	Governance	2,994	290	3,284
84,995	1,439	86,434	Integration Joint Board	89,432	1,875	91,307
34,934	8,322	43,256	Corporate	24,056	35,602	59,658
(14,966)	35,594	20,628	Housing Revenue Account	(7,747)	32,420	24,673
419,130	118,637	537,767	Net Cost of Services	427,692	114,332	542,024
(411,176)	(22,651)	(433,827)	Other Income and Expenditure	(426,563)	(24,078)	(450,641)
7,954	95,986	103,940	(Surplus) or Deficit on Provision of Services	1,129	90,254	91,383
(52,505)			Opening General Fund and HRA Balance at 31 March 2019	(47,362)		
7,954			(Surplus)/deficit on General Fund and HRA Balance in Year	1,129		
(2,811)			To/From Other Statutory Reserves	(1,965)		
(47,362)			Closing General Fund and HRA Balance at 31 March 2020	(48,198)		

Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2018/19

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Operations	49,285	5,214	(4,646)	49,853
Customer	3,385	1,515	(146)	4,754
Commissioning	1,093	278	(101)	1,270
Resources	10,039	736	(3,515)	7,260
Place	10,119	616	(817)	9,918
Governance	20	207	0	227
Integration Joint Board	522	1,080	(163)	1,439
Corporate	433	7,889	0	8,322
Housing Revenue Account	54,175	342	(18,923)	35,594
Net Cost of Services	129,071	17,877	(28,311)	118,637
Other Income and Expenditure from the Funding Analysis	(30,006)	8,597	(1,242)	(22,651)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)	99,065	26,474	(29,553)	95,986

Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2019/20

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Operations	13,121	8,836	607	22,564
Customer	3,931	1,815	(399)	5,347
Commissioning	657	275	(52)	880
Resources	5,859	857	(30)	6,686
Place	8,064	803	(199)	8,668
Governance	20	270	0	290
Integration Joint Board	524	1,392	(41)	1,875
Corporate	14	39,472	(3,884)	35,602
Housing Revenue Account	64,047	433	(32,060)	32,420
Net Cost of Services	96,237	54,153	(36,058)	114,332
Other Income and Expenditure from the Funding Analysis	(32,952)	9,441	(567)	(24,078)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)	63,285	63,594	(36,625)	90,254

8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure

2018/19		2019/20
£'000		£'000
(72)	Gains on the disposal on non current assets	1,137
(72)	Total	1,137

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

2018/19		2019/20
£'000		£'000
49,868	Interest payable and similar charges	53,367
7,600	Pensions interest cost and expected return on pensions assets	8,239
(1,432)	Interest receivable and similar income	(2,019)
(6,975)	Income and Expenditure in relation to investment properties and changes in their fair value	(6,800)
(1,886)	Other Investment income	(3,297)
47,175	Total	49,490

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

2018/19		2019/20
£'000		£'000
(116,521)	Council Tax Income	(122,817)
(227,801)	Non domestic rates	(262,344)
(94,028)	Non ring-fenced government grants	(71,926)
(42,097)	Capital grants and contributions	(44,181)
(483)	Capital grants and receipts unapplied	0
(480,930)	Total	(501,268)

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 or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There are no material items for 2019/20.

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 2019		31 March 2020
£'000		£'000
(960,317)	Revaluation Reserve	(947,601)
(622,668)	Capital Adjustment Account	(619,335)
15,026	Financial Instruments Adjustment Account	14,595
332,108	Pensions Reserve	473,889
5,607	Accumulated Absences Account	6,129
(1,230,244)	Total	(1,072,323)

Revaluation Reserve

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

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

2018/19			2019/20	
£'000	£'000		£'000	£'000
	(977,286)	Balance at 1 April		(960,317)
(27,756)		Upward revaluation of assets	(35,674)	
18,352		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	24,555	
	(9,404)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(11,119)
25,858		Difference between fair value depreciation and historical cost depreciation	23,764	
515		Accumulated gains on assets sold or scrapped	71	
	26,373			23,835
	0	Amounts written off to the Capital Adjustment Account		0
	(960,317)	Balance at 31 March		(947,601)

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.

2018/19 £'000		2019/20	
		£'000	£'000
(672,674)	Balance at 1 April		(622,668)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
71,843	Charges for depreciation and impairment on non current assets	73,820	
65,976	Revaluation losses on Property, Plant and Equipment	35,562	
1,411	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,949	
139,230		111,331	
(26,372)	Adjusting amounts written out of the Revaluation Reserve	(23,835)	
112,858	Net written out amount of the cost of non current assets consumed in the year		87,496
	Capital financing applied in the year:		
(400)	Use of the Capital Receipts Reserve to finance new capital expenditure	40	
(42,097)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(44,180)	
(14,016)	Loans Fund principal repayments	(5,557)	
(15,107)	Capital expenditure charged against the General Fund and HRA balances	(31,156)	
(4,537)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(4,626)	
(76,157)			(85,479)
0	Deferred Capital Receipt		0
2,822	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(430)
5,713	Written off		(254)
4,770	Grant Funding		2,000
(622,668)	Balance at 31 March	0	(619,335)

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.

2018/19		2019/20	
£'000		£'000	£'000
15,455	Balance at 1 April		15,026
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(32)	Long Term Borrowing – Stepped Loans	(33)	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(398)	
(429)	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		(431)
15,026	Balance at 31 March		14,595

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.

2018/19		2019/20	
£'000		£'000	
310,251	Balance at 1 April		332,108
(4,617)	Remeasurements of the net defined benefit liability		78,187
62,363	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		97,626
(35,889)	Employer's pensions contributions and direct payments to pensioners payable in the year		(34,032)
332,108	Balance at 31 March		473,889

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.

2018/19 £'000		2019/20	
		£'000	£'000
5,607	Balance at 1 April		5,607
(5,607)	Settlement or cancellation of accrual made at the end of the preceding year	(5,607)	
5,607	Amounts accrued at the end of the current year	6,129	
0	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		522
5,607	Balance at 31 March		6,129

14. Cash Flow Statement – Operating Activities

2018/19		2019/20
£'000		£'000
(103,940)	Net surplus or (deficit) on the provision of services ^	(91,383)
(103,940)		(91,383)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
71,843	Depreciation	73,820
65,976	Impairment, downward revaluations & non sale derecognitions	35,562
(434)	(Increase)/Decrease in Stock	(185)
(14,237)	(Increase)/Decrease in Debtors	(2,550)
9,769	Increase/(Decrease) in Creditors	25,081
26,474	Movement in Pension Liability	63,594
1,411	Carrying amount of non current assets sold	1,949
(932)	Contributions to Other Reserves/Provisions	(1,245)
2,822	Movement in value of investment properties	(430)
162,692		195,596
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(42,097)	Receipt of Capital Grants and Contributions	(44,180)
(1,063)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(811)
13,740	Bond Effective Interest Rate Adjustment	15,506
(29,420)		(29,485)
29,332	Net cash flows from operating activities	74,728

^ includes the following:

2018/19		2019/20
£'000		£'000
1,432	Interest receivable	2,019
(49,868)	Interest payable	(53,367)

15. Cash Flow Statement – Investing Activities

2018/19		2019/20
£'000		£'000
(216,558)	Purchase of property, plant and equipment, investment properties and heritage assets	(205,762)
53,929	Purchase/(Sale) of short term and long term investments	(4,535)
1,715	Proceeds from the sale of property, plant and equipment and investment properties	1,433
(652)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(622)
(42,097)	Capital grants and contributions received	44,180
(203,663)	Net cash flows from investing activities	(165,306)

16. Cash Flow Statement – Financing Activities

2018/19		2019/20
£'000		£'000
(32)	Other receipts from financing activities	(32)
(4,537)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(4,627)
0	Repayment of amounts borrowed	0
(13,740)	Bond Effective Interest Rate Adjustment	(15,506)
122,764	New borrowings	141,766
104,455	Net cash flows from financing activities	121,601

17. Cash Flow Statement – Cash and Cash Equivalents

31 March 2019		31 March 2020
£'000		£'000
39	Cash held by the Authority	38
70,481	Bank current accounts	101,504
70,520	Total cash and cash equivalents	101,542

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		2017/18	2018/19	2019/20	Cumulative (Surplus) /Deficit
		£'000	£'000	£'000	£'000
Provision and Management of Car Parking Facilities 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: £10.554 million.	Turnover	(8,397)	(7,869)	(8,384)	
	Expenditure	5,075	4,981	4,480	
	Interest	(124)	(213)	(103)	
	Net (Surplus)/Deficit	(3,446)	(3,101)	(4,007)	(10,554)
Letting of Industrial, Commercial and Other Properties 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: £23.471 million.	Turnover	(9,066)	(11,908)	(14,713)	
	Expenditure	4,681	2,752	8,803	
	Exceptional Items	(4,651)	2,822	(430)	
	Interest	(660)	(641)	(460)	
	Net (Surplus)/Deficit	(9,696)	(6,975)	(6,800)	(23,471)
Net (Surplus)/Deficit on Significant Trading Operations		(13,142)	(10,076)	(10,807)	(34,025)
Other Trading Operations		2017/18	2018/19	2019/20	Cumulative (Surplus) /Deficit
		£'000	£'000	£'000	£'000
Building and Maintenance 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: £2.612 million.	Turnover	(29,401)	(30,264)	(30,915)	
	Expenditure	30,087	31,479	31,626	
	Interest	0	0	0	
	Net (Surplus)/Deficit	686	1,215	711	2,612

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.

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Net (Surplus)/Deficit on trading operations	(12,456)	(8,576)	(10,097)
Investment Properties	(9,696)	(6,975)	(6,800)
Other Investment Income	(2,760)	(1,886)	(3,297)
Net Surplus credited to Financing and Investment Income and Expenditure (note 9)	(12,456)	(8,861)	(10,097)

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 2019/20 was £760,750 (2018/19, £760,750).

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	2018/19	2019/20
	£'000	£'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice	424	436
Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation	9	9
Total	433	445

21. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2019/20, the council paid £14.248 million to the Scottish Government in respect of teachers' pension costs, which represents 17.2% of teachers' pensionable pay from 1 April 2019 to 31 August, and 23% from 1 September until 31 March 2020. The figure for 2018/19 was £10.916 million representing 17.2% 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 11 scheduled bodies and these are:

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

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

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

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

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

Participation in pension schemes

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

The Council participates in two post employment schemes:

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

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

Discretionary post retirement benefits

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

Guaranteed Minimum Pension (GMP) Equalisation

In considering the potential impact of GMP equalization, the advice and responses provided by the Council's actuarial advisors and NESPF has been as follows:

- HM Treasury have stated that public sector schemes already have a method to equalize guaranteed minimum pension benefits therefore there is no allowance is made for this in the accounting liabilities. This is consistent with previous accounting disclosures.
- There is the possibility that all public sector schemes will require to index link GMP benefits in respect of those members who reach state pension age after April 2021. Government policy in this area is still to be determined. However, on this basis additional indexation liabilities have therefore been included in the past service costs.

The McCloud Court Case Judgement

Due to the timing of the Council's 2018/19 Annual Accounts, an estimate of the McCloud liabilities was not included, instead a contingent liability was noted. This year therefore, past service liabilities due to the McCloud judgement as at 31 March 2019 are included as a 'past service cost' calculated as at that date. The current service cost for 19/20 contains an allowance for the additional costs which arise from the judgement.

Transactions relating to post employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the

General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
	2018/19	2019/20	2018/19	2019/20
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	46,472	49,519	0	0
• administration expenses	546	546	0	0
• past service costs	45	33,603	0	0
• loss from settlements / curtailments	7,700	5,719	0	0
Financing and Investment Income and Expenditure				
• net interest expense	6,854	7,548	746	691
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	61,617	96,935	746	691
<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)	(65,800)	(88,100)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
• actuarial gains and losses arising on changes in financial assumptions	60,126	169,931	1,057	1,775
• other	0	(5,223)	0	(196)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	55,943	173,543	1,803	2,270
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	(61,617)	(96,935)	(746)	(691)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	31,783	30,261	0	0
• retirement benefits payable to pensioners	2,406	2,070	1,700	1,701

Pension Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Present value of the defined benefit obligation	(1,545,476)	(1,660,387)	(1,917,730)	(46,241)	(46,084)	(47,198)
Fair value of plan assets	1,264,781	1,357,938	1,474,069	0	0	0
Sub total	(280,695)	(302,449)	(443,661)	(46,241)	(46,084)	(47,198)
Scottish Teachers Superannuation Scheme	(29,556)	(29,659)	(30,228)	0	0	0
Net liability arising from defined benefit obligation	(310,251)	(332,108)	(473,889)	(46,241)	(46,084)	(47,198)

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £473.889 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 2021 is £28.5 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2021 are £4.2 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	
	2018/19	2019/20	2018/19	2019/20
Opening fair value of scheme assets	1,264,781	1,357,938	0	0
Interest income	32,820	32,543	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	65,800	88,100	0	0
• Other	(546)	(546)	0	0
Contributions from employer	34,189	32,331	2,361	2,389
Contributions from employees into the scheme	8,297	8,285	0	0
Benefits paid	(47,403)	(44,582)	(2,361)	(2,389)
Closing fair value of scheme assets	1,357,938	1,474,069	0	0
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2018/19	2019/20		
Opening fair value of scheme assets	0	0		
Contributions from employer	1,700	1,701		
Benefits paid	(1,700)	(1,701)		
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 £120.643 million (2018/19, £98.621m).

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

	Total Liabilities: Local Government Pension Scheme £'000		Includes: Discretionary Benefits £'000	
	2018/19	2019/20	2018/19	2019/20
Opening balance at 1 April	(1,545,476)	(1,660,387)	(46,241)	(46,084)
Current service cost	(46,472)	(49,519)	0	0
Interest cost	(39,674)	(40,091)	(1,171)	(1,079)
Contributions from scheme participants	(8,297)	(8,285)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0
• Actuarial gains/losses arising from changes in financial assumptions	(60,126)	(169,931)	(1,033)	(2,610)
• Other	0	5,223	0	186
Past service cost	(45)	(33,603)	0	0
Losses/(gains) on settlement/curtailment	(7,700)	(5,719)	0	0
Benefits paid	47,403	44,582	2,361	2,389
Closing balance at 31 March	(1,660,387)	(1,917,730)	(46,084)	(47,198)

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2018/19	2019/20
Opening balance at 1 April	(29,556)	(29,659)
Interest cost	(746)	(691)
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	0	0
• Actuarial gains/losses arising from changes in financial assumptions	(1,057)	(1,775)
• Other	0	196
Benefits paid	1,700	1,701
Closing balance at 31 March	(29,659)	(30,228)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2018/19 £'000	%	Fair value of scheme assets 2019/20 £'000	%
Cash and cash equivalents	54,996	4.1%	29,290	2.0%
Equity instruments:				
• UK quoted and unquoted	238,184		232,249	
• Global quoted and unquoted	275,118		231,795	
• Global Frontier Fund	0		0	
• Pooled UK & Global	336,905		351,022	
Sub total equity	850,207	62.6%	815,066	55.3%
Bonds:				
• Corporate	16,838		28,547	
• Government	82,019		96,738	
Sub total bonds	98,857	7.3%	125,285	8.5%
Property:				
• UK Direct	99,673		107,687	
• Property funds - Global	0		0	
• Property funds - UK	0		0	
Sub total property	99,673	7.3%	107,687	7.3%
Private equity:				
• European	0		0	
• UK	78,624		124,406	
• Global	16,567		18,138	
Sub total private equity	95,191	7.0%	142,544	9.7%
Other investment funds:				
• Infrastructure	32,455		31,572	
• Diversified Growth Funds	95,191		98,827	
• Other Loan Fund	0		0	
• Multi Asset Credit	31,368		123,798	
Sub total other investment funds	159,014	11.7%	254,197	17.2%
Total assets	1,357,938	100.0%	1,474,069	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 2017.

The significant assumptions used by the actuary have been:

	2018/19	2019/20	2018/19	2019/20
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.9	23.0	22.9	23.0
Women	25.0	25.2	25.0	25.2
Longevity at 65 for future pensioners:				
Men	25.8	25.9	-	-
Women	28.1	28.2	-	-
Rate of inflation	2.2%	2.0%	2.3%	2.1%
Rate of increase in salaries	3.7%	3.5%	3.7%	3.5%
Rate of increase in pensions	2.3%	2.1%	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	1.7%	2.4%	1.7%

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 Net Liability £'000
Longevity (increase by 1 year in life expectancy)	53,940
Rate of inflation (increase by 0.1%)	35,868
Rate of increase in salaries (increase by 0.1%)	4,731
Rate for discounting scheme liabilities (increase by 0.1%)	(35,208)

23. Events after the Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Chief Officer - Finance on 30 April 2020. Events taking place after this date are not reflected in the annual accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the annual accounts and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

24. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 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 £1.594 million for this service in 2019/20 (2018/19, £1.414 million).

For 2019/20 the Council paid £34.032 million to the Pension Fund representing its employer contributions in respect of current and former employees (2018/19, £35.889 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	2018/19		2019/20		Debtors		Creditors	
	Receipts	Payments	Receipts	Payments	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grampian Valuation Joint Board	0	1,677	0	1,689	0	0	0	0
Common Good	1,728	208	4,509	205	0	0	(19,187)	(20,702)
Trust Funds	45	45	4,032	40	0	0	(4,028)	(3,984)
Aberdeen Sports Village	14	754	30	1,729	0	0	0	0
Sport Aberdeen	330	6,971	310	5,562	34	1	(2,996)	(2,698)
Aberdeen Heat & Power	19	3,245	18	3,305	0	0	0	0
NESTRANS	1,018	1,098	1,300	719	305	719	(331)	(1,300)
SDPA	0	95	0	30	0	0	0	0
Scotland Excel	0	140	0	147	0	0	0	0
Bon Accord Care	0	80	6	81	30	0	0	(36)
Bon Accord Support Services	1,742	29,155	895	31,758	5,406	7,174	(3,667)	(3,352)
Aberdeen City Integration Joint Board	128,878	91,869	132,730	95,649	2,569	24	0	0
	133,775	135,337	143,830	140,915	8,344	7,918	(30,209)	(32,072)

The majority of these bodies form part of the Council's group accounts which are set out on pages 136 to 154.

25. Leases

Council as Lessee

Finance Leases

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

Finance Lease Liabilities	31 March 2019 £'000	31 March 2020 £'000
Current	396	427
Non Current	58,029	57,602
Finance costs payable in Future Years	104,087	99,515
Minimum Lease Payments	162,513	157,544

The minimum lease payment will be payable over the following periods:	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
	Not later than one year	5,000	5,000	396
Later than one year not later than five years	20,000	20,000	1,923	2,074
Later than five years	142,116	137,116	56,107	55,528
	167,116	162,116	58,426	58,029

Operating Leases

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

	Land and Buildings		Electric Vehicles	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	409	355	19	5
Later than one year and not later than five years	980	811	5	0
Later than five years	4,525	4,357	0	0
	5,914	5,523	24	5

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 2019 £'000	31 March 2020 £'000
Not later than one year	750	282
Later than one year and not later than five years	1,462	845
	2,212	1,127

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 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	5,342	4,999	32	0
Later than one year and not later than five years	13,635	13,059	0	0
Later than five years	168,713	167,879	0	0
	187,690	185,937	32	0

26. Investment Properties

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

	31 March 2019 £'000	31 March 2020 £'000
Rental and interest income from investment property	(12,549)	(15,173)
Expenses arising from investment property	2,752	8,803
Revaluation (gains)/losses	2,822	(430)
Net (gain)/loss	(6,975)	(6,800)

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) has been classified as an investment property and due to uncertainty over the valuation of the site, it has been valued at cost per the Code of Practice (section 4.4.2.13),

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

	2018/19	2019/20
	£'000	£'000
Balance at start of the year	148,592	145,832
Additions	472	0
Disposals	(410)	(1,830)
Net gains/(losses) from fair value adjustments	(2,822)	430
Transfers:		
• (to)/from Property, Plant and Equipment	0	393,724
Balance at end of the year	145,832	538,156

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 2018	608	1,619	17	0	194,826	300	197,370
Disposals	0	0	0	0	0	0	0
Revaluations	0	50	0	0	271	0	321
At 31 March 2019	608	1,669	17	0	195,097	300	197,691
Cost or valuation							
At 1 April 2019	608	1,669	17	0	195,097	300	197,691
Additions	0	0	0	0	14	0	14
Revaluations	0	35	0	0	79	0	114
At 31 March 2020	608	1,704	17	0	195,190	300	197,819

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 2018/19:

	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 2018	977,883	923,720	60,924	275,776	28,235	11,698	280,528	2,558,764	178,906
Additions	37,054	50,231	3,480	11,305	1,538	445	152,385	256,438	39,588
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(223)	(15,221)	0	0	0	(1,186)	0	(16,630)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,180)	(43,627)	0	0	0	(7,653)	0	(75,460)	(11,550)
Derecognition – Disposals	(91)	0	(883)	0	0	(150)	0	(1,124)	0
Derecognition – Other	0	(698)	(1,312)	(2,009)	0	0	0	(4,019)	0
Reclassifications and Transfers	7,440	(3,287)	0	65,274	0	2,074	(71,108)	393	6,062
At 31 March 2019	997,883	911,118	62,209	350,346	29,773	5,228	361,805	2,718,362	213,006
Accumulated Depreciation and Impairment									
At 1 April 2018	(56,853)	(54,678)	(32,786)	(103,123)	0	0	0	(247,440)	(9,244)
Depreciation charge	(30,160)	(24,958)	(7,618)	(9,107)	0	0	0	(71,843)	(3,082)
Depreciation written out to the Revaluation Reserve	(5)	25,847	0	0	0	0	0	25,842	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	167	9,321	0	0	0	0	0	9,488	0
Derecognition – Disposals	6	0	752	0	0	0	0	758	0
Derecognition – Other	0	277	1,312	2,009	0	0	0	3,598	0
Reclassifications and Transfers	0	121	0	0	0	0	0	121	0
At 31 March 2019	(86,845)	(44,070)	(38,340)	(110,221)	0	0	0	(279,476)	(12,326)
Net Book Value									
At 31 March 2019	911,038	867,048	23,869	240,125	29,773	5,228	361,805	2,438,886	200,680
At 31 March 2018	921,030	869,042	28,138	172,653	28,235	11,698	280,528	2,311,324	169,662

Property, Plant and Equipment

Movements in 2019/20:

	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 2019	997,883	911,118	62,209	350,346	29,773	5,228	361,805	2,718,362	213,016
Additions	50,527	9,187	10,781	19,604	520	103	115,025	205,747	365
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,053)	2,762	0	0	0	(765)	0	944	(6,821)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,147)	(18,836)	0	0	0	(1,278)	0	(52,261)	(13,954)
Derecognition – Disposals	0	0	(2,391)	0	0	0	0	(2,391)	0
Derecognition – Other	0	0	0	0	0	0	0	0	0
Reclassifications and Transfers	0	26,961	0	0	0	5,519	(424,279)	(391,799)	0
At 31 March 2020	1,015,210	931,192	70,599	369,950	30,293	8,807	52,551	2,478,602	192,606
Accumulated Depreciation and Impairment									
At 1 April 2019	(86,845)	(44,070)	(38,340)	(110,221)	0	0	0	(279,476)	(12,326)
Depreciation charge	(31,900)	(22,812)	(7,508)	(11,600)	0	0	0	(73,820)	(3,673)
Depreciation written out to the Revaluation Reserve	0	10,061	0	0	0	0	0	10,061	2,497
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	16,698	0	0	0	0	0	16,698	12,911
Derecognition – Disposals	0	0	2,384	0	0	0	0	2,384	0
Derecognition – Other	0	0	0	0	0	0	0	0	0
Reclassifications and Transfers	0	253	0	0	0	0	0	253	0
At 31 March 2020	(118,745)	(39,870)	(43,464)	(121,821)	0	0	0	(323,900)	(591)
Net Book Value									
At 31 March 2020	896,465	891,322	27,135	248,129	30,293	8,807	52,551	2,154,702	192,015
At 31 March 2019	911,038	867,048	23,869	240,125	29,773	5,228	361,805	2,438,886	200,690

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 2020, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £189.934 million next year. Similar commitments as at 31 March 2019 were £86.85 million. The major projects are:

- Housing – New Build Housing construction works, Wellheads- £21.572 million
- Housing – New Build Housing construction works, Summerhill- £44.945 million
- Housing – Lift and Window replacement - £2.023 million
- Non Housing – New Milltimber Primary- £9.570 million
- Non Housing – Aberdeen Western Peripheral Route - £7 million
- Non Housing – Planned renewal & replacement of roads infrastructure - £6.853 million
- Non Housing – Berryden Corridor - £8.450 million
- Non Housing – Tillydrone Primary School - £7.6 million
- Non Housing – Torry Primary School and Hub - £10.07 million
- Non Housing – Countesswells Primary - £8.95 million
- Non Housing – Energy From Waste - £26.781 million
- Non Housing – Union Terrace Gardens - £18.732 million
- Non Housing – J.I.V.E. (Hydrogen Buses Phase 2) - £5.023 million
- Non Housing – Early Learning and Childcare - £12.365 million

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 Debbie 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 2020	2,714	249,278	0	0	0	8,807	0	260,799
31 March 2019	6,130	222,944	0	0	0	10,127	0	239,201
31 March 2018	0	271,716	0	0	0	11,397	0	283,113
31 March 2017	9,562	205,166	0	0	0	9,852	0	224,580
31 March 2016	966,184	26,120	0	0	0	980	0	993,284
31 March 2015	0	224,020	0	0	0	0	0	224,020
31 March 2014	0	186,933	0	0	0	0	0	186,933
31 March 2013	1,484	394,425	0	0	0	6,073	0	401,982
31 March 2012	6,218	271,190	0	0	0	4,440	0	281,848
31 March 2011	766,904	43,840	0	0	0	0	0	810,744
31 March 2010	0	135,062	0	0	0	9,385	0	144,447
Total cost or valuation	1,813,602	2,151,905	68,484	191,110	21,359	79,637	16,161	4,342,258

* 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
	2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
	£'000	£'000	£'000		£'000	£'000	£'000
Opening Capital Financing Requirement	228,168	802,002	1,030,170	*	242,854	972,074	1,214,928
<i>Capital investment</i>							
Property, Plant and Equipment	38,615	217,823	256,438		51,466	154,280	205,746
Heritage Assets	0	0	0		0	14	14
Investment Properties	0	472	472		0	0	0
Assets Held for Sale	0	6	6		0	2	2
Music Hall/Aberdeen Harbour Board	0	4,000	4,000		0	2,000	2,000
Loan for National Housing Trust Initiative	0	0	0		0	0	0
<i>Sources of finance</i>							
Capital receipts	(745)	(158)	(903)		(111)	(341)	(452)
Government grants and other contributions	(4,764)	(37,334)	(42,098)		(1,483)	(42,697)	(44,180)
Sums set aside from revenue:							
• Direct revenue contributions	503	0	503		492	0	492
• Capital for Current Revenue (CFCR)	(14,440)	(667)	(15,107)		(30,496)	(660)	(31,156)
• Loans fund principal	(4,483)	(9,533)	(14,016)		(1,563)	(3,994)	(5,557)
• PPP liability repayments	0	(4,537)	(4,537)		0	(4,627)	(4,627)
Closing Capital Financing Requirement	242,854	972,074	1,214,928		261,159	1,076,051	1,337,210
<i>Explanation of movements in year</i>							
Increase/(Decrease) in underlying need to borrow	14,686	135,021	149,707		18,305	108,604	126,909
Assets acquired under PFI/PPP contracts	0	35,051	35,051		0	(4,627)	(4,627)
Increase/(decrease) in Capital Financing Requirement	14,686	170,072	184,758		18,305	103,977	122,282

* 2017/18 opening balances and 2018/19 figures restated.

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 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	3R's				Lochside Academy			
	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2020/21	7,539	1,794	6,449	15,782	431	1,226	2,163	3,820
Payable within two to five years	26,054	13,403	25,158	64,615	2,069	5,402	8,019	15,490
Payable within six to ten years	39,819	19,619	28,521	87,959	4,122	7,321	8,436	19,879
Payable within eleven to fifteen years	44,996	27,530	23,754	96,280	5,035	8,985	6,503	20,523
Payable within sixteen to twenty years	36,791	32,408	15,226	84,425	5,498	11,746	4,008	21,252
Payable within twenty one to twenty five years	0	0	0	0	4,365	8,789	915	14,070
Payable within twenty six to thirty years	0	0	0	0	0	0	0	0
Total	155,199	94,754	99,108	349,061	21,520	43,469	30,044	95,033

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:

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	100,973	142,453
Additions during year	45,650	0
Payments during year	(4,170)	(4,230)
Balance outstanding at end of year	142,453	138,223

31. Assets Held for Sale

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	6,198	5,693
Assets newly classified as held for sale:		
Property, Plant and Equipment	6	2
Revaluation gains and (losses)	(130)	0
Reclassifications and transfers	(165)	(1,928)
Assets sold	(216)	(111)
Balance outstanding at end of year	5,693	3,656

32. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	1,137	1,832	12	0	25	0	1,174	1,832
Purchases	13,176	13,104	27,589	17,874	0	0	40,765	30,978
Recognised as an expense in the year	(12,481)	(12,613)	(27,601)	(18,177)	(25)	0	(40,107)	(30,790)
Written-off balances	0	(3)	0	0	0	0	0	(3)
Balance outstanding at end of year	1,832	2,320	0	(303)	0	0	1,832	2,017

33. Short Term Debtors

	31 March 2019	31 March 2020
	£'000	£'000
Central government bodies	25,120	18,307
Other local authorities	3,161	6,083
NHS bodies	3,702	773
Public corporations and trading funds	2,935	65
Other entities and individuals	117,189	138,400
Gross Total	152,107	163,628
Deduct: Provision for Impairment	(59,949)	(68,868)
Net Total	92,158	94,760

34. Short Term Creditors

	31 March 2019	31 March 2020
	£'000	£'000
Central government bodies	(28,261)	(18,888)
Other local authorities	(1,119)	(1,258)
NHS bodies	(195)	(41)
Public corporations and trading funds	(5,511)	(1,815)
Other entities and individuals	(45,774)	(73,299)
Total	(80,860)	(95,301)

35. Provisions

2018/19	Note 1	Note 2	Note 3	Note 4	Total
	Compensation Payments - Voluntary Severance/Early Retirement and Equal Pay £'000	Property - Asset Management £'000	Housing Benefit Subsidy £'000	Other £'000	£'000
Balance at 1 April 2019	(3,407)	(551)	(100)	(1,752)	(5,810)
Additional provisions made in 2019/20	(206)	(62)	0	(63)	(331)
Amounts used in 2019/20	2,515	0	0	252	2,767
Unused amounts reversed in 2019/20	1	0	0	508	509
Balance at 31 March 2020	(1,097)	(613)	(100)	(1,056)	(2,866)
<i>Represented by:</i>					
Current provisions	(1,097)	0	(100)	(1,056)	(2,253)
Long term provisions	0	(613)	0	0	(613)

Notes on Provisions –

1. **Compensation Payments - Equal Pay and Severance - £1.097 million**

The provision of £3.4 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 - £2.3 million of this provision was used in 2019-20, with the remaining £1.1 million in 2020-21 in respect of the statutory element of severance costs.

2. **Property-Asset Management - £0.613 million**

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2020 and 2021. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation. A further amount is held to reimburse a third party for costs incurred by them on demolishing a council owned building.

3. **Housing Benefit Subsidy - £0.100 million**

This provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing Benefit Subsidy Grant. Liability will depend on the outcome of the audit scrutiny, testing and a final determination by DWP. The figure is based on a worst case scenario by the Corporate Debt/Income Manager. The full liability could be called upon in 2020/21.

4. **Other**

- **Legal Cases - £0.036 million**

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

- **Holiday Pay - £0.867 million**

This is a provision for arrears of Holiday Pay due based on the decision in the case of Lock v British Gas Trading Ltd which reviewed the basis of calculation for holiday pay. The full liability could be paid out in 2020/21.

- **IFRS Impairment - £0.153 million**

An impairment review undertaken in 2019/20 under the new IFRS 9 Financial instrument recognised that a provision should be made for financial assets held by the Council. These include short term investments and long term loans.

36. **Contingent Assets and Liabilities**

Contingent Assets

A contingent asset arises where an event takes place which gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. At 31 March 2019, 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 key money and development profit, which are held in escrow and payable to the Council upon the occurrence of uncertain future events, not wholly within its control.

Contingent Liabilities

At 31 March 2020 the Council had material contingent liabilities as undernoted:

- **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 31 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 until 31 March 2021.

The Council agreed to provide a bank guarantee to Sport Aberdeen to a maximum of £5 million over a 5 year period for investment in Council leisure facilities, as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a guarantee being drawn up for an Revolving Credit Facility for £1.4 million for Sport Aberdeen.

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

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

- **SEEMIS Group LLP**

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

- **Integration Joint Board (IJB)**

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

- **Waste Disposal**

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

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

- **Landfill Allowance Scheme (LAS)**

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

- **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The Supreme Court's recent judgement in relation to the Strategic Transport Fund (STF), which was funded through developer obligations, has significant implications for the Council, as there are several large scale projects in development which had expected to rely on STF funding. Delivery of these projects is now at risk unless an alternative funding solution can be identified.

- **Our Generation – Solar Panels**

A contractual dispute exists in relation to this contract which may give rise to a future financial liability. On 23 July 2019 the Council successfully defended an appeal by Our Generation to the Court of Session on the findings of the original judgement. The matter remains outstanding and is subject to further legal proceedings.

- **Aberdeen Art Gallery**

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

A new adjudication was raised by the main contractor for a specified time period within the works period. The adjudication decision led to an extended time award for the main contractor. Notwithstanding this, and prior to the adjudication decision the Council raised a new Court of Session action to determine the cost of delays encompassing the whole contract period. Part of this court action will reconsider the recent adjudication decision. This may give rise to a future financial liability.

- **Scottish Child Abuse Enquiry**

The Scottish Parliament is considering the introduction of a redress scheme (by April 2021) in relation to claims from survivors of abuse in Scotland. This is currently at the review stage and financial contributions may be requested from Local Authorities in relation to this, as it may be an alternative route for survivors to submitting claims to the Council. Further discussions will take place over the coming year to assess any proposed level of contribution from Aberdeenshire Council. In the meantime, it is still possible that the Council will receive civil claims relating to periods of time in care which has the potential for significant costs to be incurred.

- **Multi Storey Blocks**

In response to the Grenfell Tower incident, Building Regulation Fire Safety has been reviewed by the Scottish Government, and an updated Technical Handbook published. The provision of automatic fire suppression systems has been deferred until 2021 to align with a government commitment to introduce this within new build social housing. Retrofitting suppression in existing dwellings is not a requirement. The cost impact of these changes for new dwellings is not quantified at this time.

- **New Build – Manor Walk**

A contractual dispute exists in relation to who bears the cost of the delays in respect of the new housing development at Manor Walk. The contract parties have tried to reach a negotiated settlement but this has been unsuccessful. An adjudication was formally raised by the main contractor (Bancon Construction Limited) on 11 March 2020. The adjudication decision is expected in late April 2020.

- **COVID-19 Impact**

Statute and government guidance restricting the movement of people and effectively locking down the country leaves the Council in a position of increased uncertainty on a number of fronts. Facilities closing and construction sites being shut down for a period of time increases the likelihood of the Council and contractors referring to contractual documents and for disputes to arise. The level of uncertainty is such that it is not possible to know what might arise from these restrictions, and no value can be estimated at this time.

37. Grant Income

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

		2018/19		2019/20
		£'000		£'000
Credited to Taxation and Non Specific Grant Income				
Total revenue Funding Grant		325,560		310,533
		325,560		310,533
Credited to Services				
	Department of Work and Pensions			
	Housing Benefit Grant	55,580		50,469
	Housing Benefit Admin Grant	692		629
	Discretionary Housing Payment	-		
	Other	57		230
	National Health Service			
	Integrated care funding	31,284		36,062
	Other	314		78
	Other Local Authorities			
	Western Peripheral Route Works	4,760		3,954
	Other	-		52
	Scottish Government			
	ELC Expansion	247		6,685
	S27 Community Justice Grant	4,557		5,190
	Pupil Equity Fund	4,464		4,103
	Home Insulation	1,903		3,394
	Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	2,189		2,731
	Attainment Challenge	296		902
	Chargeplace Scotland	35		297
	Education Maintenance	316		280
	Opportunities for All	139		267
	Severe Weather Funding	589		-
	Other	1,243	*	627
	European Funding			
	Civitas	355		594
	Hydrogen Bus Project	980		623
	Other	106		21
	Home Office			
	Syrian Refugee Resettlement Programme	442		128
	Other	45		41
	Sport Scotland	367		397
	Creative Scotland	225		251
	Transport Scotland			
	Western Peripheral Route Works	12,918	**	109,020
	Paths for All	300		60
	Other	913	***	549
Total		125,316		227,633

*2018/19 'Scottish Government Other' has been reinstated as ELC Expansion, Chargeplace Scotland & Opportunities for All identified separately in 2019/20.

**2018/19 'Transport Scotland Western Peripheral Route Works' has been updated to include previously allocated to Other Local Authority.

***2018/19 'Other' has been updated to include the grant from Heritage Lottery Fund.

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:

	2018/19 £000	2019/20 £000
Revenue Grants - Receipts in Advance		
Aberdeen Art Gallery	1	0
Aberdeen University - Food & Fun	5	0
ACHSOP Health Improvement Fund	0	3
Amped Funding	10	10
Bequest/ Europe Direct for Libraries	33	0
CISS Confucius Classroom Grant	0	7
Costal Communities	0	26
Countryside Rangers Service	3	0
Creative Learning Network	4	0
Creative Scotland - VACMA	13	11
ELC Grant	2392	0
Erasmus Clermont Grant	7	0
Food Standard Scotland Grant	0	150
Home Office Refugees	513	489
Lochside Academy - Big Lottery Co Design	2	0
NHS Tobacco Campaign	0	3
Scottish Government - Library Improvement Fund	0	7
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)	6	6
Total	2,989	712
Capital Grant - Receipts in Advance		
Gypsy Traveller Grant	103	103
Elc Capital Payment	8292	16612
Scottish Government JIVE	3388	3388
Scottish Government Flood Grant	452	382
Fibre Network	843	0
Aberdeen Inspired Funding for Cars for Union Street	13	0
AWPR De-trunking	0	3657
Fuel Cell Cargo Project	0	81
Town Centre Fund	0	1254
Scottish Government No One Left Behind	0	33
ICT Capital Investment Fund	0	19
Total	13,091	25,529

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 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Investments				
Loans and receivables	0	0	45,213	50,454
Interest in group entities	17,638	16,932	0	0
Total investments	17,638	16,932	45,213	50,454
Debtors				
Loans and receivables	7,592	7,539	0	0
Financial assets carried at contract amount	0	0	92,158	94,760
Total debtors	7,592	7,539	92,158	94,760
Borrowings				
Financial liabilities at amortised cost	(895,954)	(1,021,809)	(197,228)	(213,138)
Total borrowings	(895,954)	(1,021,809)	(197,228)	(213,138)
Other Long term Liabilities				
PPP liabilities	(138,223)	(142,453)	(4,230)	(4,710)
Total other long term liabilities	(138,223)	(142,453)	(4,230)	(4,710)
Creditors				
Financial liabilities carried at contract amount	(13)	0	(80,860)	(95,301)
Total creditors	(13)	0	(80,860)	(95,301)

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

Income, Expense, Gains and Losses

Financial Instruments Gains/(Losses)	2018/19			2019/20		
	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	(50,292)	0	(50,292)	(54,738)	0	(54,738)
Total expense in Surplus or (Deficit) on the Provision of Services	(50,292)	0	(50,292)	(54,738)	0	(54,738)
Interest income	0	1,432	1,432	0	3,513	3,513
Total income in Surplus or (Deficit) on the Provision of Services	0	1,432	1,432	0	3,513	3,513
Net Interest	(50,292)	1,432	(48,860)	(54,738)	3,513	(51,225)

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	2018/19				2019/20			
	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								
Interest in Group Entity	106,926		102		135,867		153	
		17,638		437		16,932		706

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 2020 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.

Fair Value of Liabilities	31 March 2019					31 March 2020				
	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	(365,434)	(6,211)	(371,645)	(691,580)	(567,854)	(485,434)	(6,719)	(492,153)	(1,007,090)	(640,930)
LOBOs	(93,893)	(701)	(94,594)	(185,749)	(148,146)	(93,893)	(675)	(94,568)	(226,652)	(140,990)
Bond Issuance	(370,000)	0	(370,000)	(436,897)	(482,814)	(363,140)	(1,457)	(364,597)	(429,981)	(447,847)
Bond EIR	(31,429)	0	(31,429)	(31,429)	(31,429)	(47,342)	0	(47,342)	(47,342)	(47,342)
Bond Premium	(40,879)	0	(40,879)	(40,879)	(40,879)	(39,383)	0	(39,383)	(39,383)	(39,383)
Transfer Interest to Short Term in line with Code requirements	0	6,912	6,912	0	0	0	8,851	8,851	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	10,000	0	0	0	0	11,579	0	0
Financial Instrument Adjustments	0	0	(4,319)	0	0	0	0	(4,196)	0	0
Total Long Term Borrowing	(901,635)	0	(895,954)	(1,386,534)	(1,271,122)	(1,029,192)	0	(1,021,809)	(1,750,448)	(1,316,492)
Short term borrowing	(180,126)	(224)	(180,350)	(180,350)	(180,350)	(195,455)	(318)	(195,773)	(195,773)	(195,773)
Transfer Interest from Long Term in line with Code requirements	0	(6,877)	(6,877)	0	0	0	(8,851)	(12,365)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(10,000)	0	0	0	0	(5,000)	0	0
Total Short Term Borrowing	(180,126)	(7,101)	(197,227)	(180,350)	(180,350)	(195,455)	(9,169)	(213,138)	(195,773)	(195,773)

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 2020) arising from a commitment to pay interest to lenders above current market rates. From 2015/16, the Fair Value of borrowings is shown at both Premature Repayment rates and New Loan rates. In prior years, the Fair Value of borrowings had been shown only on a New Loans rates basis.

Fair Value of Assets	31 March 2019				31 March 2020			
	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	97,738	191	97,929	97,929	128,326	432	128,758	128,758

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 £50 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 £128.3m 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 2020 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 2019 £'000		Amount at 31 March 2020 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2020 %	Estimated maximum exposure to default and uncollectability at 31 March 2020 £'000
		A	B	C	(A x C)
0	Deposits with banks and building societies	128,758	0	0	0
3,246	Customers	46,801	4.81%	4.81%	4,881
3,246					4,881

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

Credit Risk B	31 March 2019 £'000	31 March 2020 £'000
Less than three months	9,853	19,489
Three to six months	1,629	1,412
Six months to one year	2,184	6,385
More than one year	17,453	19,515
	31,119	46,801

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 2019	31 March 2020
	£'000	£'000
Less than one year	201,553	222,776
Between one and two years	11,860	20,515
Between two and five years	42,550	32,613
Between five and ten years	62,803	62,921
More than ten years	702,114	810,909
	1,020,880	1,149,734

In the "More than 10 years" category in the table above there are £25.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

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

£363.1 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 2020, 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	259
Increase in interest receivable on variable rate investments	(850)
Impact on Surplus or Deficit on the Provision of Services	(591)
Share of overall impact debited to the HRA	(117)
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)	201,579
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 2019/20, the average interest rates were 3.56% for capital (2018/19, 3.80%), 0.62% for revenue advances (2018/19, 0.55%) and 0.02% for expenses (2018/19, 0.02%) on raising loans.

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

Amounts Borrowed from the Loans Fund

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund	408,526	402,839	397,654	396,557	397,314	413,355	538,587	667,392	804,437	911,505
Trading Operations	23,257	22,678	24,282	23,083	21,283	20,486	19,207	15,107	13,083	14,621
Housing Revenue Account	185,923	193,225	196,880	196,665	196,675	193,692	189,118	187,479	202,165	220,468
Total	617,706	618,742	618,816	616,305	615,272	627,533	746,912	869,978	1,019,685	1,146,594

Loans Fund Revenue Account			Loans Fund Balance Sheet as at 31 March		
2018/19 £'000		2019/20 £'000	2019 £'000		2020 £'000
	Expenditure			Assets	
36,364	Interest paid to External Bodies	39,657		Advances to:	
612	Interest paid to Other Council Accounts	629	1,019,685	Aberdeen City Council for Capital Expenditure	1,146,594
149	General Expenses	242	2	Other Bodies	2
37,125		40,528	12,820	Rescheduled Premiums	12,422
	Income		1,032,507		1,159,018
	Interest & Expenses charged to Aberdeen City Council			Current Assets	
(28,292)	General Fund	(31,100)	97,700	Temporary Investments	128,300
(7,374)	Housing Revenue Account	(7,467)	230	Sundry Debtors	458
(562)	Trading Operations	(466)	635	Bank	2,480
(897)	From Temporary Investments	(1,495)	1,131,072		1,290,256
(37,125)		(40,528)		Less: Current Liabilities	
			67,375	Temporary Advances from Council Services	83,961
			7,102	Sundry Creditors	7,771
			74,477		91,732
			1,056,595	Net Assets	1,198,524
			(365,434)	Financed by:	
			(93,893)	Public Works Loan Board	(485,434)
			(370,000)	Market Loans	(93,893)
			(40,879)	Negotiable Bonds	(363,140)
			(31,431)	Bond Premium	(39,383)
			(2)	Bond EIR	(47,342)
			(154,956)	Stock Issue & Gas Annuities	(2)
			(1,056,595)	Temporary Loans	(169,330)
					(1,198,524)



Jonathan Belford, CPFA
Chief Officer - Finance
6 May 2020

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

2018/19		2019/20	
		£'000	£'000
	Income		
(83,074)	Dwelling Rents	(86,785)	
(3,211)	Non dwelling Rents	(2,200)	
(2,127)	Other Income	(2,127)	
(88,412)			(91,112)
	Expenditure		
769	Staff Costs	807	
769			807
	Premises Costs:		
28,078	Repairs and Maintenance	26,106	
3,179	Maintenance of amenity areas	3,207	
5,366	Bad debts written off/provisions	3,372	
1,739	Loss of rent vacant periods	2,240	
1,563	Other costs	1,805	
39,925			36,730
	Administration Costs:		
7,954	Management and Administration	8,703	
834	Other costs	690	
8,788			9,393
	Supplies and Services:		
3,923	Communal Lighting and Heating, etc.	3,609	
280	Information Technology	180	
184	Other Costs	131	
4,387			3,920

2018/19 £'000		2019/20	
		£'000	£'000
	Agencies:		
200	Contributions	156	
0	Supporting People Contribution	0	
658	Tenant's Participation/Helplines	572	
858			728
	Capital Charges:		
30,160	Depreciation	31,900	
24,015	Impairment of Non Current Assets	32,147	
54,175			64,047
108,911	Gross Expenditure		115,626
20,490	Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement		24,513
137	Corporate and Democratic Core	163	
			163
20,627	Net Cost of HRA Services		24,676
(158)	(Gain) / Loss on Sale of HRA Non Current Assets	492	
7,374	Interest payable and similar charges	7,468	
(176)	Interest and investment income	(223)	
235	Pensions interest and return on assets	222	
(4,764)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(1,483)	
23,138	(Surplus)/deficit for the year on HRA Services		31,152

Movement on the Housing Revenue Account Statement

2018/19 £'000		2019/20 £'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

2018/19 £'000		2019/20 £'000
158	Gain or (loss) on sale of HRA non-current assets	(492)
14,440	Capital expenditure funded by the HRA	30,496
	Transfer to/from the Capital Adjustment Account:	0
(54,175)	Depreciation and Impairment	(64,047)
4,764	Capital Grants and Contributions	1,483
4,483	Repayment of Debt	1,563
(576)	HRA share of contributions to or from the Pensions Reserve	(656)
0	Adjustment involving the Accumulated Absences Account	1
5	Other Adjustments	0
(30,901)		(31,652)

2. Transfers (to) or from Reserves

2018/19 £'000		Notes	2019/20 £'000
(11,808)	Balance on the HRA at start of Year		(12,296)
23,138	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		31,152
(30,901)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(31,652)
(7,763)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(500)
7,275	Transfers to or (from) Reserves	2	0
(488)	(Increase) or Decrease in Year on the HRA		(500)
(12,296)	Balance on the HRA at end of Year		(12,796)

3. Housing Stock

The Council's housing stock at 31 March 2020 was 22,404 (21,974 at 31 March 2019) in the following categories:

2018/19 Number		2019/20 Number
	Type of Property	
1,975	Sheltered Property	1,997
4,216	Cottage	4,205
8,467	Flat	8,876
2,080	Four in Block	2,099
548	Maisonette	565
2,154	Multi Storey Flat	2,196
122	Split Level Flat	125
427	Multi Storey Maisonette	431
1,390	Amenity	1,441
380	Homeless	403
21,759	Sub Total	22,338
215	Properties off the charge	66
21,974	HRA Total	22,404
	Other Assets	
1	Hostel	1
241	Garages Sites	241
2,035	Lock Up Garages	2,029
911	Parking Spaces	911
17	Travelling Peoples Sites	17
3,205		3,199

4. Rent Arrears

2018/19		2019/20
£'000		£'000
5,170	Current Tenant Arrears	6,426
1,573	Former Tenant Arrears	2,337
6,743	Total Rent Arrears	8,763

5. Impairment of Debtors

In 2019/20 an impairment of £7,855,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £2,101,000 from the provision in 2018/19

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 2019/20, which is set annually by the Scottish Ministers, is 49 pence. There is also a small supplement on the poundage rate of 2.6 pence for subjects with a rateable value greater than £51,000 to cover the additional costs of the Small Business Bonus Scheme. In 2018/19, the NDR poundage rate was set at 48 pence and the supplement was 2.6 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

2018/19		2019/20	
£'000		£'000	£'000
(300,618)	Gross Rates Levied and Contributions in Lieu		(302,774)
	<i>Deduct:</i>		
44,075	Reliefs, remissions, etc.	48,356	
	Payment of Interest		
7,683	Write off of uncollectable debts and allowances for impairment	7,184	55,540
(248,860)	Net Non Domestic Rate Income		(247,234)
2,031	Adjustment to previous years' National Non Domestic Rates		4,391
(246,829)	Contribution to Non Domestic Rate Pool		(242,843)
(227,801)	Distribution from Non Domestic Rate Pool		(258,560)
	<i>Add:</i>		
0	Prior Year BRIS income		(3,904)
(450)	Adjustment for Statutory Additions and others		(267)
(450)			0
	<i>Less:</i>		
450	Charity Relief adjustment		387
(227,801)	Income credited to the Comprehensive Income and Expenditure Statement *		(262,344)

* The figure for 2019/20 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2019/20.

Category	Number of Subjects	Rateable Value at 1 April 2020 £'000
Shops	2,208	103,556
Public Houses	156	7,468
Offices Including Banks	2,928	190,471
Hotels etc.	337	24,803
Industrial Factories, Warehouses, Stores	1,952	146,185
Leisure Entertainment, Caravans, Hol.Sites	204	4
Garages and Petrol Stations	206	5,191
Cultural	13	1,508
Sporting Subjects	84	505
Education & Training	158	34,982
Public Service Subjects	193	20,717
Communications (non Formula)	31	2,216
Quarries, Mines etc	9	128
Petrochemical	2	792
Religious	136	2,814
Health Medical	128	16,487
Other	914	11,686
Care Facilities	119	5,914
Advertising	126	536
Undertaking	15	2,429
Total Non Domestic Rates Subjects	9,919	578,392

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 2019/20, for Band D properties, the Council's Council Tax was set at £1,324.33. The full range of bandings is set out after the Council Tax Income Account.

Council Tax Income Account

2018/19		2019/20
£'000		£'000
(153,679)	Gross Assessments	(162,474)
(727)	Net band adjustments	(1,149)
(154,406)	Council Tax Collectable	(163,623)
	<i>Deduct:</i>	
13,290	Exemptions	13,479
85	Disabled Relief	95
14,052	Discounts	15,036
3,196	Provision for non collection	4,722
9,839	Council Tax Reduction	9,950
73	Other	59
(113,871)		(120,282)
	<i>Add:</i>	
(1,063)	Statutory Additions	(1,139)
(1,608)	Prior Year Adjustments	(1,420)
26	Write Ons	24
(116,516)	Net Council Tax income for the year transferred to General Fund	(122,817)

The calculation of the Council Tax Base 2019/20:

	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)			4			4	200/360	2
Band A	23,743	(4,211)	22	(3,123)	(672)	15,759	240/360	10,506
Band B	28,132	(2,360)	9	(3,423)	(532)	21,827	280/360	16,977
Band C	19,312	(1,462)	(2)	(1,795)	(357)	15,696	320/360	13,952
Band D	16,463	(2,015)	4	(1,492)	(429)	12,531	360/360	12,531
Band E	14,900	(612)	(3)	(1,156)	(240)	12,889	473/360	16,935
Band F	8,832	(204)	4	(540)	(112)	7,981	585/360	12,969
Band G	7,774	(120)	(36)	(337)	(100)	7,181	705/360	14,063
Band H	1,065	(17)	(2)	(31)	(27)	988	882/360	2,421
							Total	100,355
							Band D Equivalent Council Tax Reduction	(9,950)
							Contributions in Lieu	12
							Provision for Bad Debts (2.4%)	(2,509)
							Council Tax Base	87,908

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 2019/20 was £1,324.33 (2018/19, £1,267.30)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	240/360	882.89
27,001 – 35,000	B	280/360	1030.03
35,001 – 45,000	C	320/360	1,177.18
45,001 – 58,000	D	360/360	1,324.33
58,001 – 80,000	E	473/360	1,740.02
80,001 – 106,000	F	585/360	2,152.04
106,001 – 212,000	G	705/360	2,593.48
Over 212,000	H	882/360	3,244.61

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 1 April 2018	(114,316)	(68)	(114,384)
<u>Movement in Reserves during 2018/19</u>			
(Surplus) or Deficit on provision of services	(6,163)	0	(6,163)
Total Comprehensive Expenditure and Income	(6,163)	0	(6,163)
Balance at 31 March 2019 carried forward	(120,479)	(68)	(120,547)
<u>Movement in Reserves during 2019/20</u>			
(Surplus) or Deficit on provision of services	(3,602)	0	(3,602)
Total Comprehensive Expenditure and Income	(3,602)	0	(3,602)
Balance at 31 March 2020	(124,081)	(68)	(124,149)

Comprehensive Income and Expenditure Statement

2018/19 Net (Income) Expenditure £'000		2019/20		
		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
125	Administration Costs	162	0	162
1,263	Donations, Grants, Contributions etc.	1,201	0	1,201
114	Civic Hospitality	121	0	121
39	Funding of International Budget	25	0	25
77	Christmas Illuminations & Festivities	48	0	48
132	Civic Administration Unit	168	0	168
81	Other Projects	89	0	89
226	Miscellaneous Expenditure	160	0	160
662	Specific Projects	3,453	0	3,453
162	Duthie Park HLF	65	0	65
2,881	Cost Of Services	5,492	0	5,492
	Other Operating Expenditure:			
0	Gains/losses on the disposal of non current assets			0
	Financing and Investment Income and Expenditure:			
(3,681)	Investment property income & expenditure			(3,284)
0	Interest receivable and other investment income			0
(800)	(Surplus) or Deficit on Provision of Services			2,208
(5,363)	(Surplus) or Deficit on revaluation of investment property			(5,810)
(6,163)	Total Comprehensive Income and Expenditure			(3,602)

Balance Sheet

31 March 2019 £'000		31 March 2020 £'000
90,818	Investment Property	93,849
90,818	Long Term Assets	93,849
28,744	Investments in Aberdeen City Council Loans Fund	29,707
0	Investment Property Held for Sale	0
1,366	Short Term Debtors	1,079
30,110	Current Assets	30,786
(381)	Short Term Creditors	(486)
(381)	Current Liabilities	(486)
120,547	Net Assets	124,149
(120,479)	Common Good Fund	124,081
(68)	Reserve Fund	68
(120,547)	Total Reserves	124,149



Jonathan Belford, CPFA
Chief Officer - Finance

6 May 2020

The property portfolio was valued internally by Debbie 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

	Balance as at 31 March 2019 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2020 £'000
Charity						
EEIF	(174)	0	(1)	(2)	3	(175)
Guildry	(2,731)	0	89	(14)	25	(2,631)
Bridge of Don	(1,286)	0	67	(3)	1	(1,220)
Alexander MacDonald Bequest	(31)	0	0	0	1	(31)
Aberdeen Art Gallery Trust	(26)	0	0	(0)	0	(26)
Lands of Skene	(1,197)	0	67	(51)	51	(1,130)
Lands of Torry	(1,366)	0	92	(214)	214	(1,274)
McBey Trust	(497)	0	0	(5)	6	(496)
Total - Charitable Trusts	(7,308)	0	314	(290)	302	(6,983)
Non Charity						
Educational Trusts	(1,333)	0	89	(105)	105	(1,244)
Endowment Funds						
- Educational	(858)	0	(6)	(11)	2	(873)
- Social Work	(364)	0	(3)	(5)	0	(372)
Arts & Heritage	(74)	0	0	(1)	1	(74)
Graveyards	(19)	0	0	(0)	2	(17)
Monuments	(7)	0	0	(0)	0	(7)
John Rickart	(53)	0	0	(1)	1	(53)
McBey Trust	(71)	0	0	(1)	1	(71)
Glover House Ltd	0	0	0	0	0	0
Aberdeen Japan Trust	(501)	0	0	0	8	(493)
Total - Non Charitable Trusts	(3,280)	0	80	(123)	119	(3,204)
Total	(10,588)	0	394	(413)	421	(10,187)

Investment of Funds

Charitable Trusts	Non-Charitable Trusts	Total		Charitable Trusts	Non-Charitable Trusts	Total
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
4,502	501	5,003	Land & Buildings	4,097	493	4,590
93	834	927	Equities - Listed	92	845	938
7	34	41	Gilt Edged Securities	7	34	40
-	354	354	Bank	-	365	365
2,410	1,693	4,103	Council Loans Fund	2,488	1,571	4,059
400	-	400	Other Investments - ACGIA	400	-	400
49	-	49	Debtors	53	-	53
(171)	(136)	(308)	Creditors	(174)	(105)	(278)
7,289	3,280	10,570		6,965	3,204	10,168
-	-	-	Share Capital	-	-	-
(4,605)	(2,696)	(7,301)	Unrestricted Funds	(4,436)	(2,600)	(7,037)
(122)	(584)	(706)	Endowment Funds	(125)	(603)	(728)
(2,563)	-	(2,563)	Designated Funds - Common Good Fund	(2,403)	-	(2,403)
-	-	-	Designated Funds - Grampian Health Board	-	-	-
(7,290)	(3,280)	(10,570)		(6,964)	(3,203)	(10,168)



Jonathan Belford, CPFA
Chief Officer - Finance
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The property portfolio was valued internally by Debbie Wyllie, BSc MRICS and Neil Strachan, BLE MRICS who are RICS Registered Valuers, in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

Group Accounts

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

Group Movement in Reserves Statement

	Total Usable Reserves (Page 53) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
Balance at 31 March 2018	(65,965)	(1,317,925)	(1,383,890)	(113,759)	(1,497,649)
					0
Movement in Reserves during 2018/19	103,940	(8,962)	94,978	(1,142)	93,836
Adjustments between accounting basis & funding basis under regulations	(96,709)	96,709	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	7,231	87,747	94,978	(1,142)	93,836
Transfers to/from Earmarked Reserves & Statutory Reserves	64	(64)	0	0	0
Increase/Decrease in Year	7,295	87,683	94,978	(1,142)	93,836
Balance at 31 March 2019 carried forward	(58,670)	(1,230,242)	(1,288,911)	(114,901)	(1,403,812)
Movement in Reserves during 2019/20	91,383	65,150	156,533	10,035	166,569
Adjustments between accounting basis & funding basis under regulations	(91,106)	91,106	0		0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	277	156,256	156,533	10,035	166,569
Transfers to/from Earmarked Reserves & Statutory Reserves	(1,666)	1,666	0	0	0
Increase/Decrease in Year	(1,389)	157,922	156,533	10,035	166,569
Balance at 31 March 2020	(60,059)	(1,072,320)	(1,132,378)	(104,866)	(1,237,244)

Group Comprehensive Income and Expenditure Statement

2018/19				2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continued Operation			
323,513	(39,645)	283,868	Operations	340,117	(57,627)	282,490
106,060	(68,634)	37,426	Customer	101,457	(63,804)	37,653
32,531	(2,520)	30,010	Commissioning	13,784	(5,004)	8,779
52,914	(41,115)	11,799	Resources	193,464	(178,967)	14,498
31,298	(7,301)	23,997	Place	34,091	(9,547)	24,545
3,751	(1,388)	2,363	Governance	5,592	(2,309)	3,283
226,726	(140,291)	86,434	Integration Joint Board	236,387	(145,080)	91,306
36,111	7,145	43,256	Corporate	60,473	(821)	59,651
116,789	(96,162)	20,628	Housing Revenue Account	125,133	(100,460)	24,674
929,692	(389,910)	539,780	Cost of Services	1,110,498	(563,619)	546,878
0	(72)	(72)	Other Operating Expenditure	1,137	0	1,137
97,968	(50,559)	47,409	Financing and Investment Income and Expenditure	104,343	(54,553)	49,790
0	(480,930)	(480,930)	Taxation and Non Specific Grant Income	0	(501,268)	(501,268)
1,027,659	(921,471)	106,189	(Surplus) or Deficit on Provision of Services	1,215,978	(1,119,439)	96,539
		2,122	Share of (surplus) or deficit on the provision of services of Associates and JV			1,833
		108,311	Group (Surplus)/Deficit			98,372
		(14,763)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(10,883)
		0	(Surplus)/deficit on revaluation of available for sale financial assets			(5,810)
		(4,416)	Actuarial (gains)/losses on pension assets/liabilities			87,167
		5,059	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(372)
		(354)	Other (gains)/losses			(1,906)
		(14,474)	Other Comprehensive Income and Expenditure			68,196
		93,836	Total Comprehensive Income and Expenditure			166,569

Group Balance Sheet

31 March 2019		31 March 2020
£000		£000
2,440,453	Property ,Plant and Equipment (note xi)	2,156,656
239,246	Investment Property (note xii)	634,193
31,350	Long Term Investments and/or Investments in Associates and Joint Ventures	28,622
197,691	Heritage Assets	197,819
7,542	Long Term Debtors	7,540
2,916,284	Long Term Assets	3,024,831
45,213	Short Term Investments	50,454
2,244	Inventories	2,446
89,888	Short Term Debtors	85,642
74,214	Cash and Cash Equivalents	106,810
6,054	Assets held for Sale	4,017
217,613	Current Assets	249,369
(171,553)	Short Term Borrowing	(182,325)
(83,792)	Short Term Creditors	(96,859)
(5,259)	Provisions	(2,253)
(4,230)	PPP Short Term Liabilities	(3,020)
(2,989)	Capital Grants Receipts in Advance	(25,589)
(13,158)	Revenue Grants Receipts in Advance	(712)
(5,607)	Other Short Term Liabilities	(6,129)
(286,588)	Current Liabilities	(316,887)

Group Balance Sheet

31 March 2019 £'000		31 March 2020 £'000
(13)	Long Term Creditors	0
(551)	Provisions	(613)
(895,954)	Long Term Borrowing	(1,021,809)
(1,627)	Liabilities in Associates and Joint Ventures	(1,601)
(138,223)	PPP Long Term Liabilities	(135,202)
(58,029)	Other Long Term Liabilities	(57,602)
(349,100)	Pension Liabilities	(503,242)
(1,443,497)	Long Term Liabilities	1,237,244
1,403,812	Net Assets	1,237,244
(58,669)	Usable Reserves	(60,058)
(1,230,242)	Unusable Reserves	(1,072,320)
2,314	Group - Usable Reserves	6,608
(117,215)	Group - Unusable Reserves	(111,474)
(1,403,812)	Total Reserves	(1,237,244)



Jonathan Belford, CPFA
Chief Officer - Finance
6 May 2020

Group Cash Flow

31 March 2019		31 March 2020
£000		£000
(108,311)	Net surplus or (deficit) on the provision of services	(98,372)
165,092	Adjust net surplus or deficit on the provision of services for non cash movements	204,719
(43,161)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(44,992)
13,620	Net cash flows from Operating Activities (note 13)	61,356
(119,847)	Net cash flows from Investing Activities (note 14)	(165,867)
118,195	Net Cash flows from Financing Activities (note 15)	137,107
11,968	Net increase or (decrease) in cash and cash equivalents	32,596
62,245	Cash and Cash equivalent at the beginning of the reporting period	74,214
74,214	Cash and Cash equivalent at the end of the reporting period	106,810

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 2020, 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 2019 to 31 March 2020, 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 2019, 31 July 2019 and 29 February 2020. This means that a 12 month period of activity is incorporated into the Group Accounts.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors and creditors.

Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

Aberdeen City Council has an interest in a number of Subsidiaries, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. Included as Joint Ventures are Aberdeen Sports Village (the joint venture with The University of Aberdeen) and the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

Subsidiaries

Common Good

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

Trust Funds

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

Sport Aberdeen

Sport Aberdeen Limited is a charity and constitutes a limited company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity, under chapter 9 of the Code the Council have determined that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited appears to be operating as a structured entity of the Council as defined by IFRS 12.

In the event that Sport Aberdeen incurs any reasonable and properly incurred losses or liabilities, damage claims, demand, costs, expenses, penalties, legal and other professional fees, the council will indemnify Sport Aberdeen on demand for these losses.

Aberdeen City Council as the Scheme employer of the North East Scotland Pension Fund in which Sport Aberdeen is an Admission Body guarantees to discharge on demand the guaranteed obligations by making immediate payment to the fund.

Bon Accord Care and Bon Accord Support Services

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% held by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

Joint Ventures

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts. ASV currently has Net Assets of £33.9 million in 2019/20 (2018/19 £35.2 million).

ASV Ltd was incorporated on 17 July 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian. During financial year 2019/20, the partners contributed £327 million in funding to the IJB (£315 million 2018/19).

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 £105 million (2018/19, increase of £115 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 2019/20	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	124,149	(2,209)	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,781	(9)	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(3,294)	403	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(21,848)	(3,155)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(1,532)	(186)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	33,863	(743)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregation Joint Board	50	50	2,598	(2,979)	50 Frederick Street, Aberdeen, AB24 5HY
Associates					
Grampian Valuation Joint Board	39	39	(4,101)	72	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 2019, AH&P Ltd made a profit of £490,594 (2017/18, £791,179 profit) and the net assets of the company were £3,638,883 (2017/18, £3,148,289). Turnover was £3,988,769 (2017/18, £3,806,071). 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 2018/19, Aberdeen City Council contributed £81,000 (2017/18, £51,000) 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 2018/19 show a deficit of £193,000 (2017/18, £338,000 surplus) 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 2019/20 are being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2019 net assets amounted to £300,696 (2017/18, £302,132) with a loss for the year of £1,436 (2017/18, £2,325 loss). The accounts for 2018/19 are being prepared. It is anticipated that there will be no significant changes as at March 2020. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities-region planning authorities. The current legislative position of SDPA prevents it from retaining a surplus and reserves. In 2019/20, Aberdeen City Council contributed £30,000 (2018/19, £95,000) towards the costs of the organisations.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2019/20, Aberdeen City Council contributed £147,414 (2018/19, £140,311) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

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

2018/19		2019/20
£'000		£'000
50,088	Interest payable and similar charges	53,684
7,617	Pensions interest cost and expected return on pensions assets	8,239
(1,433)	Interest receivable and similar income	(2,035)
(6,977)	Income and expenditure in relation to investment properties and changes in their fair value	(6,800)
(1,886)	Other investment income	(3,298)
47,409	Total	49,790

Note vii Cash Flow Statement – Group Operating Activities

2018/19		2019/20
£'000		£'000
(108,311)	* Net surplus or (deficit) on the provision of services	(98,372)
(108,311)	*	(98,372)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
71,918	Depreciation	73,985
65,976	Impairment, downward revaluations & non sale derecognitions	35,562
(426)	(Increase)/Decrease in Stock	(202)
(22,003)	(Increase)/Decrease in Debtors	5,095
18,847	Increase/(Decrease) in Creditors	29,202
26,474	Payments to Pension fund	63,594
0	Carrying amount of non current assets sold	0
1,411	Carrying amount of written off assets	1,949
(931)	Contributions to Other Reserves / Provisions	(1,246)
2,822	Movement in value of investment properties	(430)
1,004	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(2,790)
165,092		204,720
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(42,097)	Receipt of Capital Grants and Contributions	(44,180)
(1,063)	Proceeds from the sale of PP&E, investment property and intangible assets	(811)
	Bond EIR adjustment	
(43,160)		(44,992)
13,621	Net cash flows from operating activities	61,357

Note viii Cash Flow Statement – Group Investing Activities

2018/19 £'000		2019/20 £'000
(216,936)	Purchase of property, plant and equipment, investment property and intangible assets	(206,311)
53,929	Purchase/(Sale) of short term and long term investments	(4,535)
1,715	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,421
(652)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(622)
42,097	Capital grants and contributions received	44,180
(119,846)	Net cash flows from investing activities	(165,867)

Note ix Cash Flow Statement – Group Financing Activities

2018/19 £'000		2019/20 £'000
(32)	Other receipts from financing activities	(32)
122,764	Repayments of short term and long term borrowing	141,766
	Bond EIR Adjustment	
(4,537)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(4,627)
118,195	Net cash flows from Financing activities	137,107

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 2019 £'000		31 March 2020 £'000
39	Cash held by officers	38
74,175	Bank current accounts	106,772
74,214	Total cash and cash equivalents	106,810

Note xi Group Property, Plant and Equipment*Movements on Balances*

Movements in 2018/19:

	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 2018	977,884	924,978	61,303	275,776	28,235	11,697	280,528	2,560,400	178,906
Additions	37,054	50,463	3,627	11,305	1,538	445	152,385	256,817	39,588
Revaluations	(24,402)	(58,847)	0	0	0	(8,839)	0	(92,088)	(11,550)
Derecognition / Disposals	(91)	(698)	(2,303)	(2,009)	0	(150)	0	(5,251)	0
Transfers	7,440	(3,287)	0	65,274	0	2,074	(71,112)	389	6,062
At 31 March 2019	997,885	912,609	62,627	350,346	29,773	5,227	361,801	2,720,267	213,006
Accumulated Depreciation and Impairment									
At 1 April 2018	(56,852)	(54,784)	(33,046)	(103,125)	0	0	0	(247,807)	(9,244)
Depreciation Charge	(30,160)	(25,014)	(7,638)	(9,108)	0	0	0	(71,920)	(3,082)
Depreciation & Impairment written out	160	35,167	0	0	0	0	0	35,327	0
Derecognition / Disposals	6	279	2,171	2,009	0	0	0	4,465	0
Transfers	0	121	0	0	0	0	0	121	0
At 31 March 2019	(86,846)	(44,231)	(38,513)	(110,224)	0	0	0	(279,814)	(12,326)
Net Book Value									
At 31 March 2019	911,039	868,378	24,114	240,122	29,773	5,227	361,801	2,440,453	200,680
At 31 March 2018	921,032	870,194	28,257	172,651	28,235	11,697	280,528	2,312,593	169,662

Movements in 2019/20:

	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 2019	997,885	912,609	62,627	350,346	29,773	5,227	361,801	2,720,267	213,016
Additions	50,527	9,736	10,781	19,604	520	103	115,025	206,295	365
Revaluations	(33,201)	(16,074)	0	0	0	(2,042)	0	(51,317)	(20,775)
Derecognition / Disposals	0	0	(2,391)	0	0	0	0	(2,391)	0
Transfers	0	26,961	0	0	0	5,519	(424,277)	(391,797)	0
At 31 March 2020	1,015,211	933,232	71,017	369,950	30,293	8,807	52,549	2,481,057	192,606
Accumulated Depreciation and Impairment									
At 1 April 2019	(86,846)	(44,231)	(38,513)	(110,224)	0	0	0	(279,814)	(12,326)
Depreciation Charge	(31,900)	(22,886)	(7,598)	(11,600)	0	0	0	(73,984)	(3,673)
Depreciation & Impairment written out	0	26,759	0	0	0	0	0	26,759	15,408
Derecognition / Disposals	0	0	2,384	0	0	0	0	2,385	0
Transfers	0	253	0	0	0	0	0	253	0
At 31 March 2020	(118,746)	(40,105)	(43,727)	(121,824)	0	0	0	(324,402)	(591)
Net Book Value									
At 31 March 2020	896,465	893,127	27,290	248,126	30,293	8,807	52,549	2,156,656	192,015
At 31 March 2019	911,039	868,378	24,114	240,122	29,773	5,227	361,801	2,440,453	200,690

Note xii Investment Properties

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

	2018/19	2019/20
	£'000	£'000
Rental and interest income from investment property	(8,946)	(11,642)
Expenses arising from investment property	2,658	8,728
Revaluation (gains)/losses	2,842	(26)
Net (gain)/loss	(3,446)	(2,940)

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

	2018/19	2019/20
	£'000	£'000
Balance at start of the year	237,203	239,246
Additions:		
• Purchases	472	0
Disposals	(409)	(1,830)
Net gains/losses from fair value adjustments	1,966	3,052
Transfers:		
• to/from Inventories	0	393,725
• to/from Property, Plant and Equipment	14	0
Balance at end of the year	239,246	634,193

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2019 and 2020 are as follows:

	Loans		Debtors		Creditors	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
AECC	0		0		0	
Bon Accord Care Ltd	0		0	14	0	(84)
Bon Accord Support Services Ltd	0		5,406	7,175	(3,667)	(3,352)
Sport Aberdeen	(2,980)	(2,695)	16	1	(34)	(3)
Common Good	(19,187)	(20,702)	0		0	
Trust Funds	(4,028)	(3,984)	0		0	
	(26,195)	(27,381)	5,422	7,190	(3,701)	(3,439)

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

2018/19	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	191	549	(1,963)	(1,414)
Associates Total	191	549	(1,963)	(1,414)
Joint Venture				
Aberdeen Sports Village Limited	416	23,194	(5,556)	17,638
Integration Joint Board	1,364	4,074	(1,285)	2,789
Joint Ventures Total	1,780	27,268	(6,841)	20,427
2019/20				
	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	(28)	554	(2,153)	(1,599)
Associates Total	(28)	554	(2,153)	(1,599)
Joint Venture				
Aberdeen Sports Village Limited	372	22,535	(5,603)	16,932
Integration Joint Board	1,490	1,312	(13)	1,299
Joint Ventures Total	1,862	23,847	(5,616)	18,231

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 £2,140,000 (2018/19, £279,000 deficit).

Bon Accord Care (BAC) and Bon Accord Support Services (BASS) participate as admitted bodies, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. In 2019/20 BASS made a deficit of £404,000 while BAC realised a loss of £6,436,000.

Joint Ventures

Aberdeen Sports Village Limited (ASV Ltd) participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year 2018/19 was £72,000 (2017/18, £90,000).

Associates

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

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

	2018/19		2019/20
	£'000		£'000
Grampian Valuation Joint Board	37		0
<i>To Be Updated</i>			

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'.

	2018/19	2019/20
	£'000	£'000
ACC	(332,108)	(473,890)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(1,959)	(1,959)
Total	(334,067)	(475,849)

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 2019/20.*

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*