



**UNAUDITED ANNUAL ACCOUNTS  
FOR THE PERIOD  
1 APRIL 2015 TO 31 MARCH 2016**

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### Management Commentary

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2015/16 and understand our financial performance for the year to 31 March 2016. It also provides an insight into the medium term financial planning we undertake to provide stability, financially, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely.

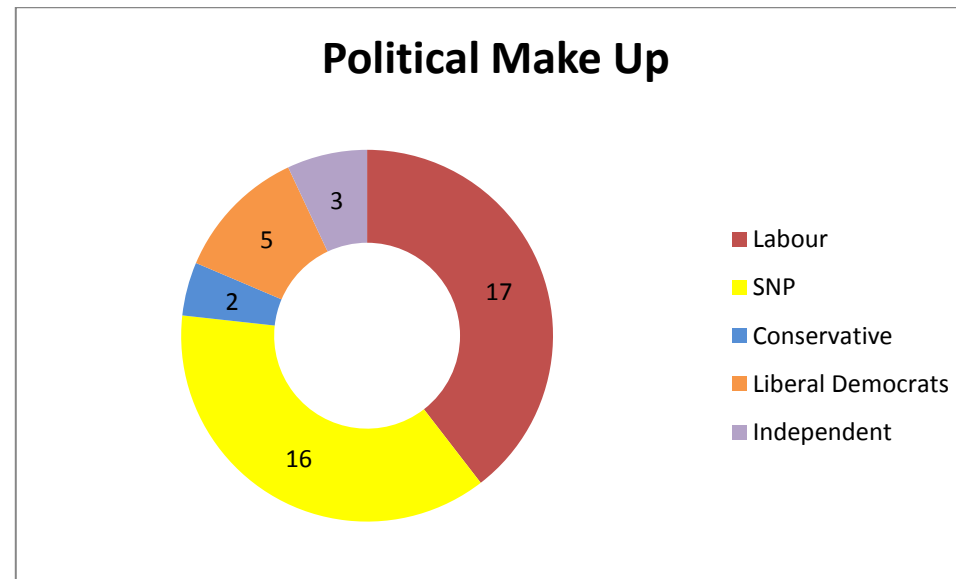
The Council, in preparing the accounts, is required to adhere to the relevant accounting standards in accordance with International Reporting Standards. This differs from how the Council is funded and as such the accounts provide a reconciliation between the two reporting methodologies.

### Who we are

We aim to be one of the leading providers of local government services in the UK delivering to 114,700 households, 10,000 businesses, serving a population of 229,000 directly and on an operational basis the wider North East population of 489,000.

### What we do

We are one of 32 Council's in Scotland. Our governance is overseen by 43 elected members who are elected every 5 years by the citizens of Aberdeen. The current political makeup of the Council is shown in the diagram below. The next local government elections will take place in May 2017.



#### How we do it

We have 8,600 employees and their commitment and professional expertise is critical to service delivery. The very nature of our services are such that we employ a diverse range of individuals – from teachers to social workers, from engineers to architects, from lawyers to accountants, from surveyors to administrators and everything in between.

We are organised around four core directorates – Communities, Housing and Infrastructure, Education and Children's Services, an integrated structure bringing together the Council's and NHS Grampian Adult Social Care services and Corporate Governance. We deliver this in the context of delivering Best Value – making the best use of public funds.

#### Our Goal and Plans

The Council's Strategic Business Plan has been refreshed taking account of the recent Audit Scotland Best Value review and explains how the Council is transforming the way it does business and delivers services while reflecting the ambitions for the City with a focus on economic growth and an enhanced quality of life for citizens. The full Strategic Business Plan can be viewed at: <http://committees.aberdeencity.gov.uk/documents/s54401/Refresh%20of%20Strategic%20Business%20Plan%20Final.pdf>

A key output of the Strategic Business Plan is the Strategic Framework which clearly shows the key plans and visions of the Council with clear and measurable objectives which will direct the actions taken, the services provided and the resources used. The key plans are:

- **Single Outcome Agreement (SOA)**

The Single Outcome Agreement 2013, between the Scottish Government and Community Planning Aberdeen, sets out a vision for 2022 which will deliver better outcomes for the people in Aberdeen City. The agreement is currently under review and will be updated during 2016/17. Further details on community planning and the SOA can be found at: <http://communityplanningaberdeen.org.uk/>

- **Integrated Health & Social Care Strategic Plan**

The Aberdeen City Health and Social Care Partnership brings together adult health and social care services provided by the Council and NHS Grampian. The shadow Integrated Joint Board (IJB) has overseen the implementation programme to ensure the requirements for formal integration and delegation of services were in place by the prescribed date of 1 April 2016. Whilst the Council is represented on the Board, the IJB has oversight and accountability of its business planning process, including the development of a Strategic Plan, performance management arrangements and public performance reporting. The Strategic Plan 2016-19 was approved by the IJB on 29 March 2016. Further details can be found at: <http://aberdeencityhscp.co.uk/>

- **Regional Economic Plan**

In December 2015 the Council approved a Regional Economic Strategy for the North East of Scotland, providing a twenty year vision for the well-being of the place and our people through a longer term plan for economic development. The strategy identifies four programme areas reflecting the needs of the city region economy and the overall economic strategy for Scotland: investment in infrastructure; innovation; inclusive economic growth; and internationalisation. It further proposes a sectoral approach around four priority sectors that reflect the city regions competitive advantage in these sectors and their high performance and contribution to the Scottish and UK economies: oil and gas; food, drink and primary industries; tourism; and life sciences. For details see: <http://councilcommittees/documents/s52770/Regional%20Economic%20Strategy.pdf>

- **Aberdeen: The Smarter City**

“Our vision for Aberdeen is to be an ambitious, achieving, smart city”, which:

- Develops an economy based on knowledge and innovation;
- Encourages more efficient use of greener resource which generates a competitive economy;
- Uses technology and data to enable informed decisions to be taken;
- Enables citizens to interact in a city where there is a sense of place; and
- Encourages a form of governance which engages its citizens

The key priorities underpinning this vision are: *Smarter Living; Smarter People; Smarter Environment; Smarter Economy; Smarter Governance; and Smarter Mobility*. Further details can be found at: [http://www.aberdeencity.gov.uk/council\\_government/performance/aberdeen\\_performs/abp\\_our\\_priorities.asp](http://www.aberdeencity.gov.uk/council_government/performance/aberdeen_performs/abp_our_priorities.asp)

The Council's budget has been aligned with the refreshed plan with the continuing pressure on public finances recognised as a constraint on service delivery whilst public expectations remain high and additional duties for councils create further resource pressures. To meet these challenges, the Strategic Business Plan is supported by Directorate and Service Business Plans which provide detail of how through the best use of resources, bringing modern and innovative change, the vision of the Council will be delivered.

To deliver our vision and objectives we must be fit for purpose and we aim to achieve this through our organisational plan called Shaping Aberdeen. We focus on three aims:

1. Our purpose – delivering outcomes through people, place and technology;
2. How we do business – delivering outcomes by innovation, modernisation and transformation; and
3. Our culture – delivering outcomes through improving our customer experience, staff experience and our use of resources.



## 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. We are currently seeking external endorsement of our employee practices through achieving accreditations as a Living Wage Employer and as an Investor in People.

At the same time we are increasing our profile as an employer of choice in the area, particularly for younger people. During 2015/16, we recruited 23 apprentices and provided placements for 67 trainee teachers as well as recruiting 1,131 staff in traditional professions.

## 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. With this in mind, during 2015/16, we have developed three programmes of work around improving customer experience, staff experience and our use of resources – all of which have staff engagement at their core. 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 opportunities 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.

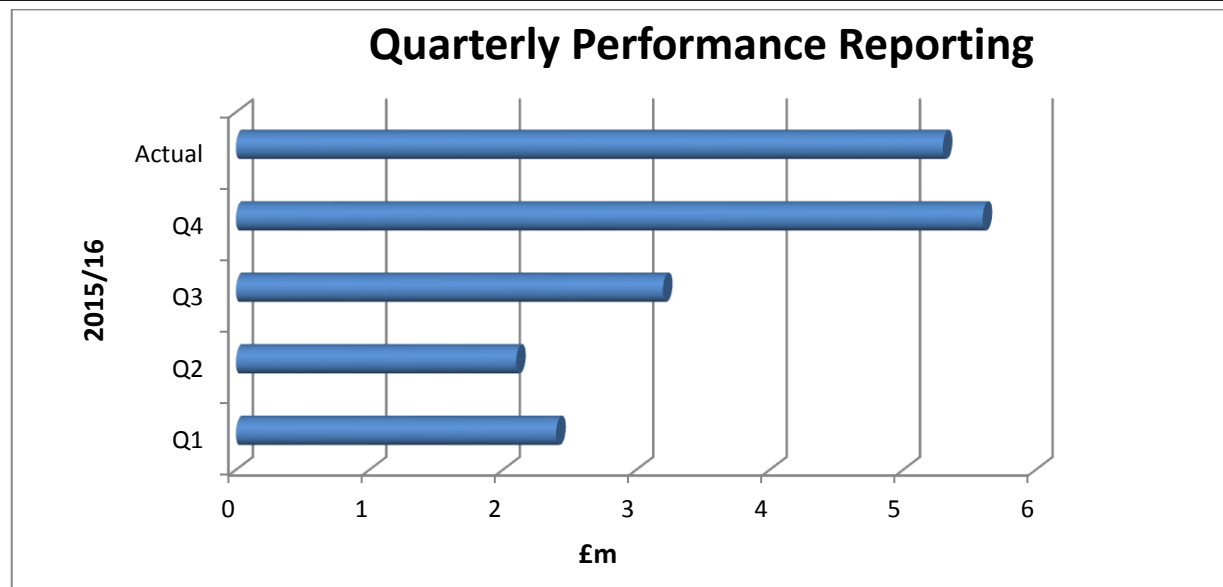
## Our Relationship with Scottish and UK Governments and Europe

We work closely with both governments and seek to help to deliver national policy decisions. This partnership has led to us along with Aberdeenshire Council, in securing a 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. This £250 million commitment was further enhanced with the Scottish Government also providing an additional commitment to £254 million. The commitment from both Governments' shows the strategic importance of the City as an economic engine room within the UK. We also benefit from being able to access European Funding with a number of projects supported in this way in recent years, one of the most innovative being the introduction of Hydrogen Buses on routes within the city with £8.3 million of EU funding provided to support this.

## Our Financial Performance

### • Performance in the Year

The General Fund continues to show strong financial management of public funds and we have demonstrated again the ability to deliver services within our budgeted assessment of financial needs. To this end we have been able to return a net surplus against budget for the year of £5.3 million or 1.2% under budget. The diagram below also shows how we have been forecasting our expected financial outturn position throughout the year, demonstrating the robust financial governance during the year.



We have a prudent financial strategy which includes a Risk Fund to mitigate any in year pressure which again has not been utilised – further demonstrating the financial prudence and planning we have in place.

The net expenditure on the Housing Revenue Account (HRA) was £23.2 million. From this position a revenue contribution of £22 million to fund the capital programme was made. A further net £0.2 million was used to fund the transfer at market value of sites for development between the General Fund and the HRA. The effect of these transactions was a net surplus of £1 million which was used to increase the working balance.

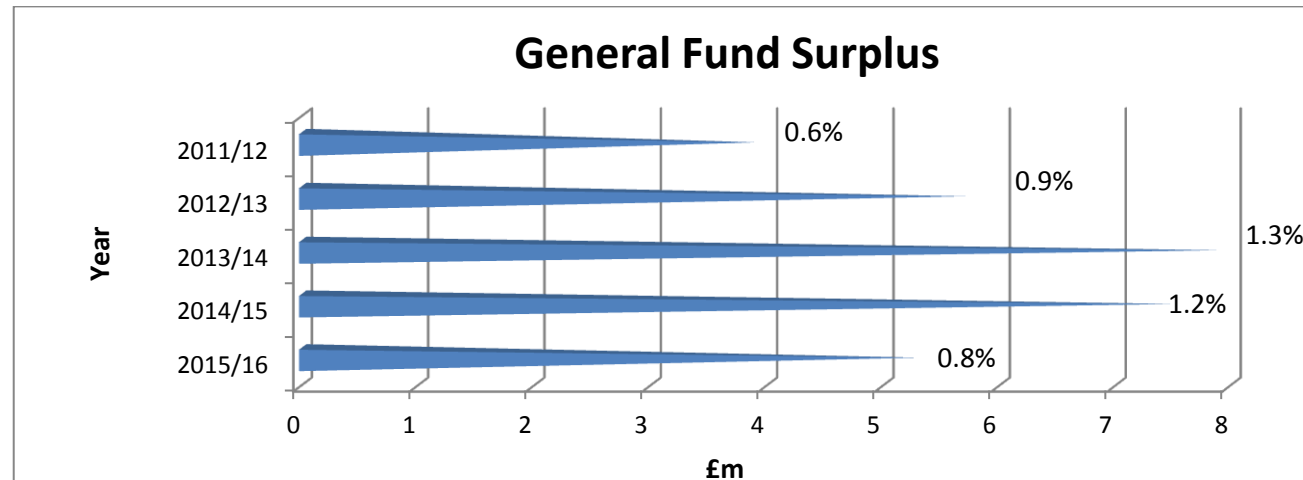
We continue to manage our debt portfolio to relatively low levels in comparison with other local government organisations and this has allowed us to make bold strategic capital investment decisions. During the year we invested over £137 million but only saw a 2% increase in our debt portfolio which represents 24% of our gross assets.

As we begin to move towards our next medium term financial plan this approach allows us to make long-term financial capital investment decisions aimed at delivering better outcomes for our communities – a cornerstone of our decision making.

#### • **Financial Management**

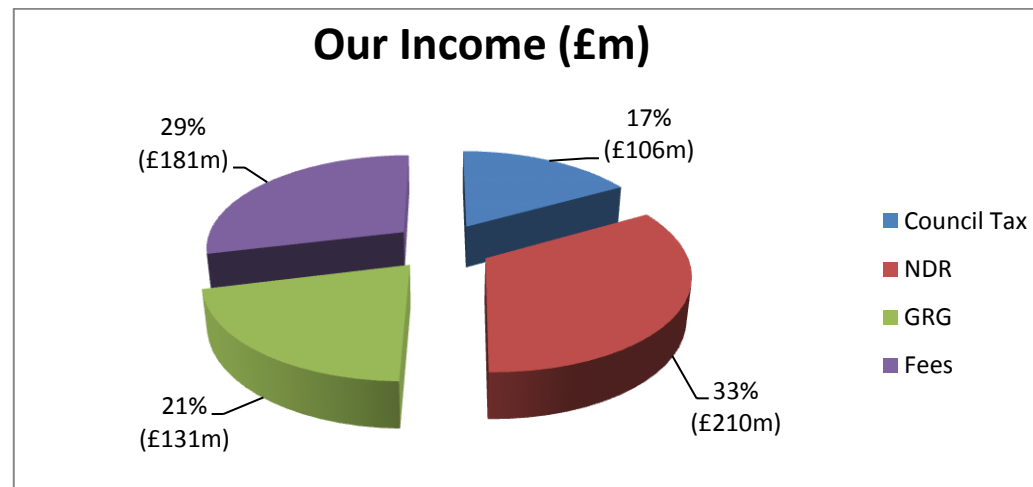
The delivery of another strong financial year, coupled with previous years, shows that we continue to control spend and cost to within budget allowing us to implement a strong investment strategy for the future of the City. The table below shows our performance over the last 5 financial years:





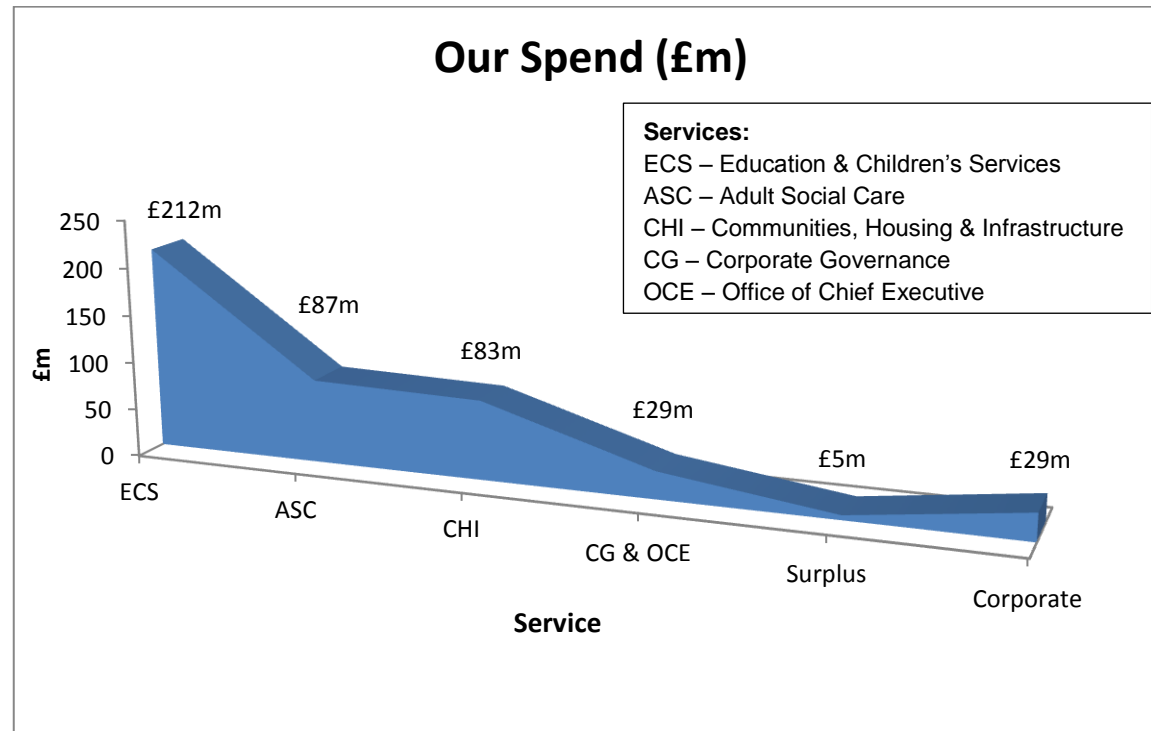
- Where We Receive Our Income:**

We achieve our income through 4 methods. Firstly, we raise council tax income locally. Secondly, we raise income through Non Domestic Rates which forms part of the overall government funding distribution mechanism. Thirdly, we receive a general revenue grant from the Scottish Government. Finally, we raise fees and charges locally (through car parking charges, investment income and charges for services we provide). The total income is shown below and demonstrates our sustainability and resilience through different income sources. This diversity allows us to ensure we can continue to plan in the medium term on delivering services to our citizens.



## • Where We Spend Public Funds

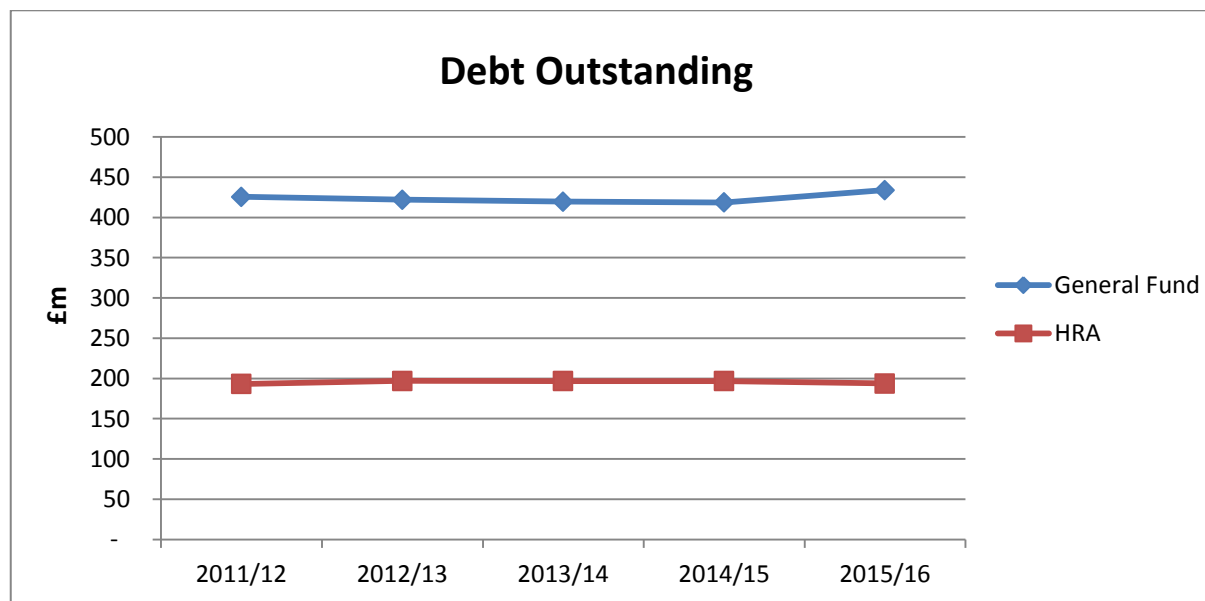
As previously indicated we provide four core services supported by the Office of the Chief Executive with our corporate budgets, predominantly capital financing costs, being the balance of our budgeted spend. Our use of public resources is shown in the graph below:



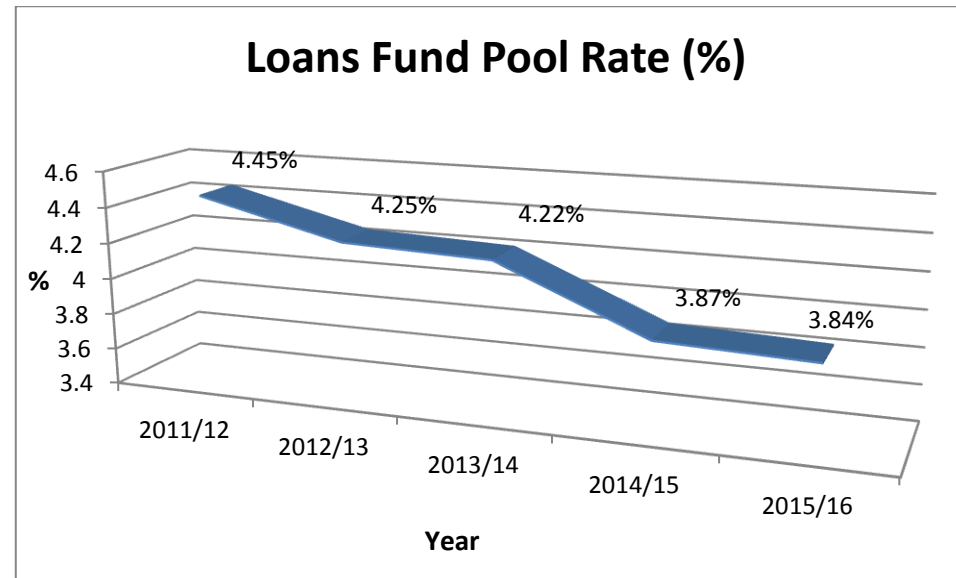
## • Debt And Liquidity

In delivering services we consider the amount of capital investment we need to make and to ensure we have resources to finance both our revenue and capital positions. We therefore actively manage our debt portfolio. This is the amount of borrowing to fund capital expenditure. Our total debt currently stands at £628 million. To put this in context the current value of our assets is £2.6 billion. Our debt is therefore only 24% of the total net worth of our assets which is extremely low.

We have actively managed our debt portfolio over the last 5 years with a view to holding it relatively static in real terms although we did incur £12 million of new debt in the last year. However this is only a 2% increase in the total debt position. Over the 5 year period, despite holding debt static, we invested £448 million in our assets. Looking at our debt in a different context, it can be seen that total debt equates to approximately the same as our annual gross spend. Total capital financing charges represent 5% of our gross expenditure which demonstrates our commitment to keeping our capital investment programme very affordable. The table below shows movement of our total debt over the last 5 years:



Liquidity measures our ability to access internal sources of funds such as cash reserves and cash flow generation (or investment income) and external sources such as banks, money markets and other corporate bodies. Given the strength of our balance sheet and the level of reserves that we hold we were able to again show strong investment returns and access to funding to finance short term funding requirements. We maintained an average surplus cash balance of £77 million during the year demonstrating our strong liquidity position. We have a stringent counterparty list (third parties with whom we will invest) to preserve the capital value of any investment and these all combined to reduce the cost of our borrowing known as the loans fund rate. The table below shows the pool rate over recent years and we have successfully reduced this year on year:



This approach to our investment strategy has allowed another strong year of capital investment within the City.

#### Our Investment Portfolio

We invest in the future of our city by having regard to the Prudential Code for Finance in Local Authorities and consideration, in all years, of affordability and sustainability. In 2015/16 capital expenditure on General Fund services totalled nearly £102 million while for Housing Revenue Account (HRA) it totalled approximately £35 million. This was funded through various grants, borrowing, revenue funding and use of capital receipts and the capital fund.

The most significant projects undertaken during the year within the General Fund programme were: Aberdeen Western Peripheral Route; 3<sup>rd</sup> Don Crossing; A96 Park and Choose/Dyce Drive Link Road; Renewal and Replacement of Roads Infrastructure; Property Condition and Sustainability Programme; Fleet Replacement; Waste Projects; New Brimmond and ASN Schools; Purchase of St Josephs School; and the Art Gallery Redevelopment.

The HRA programme included: Structural Works on Multi-Storey Blocks; Heating System Replacement; and the Modernisation Programme.

The Council is also progressing with a number of large scale projects:

- The Marischal Square development is a key scheme in the regeneration of the City Centre. The Council has entered into a number of agreements to deliver retail/restaurant units, hotel and office accommodation on a 'development strip lease' basis. A hotel franchise has been agreed for the site whilst a number of discussions are well underway with tenants for the retail/restaurant units and office accommodation. Construction on site is progressing well and within the timescales expected such that the further £9 million capital receipt for the site, due on practical completion, is due to be received during 2017/18.
- A project to provide a new Aberdeen Exhibition and Conference Centre, which will support and enhance Aberdeen's place culturally and in the global oil and gas industry, is at an advanced stage with planning permission in place for a hotel, conference centre, energy centre and anaerobic digestive plant. Planning applications for further hotel developments will be submitted in the coming months. The Council is currently assessing the funding mechanism for the development and anticipates this being finalised and in place by late summer 2016. While the income levels will vary, especially in the early years, in overall terms the cost to the Council is expected to be cost neutral compared to the current financial structure that is in operation for the existing site.
- The Council has committed to building a new academy to the south of the city in conjunction with Hub North Scotland Ltd through the Scottish Futures Trust (SFT) funding model whereby the capital cost is largely met by SFT, with the Council committing to ongoing revenue costs for a 25 year period. Progress is well advanced with financial close, which will confirm the final capital and revenue costs, expected in the coming months.
- The Council has procured a private sector partner for the delivery of new housing through a 50:50 partnership vehicle with the Council and is currently progressing with the legal structure around this. The aim of the project is ultimately to deliver 1,000 affordable homes which are vital to addressing housing shortages across the City. This method of delivery will bring in private sector experience and expertise in the delivery of affordable and private housing, using a standardised product where appropriate to assist in the speed of delivery. Whilst the Council will contribute land to the project, the private sector partner will provide increased ability to lever in finance to fund development. Both parties will share in the development risk and profit of the scheme.

A key element of the Council's economic strategy is the City Region Deal which has been developed in partnership with Aberdeenshire Council and in conjunction with the private sector and other public sector agencies to encourage investment in transport, digital connectivity, innovation and housing infrastructure. In January 2016, heads of terms agreements were signed which will see the UK and Scottish Governments provide £250 million, split equally, to support projects within the City Region Deal. At the same time, the Scottish Government announced a separate deal to allocated £254 million to support additional development in transport, digital and housing. Work is progressing to confirm both elements of the deal, agree a programme of works and the resources required to manage and deliver the programme following which it will be possible to indicate the level of commitment required by the Council.

The City Centre Masterplan was approved by the Council in June 2015 and provides an overall framework for the city over the next 20 years, focussing on projects which aim to anchor the City further in the economic wellbeing of the UK as a whole. A City Centre Director has been appointed to take forward the operational delivery of the plan.

### **Our Reserves**

The Council's usable reserves have reduced slightly year on year to ensure that we maintain a low level of debt to revenue ratio and ensure the long term affordability of our capital investment programme. We continue to provide for future liabilities and where ever possible aim to de-risk the future financial position of the Council. In setting the 2016/17 budget we further increased our risk fund to £8.4 million thereby further mitigating any short term impact on the operations of the Council in year. This was done against a back drop of reduced grant funding from the Scottish Government and demonstrates our commitment to seeking to provide in-year assurances that spend against budget can be achieved. Our reserves are detailed in Notes 5 and 6 on pages 63 to 69.

## Group Accounts

The Aberdeen City Council Group consists of subsidiaries, joint venture and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with total assets of £2,701.5 million. This is an increase against the total assets of the Council, which are £2,592.8 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 2015/16. Details can be seen on page 153.

- **Common Good**

Against a budgeted use of working balances of £0.5 million, the Common Good recorded a surplus of £0.1 million. This was largely due to lower than anticipated spend on a number of projects. As many of these projects are ongoing a sum of £0.5 million has been earmarked to provide the necessary funding to complete them during 2016/17.

The above surplus is before gains on the disposal and revaluation of assets and other accounting adjustments are applied. The value of the Common Good has increased to £112.5 million at 31 March 2016, an increase of £6.8 million from last year. This increase includes a further receipt from the sale of land at Pinewood/Hazledene which has been invested in line with the approved Common Good Investment strategy. Further details on the Common Good can be seen at pages 138 to 140.

- **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 2016 was £10.7 million, an increase of £1 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 141 to 143.

## Performance Management

The Council is required to report details of its performance across a range of indicators each year and does so regularly to our relevant committees. The performance of all thirty two councils in Scotland is monitored by Audit Scotland to ensure Public Performance Reporting requirements are met.

The Council has committed to undertake a comprehensive review and redesign of its performance management framework (PMF). A new corporate PMF incorporating a standard reporting template has been agreed by the Corporate Management Team and is being implemented across services and will be reported to committee regularly. The PMF will continue to be enhanced during 2016/17 to focus on reporting outcomes which are aligned to the strategic priorities within directorate and service plans rather than operational activity.

The Council is involved with a number of Arm's Length External Organisations (ALEO's), a number of which form part of its group and are reflected in the group accounts on pages 144 to 164. Our ALEO's are performing well with no loan debt on their balance sheets. Significant investment is made in ALEO's by the Council and proper consideration must be given to their performance and governance arrangements with a framework of governance hubs 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 ALEO's is embedded in the Council's culture.

## Economy

Aberdeen sits at the centre of the North East of Scotland economy which is one of the most prosperous regions in the UK. Economic activity in Aberdeen and the North East is high due to a host of factors including the Oil and Gas Sector. This diversity provides significant opportunities to sustain and grow activity in both the short and longer term.

The decline in the price of oil has had an impact on the Aberdeen economy. Oil & Gas UK estimate that the UKCS currently supports around 370,000 jobs, most of which are highly skilled and well paid.

The immediate focus is on maximising economic recovery from remaining oil and gas reserves in the UK Continental Shelf while we identify ways to anchor expertise and activity in the North East region. The Aberdeen and North East economy is broader than oil and gas and there are a range of other high value sectors in the city and region including energy (renewables), tourism, food, drink and agriculture, life sciences and the creative sector. We aim to retain the global talent in Aberdeen and further diversify our economy to these areas to increase our resilience from any future oil and gas price shocks.

Indeed, the level of Non Domestic Rates collected within Aberdeen City is estimated to account for almost 7.8% of the total Scottish NDR collectable during 2016/17 (up from 7.5% in 2015/16) and this demonstrates the economic strength required from within the City to maintain Scotland wide income levels for distribution to all local authorities. Against this backdrop of economic difficulties within the Oil and Gas sector it should also be noted that the level of Band D equivalent properties increased during 2015/16 from 92,303 to 93,070 an increase of over 750 and demonstrates the level of confidence that still exists locally.

The Council recognises that there is a continued shortage of housing within the City to attract and house new workers. Population growth is still estimated to grow over the next 35 years and this is borne out by the views captured within the local development plan of developers within the city. The extracted data on the developer's views of construction of new houses in Aberdeen up to 2025 shows new house units of more than 11,000 units. These units will vary in size and value depending on where they are built in the city. What this does provide is a clear understanding that, all things being equal, there will be an additional 11,000 units by 2025. The population is predicted to increase by a further 84,000 from 2025 to 2050, which with an average number of residents per household of 2.13, suggests a further 39,000 units required between 2025 and 2050.

Population information for the Aberdeen City area has been sourced from the Scottish Government, showing projections up to 2037. This data has been extrapolated and projected up to 2050. Initial indications are that the total population for Aberdeen City is likely to increase from its current levels of 225,000 to 342,000. This will obviously increase pressure on a huge range of Council services, including roads, education and social care, as well as partner services such as health but will also provide us with new opportunities to grow our income base and further embed Aberdeen as an economic anchor in the wider UK economic performance. 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.

### 2016/17 Budget and Medium Term Financial Outlook

The Council set its 2016/17 General Fund revenue budget and five year indicative capital budget on 25 February 2016. Against a backdrop of reducing revenue funding, the 2016/17 budget presented required only £2.4 million of decisions by Elected Members in order to balance the budget. This is the first time in 4 years the Council has had to identify additional savings as our medium term financial plan has been set to ensure that we have a balanced financial position over the medium term. 2016/17 seen the end of this plan and we now seek to provide further financial stability over the next medium term financial planning period to continue to deliver a stable financial platform on which to provide and grow our services.

In setting the 2016/17 budget, the importance of maintaining sufficient working capital was recognised with a review of earmarked reserves undertaken, releasing £2.8 million which was added to the Financial Risk Fund (providing a total fund of £8.4 million) thereby providing further assurance of the Council's ability to meet any unforeseen costs that arise. This is particularly prevalent in the context of the continued austerity measures being implemented by the UK and Scottish governments; inflation levels; changing energy prices; other cost pressures arising directly from rising prices, demographic changes and additional legislative initiatives placed on the Council. In addition, sums continue to be set aside for future capital investment to maintain our low debt portfolio through earmarked sums and the Capital Fund whilst the level of uncommitted reserves has been maintained at the previously agreed level of £11.3 million.

A number of key assumptions have been made in the 2016/17 and indicative five year budgets including: a 1% annual staff pay award; impact of the abolition of the National Insurance Contracted Out Rate; increased costs from changes to the Teachers Pension Scheme; increased investment in waste to ensure delivery of the Council's waste strategy; reductions in consumption of utilities; increased investment to reflect demographic factors impacting on the delivery of social care and children's services; increased investment in teachers to reflect growing numbers of school children; impact of Adult Health and Social Care Integration; increased council tax income from additional properties; and a capital programme reflecting the Council investment ambitions over the next five years. All of this was achieved with only £2.4 million of savings.

The Council has a clear investment strategy to grow and promote the City which includes: new schools, housing, roads and waste facilities; improvements to existing assets; development of Marischal Square; a new AECC; and the City Region Deal and City Centre Masterplan. This investment is key in delivering against the vision for the city as represented in the SOA, Smarter Aberdeen policy statement, and the associated Corporate and Service plans. This is "Shaping Aberdeen" in practice.

It should be noted that the delivery of this investment is not solely about the Council providing the funding and that the successful delivery of the SIP requires a package of funding options from a variety of sources. This requires the identification of a broader strategy to develop innovative funding models to deliver current and future infrastructure needs with the City Region Deal being an example which will enable the delivery of the key priorities and facilitate some of the projects which do not have funding solutions.

It is recognised that there is a need to underpin all the Council's strategies and plans with a long term financial strategy which will provide a clear understanding of the long term financial opportunities and challenges and build on the medium term financial stability the Council has achieved in recent years. This encompasses an analysis of and makes assumptions on: future funding streams and funding levels; anticipated housing and business development and the impact on income from Council Tax and Non Domestic Rates and conversely the additional demand for services including new schools, community facilities, roads and waste collection and disposal; population trends and demographics; and the impact of daily migration in and out of the city. Aberdeen really has an exciting future.

## Conclusion

We have had another strong year financially showing a net surplus against budget of £5.3 million. We have also maintained a strong balance sheet and indeed strengthened it where appropriate to ensure we continue to show resilience despite the economic challenges the UK continues to face. Our focus, on delivering the "Shaping Aberdeen" programme, is to maintain inward investment in the regional economy to provide long term growth for both the local and national economy.

We will continue to invest in our staff and the infrastructure of the City in a financially sustainable way. Investment in providing an economically diverse and culturally rich environment, we believe, will continue to make Aberdeen a location of choice. We are more than a Council – we aim to shape the future of Aberdeen, and that is "Shaping Aberdeen" in practice.



## 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 2015/16 Annual Accounts.

Steven Whyte, CPFA  
Head of Finance

Angela Scott  
Chief Executive

Councillor Jennifer Laing  
Leader of the Council

27 June 2016

## Statement of Responsibilities

### The Council is required to:

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

Signed on behalf of Aberdeen City Council

Councillor Jennifer Laing  
Leader of the Council  
27 June 2016

### The Head of Finance's responsibilities:

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

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

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

### I have also:

- kept adequate accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that 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 2016.

Steven Whyte, CPFA  
Head of Finance  
27 June 2016

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## Annual Governance Statement

### Scope of Responsibility

The CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* sets out a standard for good corporate governance and this Annual Governance Statement follows the principles contained therein. This Statement explains how Aberdeen City Council has complied with the standard and meets the requirements of relevant legislation and current good practice.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities will be approved by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

A governance framework has been in place at Aberdeen City Council for the year ended 31 March 2016 and up to the date of approval of the annual accounts.

### The Governance Framework

The Council has an approved Local Code of Corporate Governance which incorporates the six principles recommended in the CIPFA / SOLACE Framework, and was last updated in 2012/13. Against each principle is a set of key documents, policies, arrangements and areas of activity within the Council which address the theme. The principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council demonstrates its compliance with the principles in many ways as can be seen in the Code itself which can be viewed at:

<http://committees.aberdeencity.gov.uk/documents/s19963/Local%20Code%20of%20Corporate%20Governance.pdf>

The Council is a complex organisation with many controlling interests in other businesses so this statement extends to cover the organisations included in the Council's Group Accounts, a list of which is included at pages 150 and 151.

As such the influence, accountability and responsibilities that the Council has to the organisations which form part of its group are vitally important and it is essential that arrangements are in place which provides clarity and consistency in the Council's relationship with the group entities.

The Council has put in place a framework of governance hubs for its group entities, also referred to as Arm's Length External Organisations (ALEO's), to provide assurance and confidence around their governance arrangements. The hubs include key council officers and representatives from the organisations with details of the main findings and minutes of the meetings reported to the Audit, Risk and Scrutiny Committee. A number of areas are scrutinised including internal and external audit activity and reports, the activity and reports of external inspection agencies as well as the financial and other governance related procedures and processes each organisation has in place. This framework is in addition to that currently in place to gain assurances from group entities, through a signed statement from each, to confirm that no significant issues arose in relation to their systems of internal control or to advise of any failures identified during the year.

The following in year activity and developments further demonstrate compliance with the governance principles:

**Principle 1**      Audit Scotland's 'Audit of Best Value and Community Planning' for Aberdeen City Council was published in July 2015 and recognised that good progress had been made in financial planning and management, whilst highlighting the need to more clearly show how the Council's vision translates into objectives and targets, linked to service plans and ensure clear links between performance information and strategic plans. In response to the audit, an action plan has been developed, with progress against each action tracked and reported to the Audit, Risk and Scrutiny Committee.

More specifically, the Council's Strategic Business Plan has been refreshed taking account of the best value audit and explains how the Council is transforming the way it does business and delivers services and shows through clear and measurable objectives and targets how the Council's priorities will be delivered. The plan is supported by Directorate and Service Business Plans which provide detail of how through the best use of resources, bringing modern and innovative change, the vision of the Council will be delivered.

A key output of the Strategic Business Plan is the Strategic Framework which clearly demonstrates the links from the Council's area plans such as the Single Outcome Agreement (SOA) and Regional Economic Strategy (RES) to the objectives of the Smarter Aberdeen political vision to the variety of supporting strategies and thereafter to directorate, service plans and personal objectives which direct how we will deliver through clear and measurable objectives which will direct the actions taken, the services provided and the resources used.

It is recognised that to deliver on the vision and objectives, the organisation must be fit for purpose and thus 2015/16 saw the launch of Shaping Aberdeen, our aspirations, which will enable effective delivery of the purpose through how we do business and developing the culture of the organisation by focussing on three aims:

- Our purpose – delivering outcomes through people, place and technology
- How do we do business – delivering outcomes by innovation, modernisation and transformation
- Our culture – delivering outcomes through improving customer experience, improving staff experience and improving our use of resources.

It is worth noting that the Single Outcome Agreement (SOA) is currently being revised and updated and will take account of the requirements of the Community Empowerment (Scotland) Act 2015. Community Planning Aberdeen (CPA) is key to engaging with the public and connecting national priorities with those at regional, local and neighbourhood levels with a focus on the delivery of the SOA. The structure of CPA will be reviewed to ensure the partnership is organised to deliver the outcomes and fulfil its duties under the Community Empowerment Act.

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- Principle 2** The Public Bodies (Joint Working) (Scotland) Act 2014 requirement for all local authorities and health boards to integrate adult community health and social care services led to the establishment of the Aberdeen City Health and Social Care Partnership, comprising Aberdeen City Council and NHS Grampian. Work continued throughout the year to ensure the necessary resources were in place prior to “go live” on 1 April 2016 with assurances provided to the Audit, Risk and Scrutiny Committee in March and April 2016. The Aberdeen City Integration Scheme was approved by the Cabinet Secretary for Health, Wellbeing and Sport. The Order to establish the Integration Joint Board was laid in the Scottish Parliament on Friday 8<sup>th</sup> January 2016 and came into force on Saturday 6<sup>th</sup> February 2016 which became the Date of Establishment for the body. There is a requirement for the body to have a Chief Financial Officer in place with this role being undertaken by the Director of Finance for NHS Grampian until a permanent appointment is made.
- During the year a communications policy was agreed by the Council covering the scope, extent and principles governing the Council’s external communications and engagement activity. This provides clarity on the roles and responsibilities of officers and elected members as well as a protocol for media communication.
- Principle 3** The Shaping Aberdeen vision encompasses the Council’s values and how it will put these into practice with the three cultural aims of improving customer experience, improving staff experience and improving the use of resources key to demonstrating this.
- One of the Shaping Aberdeen cultural aims is to improve the customer experience which has seen the introduction of a new Customer Service Charter and Standards where performance measurement and communication of this performance is essential. This is supported by key learning outcomes for staff to ensure customer experience is enhanced at all levels.
- The Standards Commission for Scotland issued revised guidance on the Councillor’s Code of Conduct in March 2016, the main purpose of which was to clarify some areas of ambiguity in the previous guidance, using actual cases as illustrations. Members were offered a training session on the revised guidance, jointly with Aberdeenshire and Moray Councils. Also initiated by the Council in 2015/16 was a new protocol to manage member/officer relations, taking account of previous audit recommendations. This sets out how members and officers work together to achieve the Council’s strategic outcomes with a common purpose driven by the Council’s cultural triple aim. This will be completed in 2016/17 as part of the Governance Review.
- Principle 4** The Standing Orders and Orders of Reference provide the decision making structure to the organisation, with members and officers understanding of roles and responsibilities further enhanced by the Scheme of Delegation. Regular, structured meetings between the Corporate Management Team (CMT) and the Administration leaders as well as annually set committee meetings, pre-agenda meetings and reporting / consultation deadlines ensure that sufficient time is dedicated to decision making. Urgent Business Committees can be called by members at short notice where a Council decision is recognised as essential. The CMT meets regularly and each individual Service has its own scheduled meetings to make decisions, review and monitor progress and cascade information.
- Fundamentally all reports were provided to the CFO and the Monitoring Officer during the year and this extended to all Council reports under Standing Orders and Financial Regulations requirements, providing a process by which influence could be brought to bear in relation to all business decisions whilst also mitigating the risk to the Council of reports being approved that are in breach of laws and regulations.
- The decision making structure is therefore robust and ensures that organisationally the range of recommendations and the implications for those recommendations presented to members for decisions are clear and understood by officers.
- The scrutiny in the Council emanates from the Audit, Risk and Scrutiny Committee, which has a convener and vice-convener from the opposition groups to enhance the independence and scrutiny function. The Committee comprises 17 Councillors, 9 being selected from the Council Administration. The Committee oversees the system of risk management and is charged with the responsibility for the effectiveness of Internal Audit, while receiving all External Audit reporting and can consider any previously unscrutinised issue, process or practice. The Committee also has responsibility for scrutiny of the Council’s Arm’s Length External Organisations, through regular reporting.
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The Audit, Risk and Scrutiny Committee receive regular reports on the system of risk management. The Committee approved a revised Risk Management Strategy in February 2015 and there is a supporting operational manual. Service Risk Registers and the Strategic Risk Register are reported to the committee on a rolling cycle. Further work has been undertaken to enhance the scrutiny of all committee reports to ensure a proper consideration and assessment of risk is taken.

A complaints handling process is in place which complies with the Scottish Public Services Ombudsman model and enables customers to make a complaint in a variety of ways. During 2015/16, a Complaints Handling Toolkit was developed for staff to support best practice in complaint handling with training due to be rolled out during 2016/17 to ensure complaints are handled effectively. In addition, a new digital customer platform is to be introduced which will enhance analysis capabilities and improve business processes.

There was a substantial amount of activity in 2015/16 to prepare the organisation for the integration of health and social care services, part of which involved the Good Governance Institute in preparing a suite of governance documents for the Integration Joint Board (IJB). The majority of these received approval in March 2016, and included (1) a risk management framework, incorporating a risk appetite statement, a risk management policy and corporate risk register comprising strategic and corporate operational risk registers; (2) a Board Assurance Framework, to provide assurance to the IJB and key stakeholders that there is a robust assurance system in place, to support appropriate and transparent management and decision making processes - underpinned by principles of good governance – and to enable the Board to be assured of the quality of its services, the probity of its operations and of the effectiveness with which the Board was alerted to risks to the achievement of its strategic priorities; and (3) a set of financial regulations for the IJB. The Board also agreed to the establishment of an Audit and Performance Systems Committee, and provided feedback on a scheme of delegation which should receive approval during 2016/17.

Principle 5 The Performance Review and Development scheme in place for staff has been updated to include core objectives for managers which are aligned to the Shaping Aberdeen triple aims of culture, how we do business and purpose.

An induction module has been introduced which provides the key information required by new staff including how they will contribute to the life and culture of the Council. Regular sessions for managers have been introduced to promote key messages as well as providing opportunities for development and networking.

An external partner has been engaged to work with the Extended Corporate Management Team to develop strategic capability and more clearly define their corporate role from their directorate roles.

Principle 6 Significant engagement activity with stakeholders was undertaken during the year in relation to the City Centre Masterplan, City Region Deal and Regional Economic Strategy. In addition, consultation and engagement around the integration of health and social care services including the strategic plan continued, prior to the formal launch of the Aberdeen City Health & Social Care Partnership.

A permanent arrangement has been put in place whereby each formal Council meeting is available to view via a webcast facility.

A communication plan to support the implementation of the Shaping Aberdeen Improving Customer Experience programme is being developed and will include public engagement activity.

A key feature in demonstrating public accountability is performance reporting which was an area for improvement highlighted within the best value audit. With this in mind the Council has committed to undertake a comprehensive review and redesign of its performance management framework incorporating a standard reporting template to be implemented across services and reported to committee. This will continue to be developed during 2016/17 to focus on reporting outcomes which are aligned to the strategic priorities within directorate and service plans rather than operational activity.

The Shaping Aberdeen Improving Staff Experience aims to create a culture of strong leadership with engaged staff who have a voice and where what we say we value and expect is what is seen in practice day to day. A range of mechanisms are in place for staff to engage including workshops, surveys and an online Ideas Hub where staff are encouraged to post ideas and suggestions.

## Future Developments

CIPFA/SOLACE has recently published a revised good governance framework for local authorities to measure themselves against from 2016/17 onwards. The framework is built on the principles set out in the *International Framework: Good Governance in Public Bodies*. As such, the Framework will be applied for the 2016/17 annual governance statement.

CIPFA/SOLACE recognised in their consultation document that local authorities are operating in increasingly complex environments, including addressing serious financial challenges, increased incidence/requirement for arms-length operations, and the impact of these on their ways of working. In addition to this, legislative drivers e.g. health and social care integration and community empowerment, mean that local authorities need to manage their external relationships more carefully than ever before. Against this backdrop, a robust governance framework is key, and if fit for purpose, will ensure that the Council's outcomes are supported by effective mechanisms for control and risk management

The revised principles will become effective from April 2016, and authorities are urged to a) review their governance arrangements; b) revise their Local Code of Corporate Governance – essentially, their governance structure – to ensure its effectiveness in defining and achieving intended outcomes; and c) report publicly on compliance with their own Code (through the annual governance statement). It is therefore timely to review our framework against this backdrop, and also to ensure that the framework fully supports the achievement of the Council's objectives as set out in the refreshed Strategic Business Plan. The Governance Review forms part of much wider change activity in the Council, Shaping Aberdeen, and will be an essential component of *how* we achieve our goals.

The Corporate Management Team has agreed a set of outcomes and outputs for the Governance Review:

### Outcomes (what we will achieve):

- A governance framework which supports the Council in implementing the Strategic Business Plan – governance is key to “how we do business” and as such a robust assurance framework will help to support the achievement of the objectives within Smarter Aberdeen;
- Reassurance to Audit Scotland in respect of their Best Value Audit findings from July 2015, particularly to ensure that the vision set out in Shaping Aberdeen is linked to corporate, service and individual objectives, thus strengthening the “golden thread” and ensuring that staff have a comprehensive understanding and commitment to the vision. As well as this, the Governance Review will ensure that elected members are fully supported in their roles, particularly in relation to the scrutiny function, where members need to understand their role, vis a vis that of officers'; and
- Support for the cultural “triple aim” along the following lines:

*Customer* - our governance framework has customer delivery as a primary focus – both internal customers (for instance those using the committee reporting procedures and internal procurement regulations) and external partners (third party organisations, audit bodies) and external customers (members of the public accessing local decision-making structures). Ensuring that the programme of work delivers improved governance structures will benefit each of these groups.

*Staff* - One of CIPFA's principles is to develop the organisation's capacity, including the capability of its leadership and the individuals within it. Staff experience will be part and parcel of this, for instance, through the Member/Officer protocol and elected member development programme, both of which will be underpinned by the “triple aim” and so have staff experience at their core.

*Resources* - Governance is about our organisational frameworks, responsibilities, systems, processes, culture and values. Good governance happens when these things come together to make us an effective organisation, thereby ensuring that we are fulfilling our duty as an organisation to be open, transparent and accountable for spending public funds. A review of our governance framework will result in improved processes, structures and systems, and against a set of CIPFA principles which have taken account of the changing and challenging landscape for local authorities.

Outputs (what we will deliver):

- Reviewed and revised risk and performance management frameworks;
- A reviewed and revised elected member development approach which links with a Member / Officer Relations Protocol;
- A public participation and engagement strategy which determines how the Council engages with all residents of the city;
- A framework for all staff policies, ensuring that these are maintained, accessible and aligned to staff development;
- Governance framework(s) for all arms-length activities and operations;
- Refreshed Local Code of Corporate Governance reflecting the seven CIPFA/SOLACE principles published in April 2016; and
- An Aberdeen City Council Constitution, comprising the Council's key constitutional documents, including:
  - Member / Officer Relations Protocol;
  - Committee Standing Orders, Orders of Reference, Structure and Reporting Procedures;
  - Aberdeen City and Aberdeenshire Procurement Regulations;
  - Scheme of Delegation, including Proper/Statutory Officer Register;
  - Member and officer guidance on gifts, hospitality and registering interests; and
  - Financial Regulations and Following the Public Pound Guidance.

**Review of Effectiveness**

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its control environment including the system of internal control.

The Council approaches this with reference to different layers of assurance, namely management assurance both internally through the Council and externally through the group entities; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports.

*Management Assurance:*

Each head of service has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Head of Finance. These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses will be incorporated into the 'Significant Governance Issues' section where it's determined necessary. For 2015/16, other than those included in the significant issues table below, all issues highlighted have been addressed.

In reviewing this it has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). Furthermore in relation to the statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition the CFO and Monitoring Officer are in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Finance, Policy and Resources Committee.

The Council Committee structure follows and supports the organisational and management structure, incorporating a culture of accountability that has been developed throughout the Council. The Audit, Risk and Scrutiny Committee remains responsible for ensuring the effectiveness of the internal audit function and also considering all reports prepared by the external auditor.

Assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Chief Executive or Director of Finance. There are no significant areas to be included in this statement. In addition, the governance hubs are now firmly embedded which provides regular reporting and scrutiny across the Group.



The Annual Governance Statement from 2014/15 identified seven significant governance issues and in reviewing the progress made by officers on these actions, five of these have progressed sufficiently to be removed with two remaining outstanding at 31 March 2016.

*Assurance from Internal Audit:*

The Internal Audit function was provided through a shared arrangement with Aberdeenshire Council's Internal Audit Team during the financial year.

At the end of the year the Head of Internal Audit provided the Council with an Annual Report and Statement on its Internal Control System for the year ending 31 March 2016.

The report provided details of the position relating to the audits contained within the 2015/16 audit plan and highlighted that the majority of recommendations made were accepted by management and if taken to full implementation will improve the Council's internal control environment. Having taken all factors into consideration the Statement on the Internal Control System concludes that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2016. The report further confirms the organisational independence of Internal Audit and that there was not inappropriate limitation to the scope of Internal Audit work during the year.

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, such that the Committee has gained assurance about the identified weaknesses and the actions being taken to address them. A total of 26 audits were carried out and reported with 168 recommendations made of which 2 were classed as major at corporate level and 8 major at a service level/within the audited area with the remainder either significant within the audited area or important within the audited area. Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to each Audit, Risk and Scrutiny Committee.

*External Audit and Other External Scrutiny:*

The External Auditor, Audit Scotland, reports regularly to the Audit, Risk and Scrutiny Committee and their reports cover the range of year end financial audits that are required at a local level and with a national perspective.

Audit Scotland's 'Audit of Best Value and Community Planning' was undertaken in early 2015 with the final report published on 2 July 2015 and considered by the Council at its meeting on 19<sup>th</sup> August 2015. The report welcomed the progress made by the Council since the last audit in 2009 with a number of positive findings including noting that the Council has established a record of sound financial planning and management which provides a good foundation for delivering its next five year business plan. The Commission was encouraged by the self awareness of the Council in recognising how it needs to improve and highlighted the following findings and areas for improvement:

- the Council's vision should be translated into clear objectives and targets which link to service plans;
- steps should be taken to encourage and consolidated elected members ownership of the Council's vision;
- better use should be made of the development framework for elected members to ensure development needs are met to help them fulfil their roles;
- consistent service performance information should be provided to elected members to enable them to effectively discharge their scrutiny role; and
- employee engagement and communication arrangements should be reviewed and strengthened to ensure understanding of the Council's vision and priorities

In response to the Best Value audit, an action plan has developed, with progress against each action tracked and reported to the Audit, Risk and Scrutiny Committee.

Following on from the AIP 2014-17, the Local Scrutiny Plan for 2015/16 was received by the Audit, Risk and Scrutiny Committee in March 2015 which highlighted that follow up work on progress in addressing outstanding improvement areas in relation to a previous audit on Aberdeen's Community Planning Partnership (CPP) would be carried out during the year as part of a national review. The response to this follow up was considered and agreed by the Community Planning Aberdeen Board in October 2015. The report was published in March 2016 and made a number of recommendations for the Scottish Government, COSLA and CPP's themselves. The report was considered by the Audit, Risk & Scrutiny Committee in June 2016 and plans will be put in place to address the actions for the Aberdeen CPP.

In terms of the controlling interest in the group entities, reliance has also been placed on each organisations most recent audited accounts together with Council officers detailed knowledge of these organisations as a consequence of their continued involvement with these companies.

*Audit, Risk and Scrutiny Committee Self-Evaluation:*

The Audit, Risk and Scrutiny Committee recognised the benefits of self-evaluation, using tools such as CIPFA's "A toolkit for Local Authority Audit Committees" and agreed at its meeting in February 2014 to do an annual self-evaluation. The results for 2015/16 were reported in June 2016 with a number of recommended actions agreed that will develop the Committee and the Council.

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

**Significant Governance Issues**

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Group, systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising as set out below:

Issue Ref.	Issue Description	Source of Evidence	Action
	<i>Outstanding Issues from 2014/15</i>		
1.	Investigation Required; an investigation has been instructed following the allegations made regarding baby and adult cremations at Hazlehead Crematorium.	Self-evaluation 2013/14.	A national investigation led by Dame Elish Angiolini DBE QC is being undertaken which includes Hazlehead Crematorium. The outcome and recommendations arising from this investigation will be reported in due course.
2.	Incident involving a member of the public who suffered fatal injuries.	Self-evaluation 2014/15.	Incident investigation undertaken internally with recommendations implemented. The incident was the subject of a formal Health & Safety Executive and Police Scotland investigations. The Procurator Fiscal has stated there will not be a Fatal Accident Inquiry. A civil claim has been received and thus this remains a significant issue until this has been concluded.
	<i>New Issues during 2015/16</i>		
4.	Craft Workers Terms and Conditions; procedures in place to ensure compliance with Working Time Regulations should be reviewed.	Internal Audit Report 2015/16	To fully implement the recommendations as agreed in the internal audit report.
5.	Incident involving a school pupil who suffered fatal injuries.	Self-evaluation 2015/16.	The Council have commissioned an independent multi agency review, led by Andrew Lowe, which will report its findings in September 2016.

Issue Ref.	Issue Description	Source of Evidence	Action
6.	Incident involving a tenant who suffered injuries.	Self-evaluation 2015/16.	Incident investigation undertaken internally with recommendations implemented. A formal Health & Safety Executive investigation was undertaken with a report provided to the Procurator Fiscal and prosecution is pending. A civil claim has also been received and thus this remains a significant issue until all actions have been concluded.
7.	Incident on a roads construction site involving a contractor's employee who suffered fatal injuries.	Self-evaluation 2015/16.	An incident investigation was undertaken by the contractor and formal Police Scotland and Health & Safety Executive investigations were also undertaken. The Council is undertaking a review of its own procedures where there is an interface with contractors to ensure all personnel on site are assured of safe methods of working and will implement improvements as appropriate.

### Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its Group systems of governance. The annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and the Council and its Group propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Angela Scott  
Chief Executive

on behalf of Aberdeen City Council

27 June 2016

Councillor Jennifer Laing  
Leader of the Council

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## Remuneration Report

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

### Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2015 (SSI No. 2015/7) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2013 (SSI No. 2013/351). 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 2015/16, the salary of the Leader of Aberdeen City Council is £39,028. 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, £29,272.

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 £436,968. 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, £29,271, with the remaining Senior Councillors receiving 75 per cent of that sum, £21,954.

In 2015/16, Aberdeen City Council had 18 Senior Councillor posts. The salary and allowances paid to them totalled £415,724 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.

The salaries of the Directors and Heads of Service are based on Aberdeen City Council's local job evaluation model and applied in conjunction with the national Chief Officer spinal column points. Service Directors are based on Chief Officer spinal column point 53. The City Centre Director is paid based on spinal column point 47. The Chief Social Worker and the Heads of Finance and Legal and Democratic Services are paid based on Chief Officer spinal column point 36, and all other Heads of Service are paid based on Chief Officer spinal column point 34.

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

Remuneration Disclosures:

Table 1: In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000. This includes, where applicable, head teachers and other senior teaching staff.

Table 2: Details of total remuneration paid to the Council's Councillors. The annual return of Councillors' salaries and expenses for 2015/16 is available to any member of the public on the Council's website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk). Follow the links through the 'Council and Government' page, clicking on 'see Councillors Allowances and Expenses' followed by 'Councillors Allowances and Expenses 2015-2016'.

Table 3: Details of exit packages.

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

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

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

Table 1: Remuneration Bands

Remuneration Band	Number of Employees	
	2014/15	2015/16
£50,000 - £54,999	114	115
£55,000 - £59,999	46	48
£60,000 - £64,999	12	19
£65,000 - £69,999	7	4
£70,000 - £74,999	7	5
£75,000 - £79,999	8	7
£80,000 - £84,999	5	5
£85,000 - £89,999	1	7
£90,000 - £94,999	1	1
£95,000 - £104,999	-	-
£105,000 - £109,999	1	1
£110,000 - £114,999	4	3
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
£125,000 - £139,999	-	-
£140,000 - £144,999	1	-
£145,000 - £149,999	-	1
£150,000 - £184,999	-	-
£185,000 - £189,999	1	-
<b>Total</b>	<b>209</b>	<b>217</b>

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Total Cost of Exit Packages by Cost Band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
					£'000	£'000
£0 - £19,999	-	-	4	12	41	71
£20,000 - £39,999	-	-	7	3	206	93
£40,000 - £59,999	-	-	3	4	138 *	192
£60,000 - £79,999	-	-	1	-	68	-
£80,000 - £99,999	-	-	1	1	93	81
£100,000 - £149,999	-	-	1	-	105	-
£150,000 - £199,999	-	-	-	-	-	-
	-	-	<b>17</b>	<b>20</b>	<b>651</b>	<b>437</b>

The total cost of £437,000 in Table 3 above includes £nil for exit packages that have been approved, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement in the current year (2014/15 £nil).

\* figure revised to reflect updated information

Table 2: Total Remuneration Paid to Councillors

	2014/15 £	2015/16 £
Salaries	876,133	865,268
Allowances	-	-
Expenses	47,873	43,677
<b>Total</b>	<b>924,006</b>	<b>908,945</b>

**Table 4: Remuneration of Senior Councillors**

2014/15			2015/16				
Total Remuneration £	Councillor Name	Responsibility	Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In- Kind £	Other Expenses £	Total Remuneration £	Notes
38,024	Jennifer Laing	Leader of the Council	39,028	193	1,079	40,300	1
29,188	Marie Boulton	Depute Council Leader	29,271	102	-	29,373	2
36,356	George Adam	Lord Provost	29,271	426	5,061	34,758	
28,830	John Reynolds	Depute Provost	21,954	320	11,994	34,268	3
22,111	Yvonne Allan	Convener, Appeals	21,954	123	98	22,175	
30,062	Neil Cooney	Convener, Communities, Housing and Infrastructure	29,271	362	83	29,716	4
39,920	Barney Crockett	Convener, Pensions	21,954	476	8,615	31,045	
9,587	Alan Donnelly	Vice Convener, Education and Children's Services	19,241	349	1,631	21,221	5
16,725	Andrew Finlayson	Vice Convener, Planning Development Management	16,726	131	-	16,857	
22,158	Gordon Graham	Vice Convener, Communities, Housing and Infrastructure	21,954	855	50	22,859	
21,908	Ross Grant	Regeneration and Transport Spokesperson	21,954	121	31	22,106	
26,266	Len Ironside CBE	Convener, Shadow Integrated Joint Board (from 8 October 2015)	21,954	266	753	22,973	6
22,586	Lesley Dunbar	Convener, Shadow Integrated Joint Board (until 7 October 2015)	11,398	126	244	11,768	
-	Jackie Dunbar	Convener, Audit, Risk and Scrutiny Committee (from 13 May 2015)	24,620	95	-	24,715	
27,681	Callum McCaig	Convener, Audit, Risk and Scrutiny Committee (until 7 May 2015)	2,841	30	-	2,871	
22,995	Ramsay Milne	Convener, Planning Development Management	21,954	147	827	22,928	
22,631	Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	21,954	137	32	22,123	
25,387	Angela Taylor	Convener, Education and Children's Services	29,271	223	132	29,626	
21,865	Ross Thomson	Vice Convener, Finance, Policy and Resources	21,954	99	-	22,053	7
29,353	William Young	Convener, Finance, Policy and Resources	29,271	185	408	29,864	8
21,156	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	21,000	133	-	21,133	
10,469	Scott Carle	Convener, Licensing Committee	21,954	144	-	22,098	9
15,181	Fraser Forsyth	Convener, Licensing Committee (until 7 October 2014)	-	-	-	-	
<b>540,439</b>	<b>Total</b>		<b>500,749</b>	<b>5,043</b>	<b>31,038</b>	<b>536,830</b>	

**Table 4: Notes**

<b>Note 1:</b>	Councillor Laing was also Convener, Urgent Business Committee and Chairperson, Community Planning Aberdeen Board.
<b>Note 2:</b>	Councillor Boulton was also Convener , Licensing Board and Chairperson, Marishchal Working Group.
<b>Note 3:</b>	Councillor Reynolds was also Vice Convener, Pensions Committee.
<b>Note 4:</b>	Councillor Cooney was also Convener, Housing Cases Review Sub Committee.
<b>Note 5:</b>	Councillor Donnelly was also Convener, Petitions. As such a full year disclosure of remuneration has been made.
<b>Note 6:</b>	Prior to his appointment as Convener of the Shadow Integrated Joint Board Councillor Ironside was Vice Convener of Education and Children's Services. As such a full year disclosure of remuneration has been made.
<b>Note 7:</b>	Councillor Thomson was also Convener, Property Sub Committee.
<b>Note 8:</b>	Councillor Young was also Convener, Local Government Employees Joint Consultative Committee.
<b>Note 9:</b>	Councillor Carle was also Vice Convener, Petitions.



**Table 5: Remuneration of Senior Employees of the Council**

2014/15	2014/15			2015/16	2015/16			
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration £	Note
144,686	141,065	Angela Scott	Chief Executive Acting Director of Corporate Governance (from 1 May until 1 November	146,856	149,469	-	149,469	
-	39,182	Valerie Watts	Chief Executive (until 30 June 2014)	-	-	-	-	
112,035	112,235	Gayle Gorman	Director of Education and Children's Services	113,716	113,916	-	113,916	
112,035	93,597	Ewan Sutherland	Acting Director of Corporate Governance (until 30 April 2015)	113,716	10,976	-	10,976	1
112,035	112,235	Pete Leonard	Director of Communities, Housing and Infrastructure	113,716	113,916	-	113,916	
-	-	Marc Cole	City Centre Director	104,061	15,099	-	15,099	
-	-	Bernadette Oxley	Chief Social Work Officer (from 27 April 2015)	83,457	85,776	-	85,776	
112,035	112,035	Elizabeth Taylor	Transitioning Director (until 28 August 2015)	113,716	45,175	30,877	76,052	
112,035	112,285	Gordon McIntosh	Transitioning Director	113,716	113,716	-	113,716	
82,224	82,424	Steven Whyte	Head of Finance (s.95 Officer)	83,457	92,609	-	92,609	1, 2
-	-	Fraser Bell	Head of Legal and Democratic Services (Monitoring Officer) (from 14 July 2015)	83,457	65,381	-	65,381	
-	-	Craig Innes	Head of Procurement (Monitoring Officer) (from 7 April 2015 until 28 July 2015)	83,457	28,343	-	28,343	1
82,224	187,465	Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer) (until 6 April 2015)	83,457	20,991	-	20,991	
78,717	83,826	Ciaran Monaghan	Head of Service, Office of Chief Executive	79,898	82,349	-	82,349	
	1,076,349	Total			937,716	30,877	968,593	

**Note 1:** Postholders also provided additional support to cover the Director of Corporate Governance vacancy

**Note 2:** Steven Whyte is also the s.95 Officer for Shetland Islands Council

**Note 3:** Judith Proctor was Chief Officer, Aberdeen City Adult Health and Social Care Partnership. This post is shared 50:50 with NHS Grampian, the cost being recharged to Aberdeen City Council.

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

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

**Table 6: Remuneration – the Council's Subsidiary Bodies**

2014/15			2015/16			
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Performance Related Pay £	Benefits Other Than in Cash £	Total Remuneration £
-	Graeme Cumming	Interim Managing Director Aberdeen Exhibition & Conference Centre Ltd	98,899	-	1,220	100,119
230,163	Brian Horsburgh	Managing Director Aberdeen Exhibition & Conference Centre Ltd (until February 2015)	-	-	-	-
81,563	Alistair Robertson	Managing Director Sport Aberdeen Ltd	90,208	-	-	90,208
93,358	Sandra Ross	Managing Director Bon Accord Support Services Ltd	94,136	-	-	94,136
405,084	Total		283,243	-	1,220	284,463

Pension Benefits

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

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

For local government employees, this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

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

The tiers and members contribution rates are as follows:

Whole time pay	Contribution rate 2014/15
On earnings up to and including £20,335	5.5%
On earnings above £20,335 and up to £24,853	7.25%
On earnings above £24,853 and up to £34,096	8.5%
On earnings above £34,096 and up to £45,393	9.5%
On earnings above £45,393	12%

Whole time pay	Contribution rate 2015/16
On earnings up to and including £20,500	5.5%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.5%
On earnings above £34,400 and up to £45,800	9.5%
On earnings above £45,800	12%

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If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

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

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

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

The scheme's normal retirement age for both Councillors and employees is 65.

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 2016.
- 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 2016.
- Table 9: Details of pension contributions made by the Council's subsidiary bodies i.e. Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd, on behalf of their Senior Employees.

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions		Accrued Pension Benefits		
		For year to 31 March 2015	For year to 31 March 2016		As at 31 March 2016	Difference from 31 March 2015
		£	£		£'000	£'000
Jennifer Laing	Leader of the Council	7,233	7,532	Pension	4	1
Marie Boulton	Depute Council Leader	5,593	5,649	Lump Sum	2	-
George Adam	Lord Provost	5,593	5,649	Pension	3	-
John Reynolds	Depute Provost	4,195	4,237	Lump Sum	2	-
Yvonne Allan	Convener, Appeals	4,195	4,237	Pension	3	1
Neil Cooney	Convener, Communities, Housing and Infrastructure	5,593	5,649	Pension	4	1
Barney Crockett	Convener, Pensions	5,143	4,237	Lump Sum	2	-
Alan Donnelly	Vice Convener, Education and Children's Services	1,538	3,714	Pension	4	1
Andrew Finlayson	Vice Convener, Planning Development Management	3,196	3,228	Lump Sum	2	-
Fraser Forsyth	Convener, Licensing Committee (Until 7 October 2014)	2,902	-	Pension	5	-
Gordon Graham	Vice Convener, Communities, Housing and Infrastructure	4,195	4,237	Lump Sum	9	-
Ross Grant	Regeneration and Transport Spokesperson	4,195	4,237	Pension	4	-
Lesley Dunbar	Convener, Shadow Integrated Joint Board (until 7 October 2015)	4,195	2,200	Lump Sum	2	-
Jackie Dunbar	Convener, Audit, Risk and Scrutiny Committee (from 13 May 2015)	-	4,752	Pension	5	-
Callum McCaig	Convener, Audit, Risk and Scrutiny Committee (until 7 May 2015)	5,314	548	Lump Sum	2	-
Ramsay Milne	Convener, Planning Development Management	4,195	4,237	Pension	3	-
Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	4,195	4,237	Lump Sum	1	-
Angela Taylor	Convener, Education and Children's Services	4,865	5,649	Pension	2	1
Ross Thomson	Vice Convener, Finance, Policy and Resources	4,195	4,237	Pension	2	1
William Young	Convener, Finance, Policy and Resources	5,593	5,649	Lump Sum	3	-
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,053	4,053	Lump Sum	2	-
Scott Carle	Convener, Licensing Committee	2,003	4,237	Pension	3	1
<b>Sub Total</b>		<b>92,179</b>	<b>92,405</b>	Lump Sum	1	-
				Pension	60	13
				Lump Sum	28	2

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	For year to 31 March 2015 £	For year to 31 March 2016 £		As at 31 March 2016 £'000	from 31 March 2015 £'000
Angela Scott	Chief Executive Acting Director of Corporate Governance (from 1 May until 1 November 2015)	26,871	28,343	Pension	57	5
Valerie Watts	Chief Executive (until 30 June 2014)	6,962	-	Pension	-	(83)
Gayle Gorman	Director of Education and Children's Services	21,623	21,947	Pension	7	3
Ewan Sutherland	Acting Director of Corporate Governance (until 30 April 2015)	18,016	2,118	Pension	29	(9)
Pete Leonard	Director of Community and Infrastructure Services	21,623	21,947	Lump Sum	62	(21)
Marc Cole	City Centre Director	-	2,914	Pension	38	3
Bernadette Oxley	Chief Social Work Officer (from 27 April 2015)	-	14,944	Lump Sum	73	1
Elizabeth Taylor	Transitioning Director (until 28 August 2015)	21,623	8,719	Pension	-	-
Gordon McIntosh	Transitioning Director	21,623	21,947	Pension	2	2
Steven Whyte	Head of Finance (s.95 Officer)	15,869	17,835	Pension	39	(10)
Fraser Bell	Head of Legal and Democratic Services	-	11,518	Lump Sum	258	143
Craig Innes	Head of Procurement (Monitoring Officer) (from 7 April 2015 until 28 July 2015)	-	4,942	Pension	49	3
Jane MacEachran	Head of Legal and Democratic Services	15,869	264	Lump Sum	105	2
Ciaran Monaghan	Head of Service, Office of Chief Executive	15,192	15,420	Pension	24	2
				Lump Sum	41	1
				Pension	8	8
				Pension	26	26
				Lump Sum	49	49
				Pension	36	1
				Lump Sum	83	2
				Pension	35	2
				Lump Sum	77	1
<b>Total</b>		<b>185,271</b>	<b>172,858</b>	<b>Pension</b>	<b>350</b>	<b>(47)</b>
				<b>Lump Sum</b>	<b>748</b>	<b>178</b>

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment. 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 2015 £	For year to 31 March 2016 £	As at 31 March 2016 £'000	Difference from 31 March 2015 £'000	Note
Graeme Cumming	Interim Managing Director, Aberdeen Exhibition & Conference Centre Ltd	-	13,846	n/a	n/a	1
Brian Horsburgh	Managing Director, Aberdeen Exhibition & Conference Centre Ltd (until February 2015)	30,396	-	n/a	n/a	
Alistair Robertson	Managing Director, Sport Aberdeen Ltd	10,478	11,250	Pension 43	4	
Sandra Ross	Managing Director, Bon Accord Support Services Ltd	14,190	14,309	Pension 5	2	
<b>Total</b>		<b>55,064</b>	<b>39,405</b>	<b>TOTAL 48</b>	<b>6</b>	

**Note 1:** Aberdeen Exhibition & Conference Centre Ltd contributes towards a money purchase pension scheme and therefore all the benefits that may become payable are retirement benefits, the rate and amount of which is calculated by reference to the payments made by the person (or on behalf of the person) and which are not average salary benefits. As a result no accrued pension benefits are shown.

Angela Scott  
Chief Executive

Councillor Jennifer Laing  
Leader of the Council

27 June 2016

**Movement in Reserves Statement**

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 1 April 2014</b>	<b>(11,291)</b>	<b>(45,856)</b>	<b>(6,714)</b>	<b>(2,680)</b>	<b>(50,192)</b>	<b>-</b>	<b>(97)</b>	<b>(116,830)</b>	<b>(1,048,091)</b>	<b>(1,164,921)</b>
<b>Movement in Reserves during 2014/15</b>										
(Surplus) or deficit on provision of services	(8,743)	0	17,983	0	0	0	0	<b>9,240</b>	0	<b>9,240</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	(35,440)	<b>(35,440)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,743)</b>	<b>0</b>	<b>17,983</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,240</b>	<b>(35,440)</b>	<b>(26,200)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(16,547)	0	(21,773)	0	9,706	0	0	<b>(28,614)</b>	28,614	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(25,290)</b>	<b>0</b>	<b>(3,790)</b>	<b>0</b>	<b>9,706</b>	<b>0</b>	<b>0</b>	<b>(19,374)</b>	<b>(6,826)</b>	<b>(26,200)</b>
Transfers to/from Earmarked Reserves (note 6)	25,290	(7,681)	2,449	278	(12,158)	0	0	<b>8,183</b>	(8,183)	<b>0</b>
<b>(Increase)/Decrease in 2014/15</b>	<b>0</b>	<b>(7,681)</b>	<b>(1,341)</b>	<b>278</b>	<b>(2,452)</b>	<b>0</b>	<b>0</b>	<b>(11,191)</b>	<b>(15,009)</b>	<b>(26,200)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(11,291)</b>	<b>(53,537)</b>	<b>(8,055)</b>	<b>(2,402)</b>	<b>(52,644)</b>	<b>0</b>	<b>(97)</b>	<b>(128,026)</b>	<b>(1,063,099)</b>	<b>(1,191,127)</b>

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 31 March 2015 brought forward</b>	<b>(11,291)</b>	<b>(53,537)</b>	<b>(8,055)</b>	<b>(2,402)</b>	<b>(52,644)</b>	<b>-</b>	<b>(97)</b>	<b>(128,026)</b>	<b>(1,063,101)</b>	<b>(1,191,127)</b>
<b>Movement in Reserves during 2015/16</b>										
(Surplus) or deficit on provision of services	(8,960)	0	79,299	0	0	0	0	<b>70,339</b>	0	<b>70,339</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	(435,245)	<b>(435,245)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,960)</b>	<b>0</b>	<b>79,299</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,339</b>	<b>(435,245)</b>	<b>(364,906)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	8,732	0	(79,622)	0	31,637	0	0	<b>(39,253)</b>	39,253	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(228)</b>	<b>0</b>	<b>(323)</b>	<b>0</b>	<b>31,637</b>	<b>0</b>	<b>0</b>	<b>31,086</b>	<b>(395,992)</b>	<b>(364,906)</b>
Transfers to/from Earmarked Reserves (note 6)	228	5,972	(993)	963	(9,095)	0	0	<b>(2,925)</b>	2,925	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>5,972</b>	<b>(1,316)</b>	<b>963</b>	<b>22,542</b>	<b>0</b>	<b>0</b>	<b>28,161</b>	<b>(393,067)</b>	<b>(364,906)</b>
<b>Balance at 31 March 2016</b>	<b>(11,291)</b>	<b>(47,565)</b>	<b>(9,370)</b>	<b>(1,438)</b>	<b>(30,102)</b>	<b>0</b>	<b>(97)</b>	<b>(99,863)</b>	<b>(1,456,167)</b>	<b>(1,556,030)</b>



## Comprehensive Income and Expenditure Statement

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

2014/15			2015/16			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,692	(3,533)	2,159	Central Services to the Public	5,822	(3,143)	2,679
43,589	(9,414)	34,175	Cultural and Related Services	42,617	(9,023)	33,594
191,918	(10,543)	181,375	Education Services	197,903	(10,321)	187,582
42,247	(11,529)	30,718	Environmental Services	43,212	(8,722)	34,490
182,374	(155,351)	27,023	Housing Services	246,652	(162,635)	84,017
16,777	(7,681)	9,096	Planning and Development Services	13,659	(5,747)	7,912
34,308	(15,433)	18,875	Roads and Transport Services	56,630	(37,381)	19,249
173,497	(37,567)	135,930	Social Work Services	174,359	(39,035)	135,324
6,386	(344)	6,042	Corporate and Democratic Core	7,257	(563)	6,694
12,912	1,347	14,259	Non Distributed Costs	5,982	14	5,996
1,433	0	1,433	Joint Boards	1,401	0	1,401
711,133	(250,048)	461,085	Cost of Services	795,494	(276,556)	518,938
0	(6,932)	(6,932)	Other Operating Expenditure (note 7)	0	(3,264)	(3,264)
72,613	(48,030)	24,583	Financing and Investment Income and Expenditure (note 8)	81,135	(47,837)	33,298
0	(469,496)	(469,496)	Taxation and Non Specific Grant Income (note 9)	0	(478,633)	(478,633)
783,746	(774,506)	9,240	(Surplus) or Deficit on Provision of Services (note 17)	876,629	(806,290)	70,339
		(68,892)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(374,418)
		0	Impairment losses on non current assets charged to the Revaluation Reserve			0
		233	(Surplus)/deficit on revaluation of available for sale financial assets			(8,459)
		33,219	Actuarial (gains)/losses on pension assets/liabilities			(52,454)
		0	Other (gains)/losses			86
		(35,440)	Other Comprehensive Income and Expenditure			(435,245)
		(26,200)	Total Comprehensive Income and Expenditure			(364,906)

**Balance Sheet**

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

<b>1 April 2014 £'000</b>	<b>31 March 2015 £'000</b>		<b>Note</b>	<b>31 March 2016 £'000</b>
1,790,107	1,816,313	Property, Plant & Equipment	30	2,162,398
151,881	171,370	Heritage Assets	29	172,092
84,771	84,870	Investment Property	27	85,937
180	80	Intangible Assets	28	31
10,835	10,602	Long Term Investments	40	19,061
13,870	22,121	Long Term Debtors	40	28,077
<b>2,051,644</b>	<b>2,105,356</b>	<b>Long Term Assets</b>		<b>2,467,596</b>
18,047	44,179	Cash and Cash Equivalents	16	28,375
25,234	40,199	Short Term Investments	40	31,119
57,313	54,429	Short Term Debtors	35	60,080
1,507	1,505	Inventories	34	1,674
2,206	3,412	Assets Held for Sale	33	3,979
<b>104,307</b>	<b>143,724</b>	<b>Current Assets</b>		<b>125,227</b>
(117,608)	(92,658)	Short Term Borrowing	40	(113,348)
(59,533)	(82,378)	Short Term Creditors	36	(87,646)
(5,899)	(3,698)	Short Term Provisions	37	(3,870)
(2,488)	(1,773)	PPP Short Term Liabilities	32	(2,478)
(8,009)	(7,170)	Accumulated Absences Account	12	(5,618)
(1,540)	(1,120)	Grants Receipts in Advance - Revenue	39	(546)
(4,836)	(495)	Grants Receipts in Advance - Capital	39	(2,221)
<b>(199,913)</b>	<b>(189,292)</b>	<b>Current Liabilities</b>		<b>(215,727)</b>

<b>1 April 2014 £'000</b>	<b>31 March 2015 £'000</b>		<b>Note</b>	<b>31 March 2016 £'000</b>
(435,168)	(469,621)	Long Term Borrowing	40	(464,892)
0	(451)	Long Term Creditors	40	(223)
(3,584)	(3,371)	Long Term Provisions	37	(1,248)
(107,836)	(106,063)	PPP Long Term Liabilities	32	(103,584)
(244,529)	(289,155)	Pension Liabilities	22	(251,118)
<b>(791,117)</b>	<b>(868,661)</b>	<b>Long Term Liabilities</b>		<b>(821,065)</b>
<b>1,164,921</b>	<b>1,191,127</b>	<b>Net Assets</b>		<b>1,556,030</b>
		Usable Reserves:	11	
(57,147)	(64,828)	General Fund Balance		(58,856)
(9,394)	(10,457)	Housing Revenue Account		(10,808)
(50,192)	(52,644)	Statutory and Other Reserves		(30,102)
0	0	Capital Receipts Reserve		0
(97)	(97)	Capital Grants Unapplied Account		(97)
(1,048,091)	(1,063,101)	Unusable Reserves	12	(1,456,167)
<b>(1,164,921)</b>	<b>(1,191,127)</b>	<b>Total Reserves</b>		<b>(1,556,030)</b>

Steven Whyte, CPFA  
Head of Finance

27 June 2016

**Cash Flow Statement**

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(9,240)	Net Surplus or (Deficit) on the provision of services	(70,339)
140,171	Adjust net surplus or deficit on the provision of services for non cash movements	176,625
(51,613)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,717)
79,318	Net cash flows from Operating Activities (note 13)	65,569
(60,118)	Net cash flows from Investing Activities (note 14)	(95,533)
6,932	Net cash flows from Financing Activities (note 15)	14,160
26,132	Net increase or decrease in cash and cash equivalents	(15,804)
18,047	Cash and cash equivalents at the beginning of the reporting period	44,179
<b>44,179</b>	<b>Cash and cash equivalents at the end of the reporting period (note 16)</b>	<b>28,375</b>

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**Notes to the Accounts**
**1. Accounting Policies****i General Principles**

The Annual Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year ending 31 March 2016. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

**ii Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

**iii Carbon Reduction Commitment Allowances**

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

**iv Cash and Cash Equivalents**

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

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

**v Charges to Revenue for Non Current Assets**

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

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

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

**vi Employee Benefits**Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

### *The Local Government Pension Scheme*

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

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price; and
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
    - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.



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

#### *Discretionary Benefits*

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

### **vii Events After the Reporting Period**

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

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

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

### **viii Financial Liabilities**

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

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

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

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

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

## **ix Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

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

### Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available for Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

**x Foreign Currency Translation**

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

**xi Government Grants and Contributions**

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

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

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

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

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

**xii Heritage Assets**

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

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- **Fine Art & Applied Art Collection**

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

- **Civic Insignia**

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

- **Archaeology**

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

- **Library and Information Services**

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

- **Other Heritage Assets**

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

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

### **xiii Intangible Assets**

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### **xiv Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at net worth.

**xv Inventories**

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

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

**xvi Investment Properties**

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

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

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

**xvii Jointly Controlled Operations**

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

**xiii Leases**

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

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

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

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### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

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

### The Council as Lessor

#### *Operating Leases*

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

**xix Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

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

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

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

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

**xxi Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others 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. 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
- 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.*

*\*\*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, they are accounted for by:

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

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

#### Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

#### Depreciation

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

Depreciation is not applied to an asset in the year of acquisition, 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.

#### **xxii Public Private Partnerships (PPP) and Similar Contracts**

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

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

### **xxiii Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

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

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

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

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

#### Contingent Liabilities

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

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

Contingent Assets

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

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

**xxiv Reserves**

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

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

**xxv Revenue Expenditure Funded from Capital under Statute**

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

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

**xxvi VAT**

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

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions);

- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative);
- Annual Improvements to IFRS 2010-2012 and 2012-2014 Cycles;
- The changes to the format of the CIES, MIRS and the introduction of the new Expenditure and Funding Analysis; and
- The changes to the format of the Pension Fund account and the Net Assets statement.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 annual accounts.

Overall, these new or amended standards are not expected to have a significant impact on the annual accounts. However, in the 2016/17 year the comparator 2015/16 CIES and MIRS must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority annual accounts.

The 2016/17 edition of the Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets. This will represent a change in accounting policy from 1 April 2016. This will require full retrospective restatement in accordance with the requirements of IAS 8 and IAS 1 as adopted by the Code. Those assets identified as highways network assets will be valued on a depreciated replacement cost basis in accordance with section 4.11 of the Code. This represents a departure from the historic cost basis used currently. According to initial estimates, Balance Sheet assets would increase by £17,046 million, with a corresponding increase in the Revaluation Reserve.

### **3. Critical Judgements in Applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £175.8 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Service Concession Arrangement (PPP)	The council has a contract with an operator to provide ten schools. The contract regulates price revisions over the period of the service arrangement. Fees are adjusted by an indexation factor each year which is based on RPI plus the Bank of England base rate.	The indexation adjustment is applied to approximately 49% of the Unitary Charge (UC) and 100% of the monthly Service Fee (SF). If RPI were to increase by 1% and the base rate was 1% rather than 0.5%, the UC and SF would increase by £8,823.15 and £4,269.18 per month respectively.
Provisions	The Council has made a provision of £0.921 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.092 million the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.4 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 £20.7 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2016 the Council had a balance of short term debtors of £112.389 million. A review of significant balances suggested that an allowance for impairment of debt of £52.184 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 2% on impairment would require a further provision of £2.248 million.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

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

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

2014/15	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(37,832)	(30,956)	0	0	0	68,788
Revaluation losses on Property, Plant and Equipment	(8,749)	(23,976)	0	0	0	32,725
Capital grants and contributions applied	30,570	4,554	0	0	0	(35,124)
Write off carrying amount of non current assets sold	(13,303)	(5,254)	0	0	0	18,557
Write off carrying amount of non current assets scrapped	(1,890)	0	0	0	0	1,890
Statutory provision for the financing of Capital spend (3R's)	2,488	0	0	0	0	(2,488)
Movement in the fair value of Investment Properties	3,069	0	0	0	0	(3,069)
Amortisation of Intangible Assets	(100)	0	0	0	0	100
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	10,789	4,885	0	0	0	(15,674)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	2,314	18,725	15,200	0	0	(36,239)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(5,494)	16,489	0	(10,995)
Proceeds from sale of non current assets	5,867	11,120	0	(16,987)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(280)	(217)	0	497	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	424	0	0	0	0	(424)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	(36,572)	(2,257)	0	0	0	38,829
Employer's pensions contributions and direct payments to pensioners payable in the year	25,821	1,601	0	0	0	(27,422)
<b>Adjustments involving the Accumulated Absences Account:</b>						
Adjustments in relation to short term compensated absences	837	2	0	0	0	(839)
<b>Total Adjustments</b>	<b>(16,547)</b>	<b>(21,773)</b>	<b>9,706</b>	<b>0</b>	<b>0</b>	<b>28,614</b>



2015/16	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(37,313)	(32,299)	0	0	0	69,612
Revaluation losses on Property, Plant and Equipment	(2,896)	(79,320)	0	0	0	82,216
Capital grants and contributions applied	29,982	1,325	0	0	0	(31,307)
Write off carrying amount of non current assets sold	(322)	(5,824)	0	0	0	6,146
Write off carrying amount of non current assets scrapped	305	0	0	0	0	(305)
Statutory provision for the financing of Capital spend (3R's)	1,773	0	0	0	0	(1,773)
Movement in the fair value of Investment Properties	864	0	0	0	0	(864)
Amortisation of Intangible Assets	(49)	0	0	0	0	49
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	11,152	5,613	0	0	0	(16,765)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	13,495	21,995	32,000	0	0	(67,490)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(363)	9,410	0	(9,047)
Proceeds from sale of non current assets	795	9,112	0	(9,907)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(280)	(217)	0	497	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	428	0	0	0	0	(428)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	(36,572)	(2,257)	0	0	0	38,829
Employer's pensions contributions and direct payments to pensioners payable in the year	25,821	1,601	0	0	0	(27,422)
<b>Adjustments involving the Accumulated Absences Account:</b>						
Adjustments in relation to short term compensated absences	1,548	4	0	0	0	(1,552)
<b>Total Adjustments</b>	<b>8,731</b>	<b>(80,267)</b>	<b>31,637</b>	<b>0</b>	<b>0</b>	<b>39,899</b>

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

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

	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Strategic Infrastructure Plan	(301)	(464)	408	(357)	(21)	378	0	Continued investment towards the delivery of the plan
ICT Projects	(1,897)	(1,079)	727	(2,249)	0	1,570	(679)	Implement various approved ICT projects
Business Plan Service Option	(2,936)	0	661	(2,275)	0	1,766	(509)	Continued investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(26)	(15)	16	(25)	(21)	21	(25)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which take place each year
Events Review	0	0	0	0	(23)	0	(23)	To fund an events review, and development of a 3 - 5 year strategy, as agreed at Finance, Policy & Resources, February 2016
Employee Benefit Scheme	0	(113)	0	(113)	0	36	(77)	For marketing the Employee Benefit Scheme
H&S Training Programme for Managers	0	0	0	0	(25)	0	(25)	Health & Safety Training Programme for Managers
City Deal	(300)	0	0	(300)	0	0	(300)	Funding to support the city deal scheme
Shopmobility	(91)	0	0	(91)	0	91	0	Unspent funding to be utilised on the development of the scheme
Fairer Aberdeen	(36)	0	0	(36)	0	0	(36)	Unspent funding to be utilised for Community Planning Aberdeen
Energy Efficiency Fund	(1,110)	(568)	494	(1,184)	(386)	346	(1,224)	Pump-prime funding for energy saving schemes
Road Repairs/Projects	(562)	0	400	(162)	0	37	(125)	Road repair and maintenance sum approved by Finance, Policy & Resources Committee May 2014
"The Green" Townscape Project	(50)	0	0	(50)	0	50	0	Match funding in relation to the Heritage Lottery Funding awarded for works at "the Green"
South of the City Regeneration	(1,345)	0	8	(1,337)	0	1,337	0	Fully committed to the Aberdeen City Hydrogen Energy Storage (ACHES) project
Windfarm setup	(100)	0	7	(93)	0	93	0	Professional fees for legal advice, business case consultancy and client advisor services
<b>Sub Total</b>	<b>(8,754)</b>	<b>(2,239)</b>	<b>2,721</b>	<b>(8,272)</b>	<b>(476)</b>	<b>5,725</b>	<b>(3,023)</b>	

	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Purpose of the Earmarked Reserve
<b>General Fund cont'd:</b>	(8,754)	(2,239)	2,721	(8,272)	(476)	5,725	(3,023)	
Bus Lane Enforcement	(896)	(953)	584	(1,265)	(535)	510	(1,290)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfer	(370)	0	215	(155)	0	0	(155)	Funding in relation to the transfer of Thomas Blake Glover House to the Council as agreed at Finance, Policy & Resources Committee Sept 2015
Zero Waste Funding	(350)	0	0	(350)	0	350	0	Unspent Zero Waste Fund monies
Mobile Working	(153)	0	56	(97)	0	97	0	Implementation of mobile working for field staff in Trading Standards & Environmental Health
Second/Long Term Empty Homes	(4,245)	(1,125)	0	(5,370)	(1,528)	0	(6,898)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing.
Replacement of Handheld Devices	(148)	0	0	(148)	0	148	0	To fund the replacement of handheld devices used by Trades Operatives, as agreed at Housing & Environment Committee March 2014
Park Improvement Schemes	0	(173)	0	(173)	0	67	(106)	As approved at Finance, Policy & Resources June 2015, improvements at Seaton, Auchmill Terrace, Cairncry Community Centre and Halfield Road
Hazlehead Pets Corner	0	(100)	0	(100)	0	0	(100)	As approved at Finance, Policy & Resources June 2015, renovation and expansion of Hazlehead Pets Corner
Duthie Park, Winter Gardens Education Room	0	(40)	0	(40)	0	1	(39)	As approved at Finance, Policy and Resources June 2015, work on David Welch Winter Gardens Education Room at Duthie Park
Mens Shed	0	(10)	0	(10)	0	3	(7)	Contribution to Men's Shed social club, Dyce, approved at Finance, Policy & Resources June 2015
Balnagask Community Centre	0	(7)	0	(7)	0	2	(5)	Internal improvement scheme, approved at Finance, Policy & Resources June 2015
Community Planning	0	0	0	0	(24)	0	(24)	Community Planning Participatory Budgeting
Devolved Education Management	(3,388)	(1,082)	613	(3,857)	(812)	235	(4,434)	School funds c/forward £2.752m; and Community Education Centres £1.105m
<b>Sub Total</b>	<b>(18,304)</b>	<b>(5,729)</b>	<b>4,189</b>	<b>(19,844)</b>	<b>(3,375)</b>	<b>7,138</b>	<b>(16,081)</b>	

	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Purpose of the Earmarked Reserve
<b>General Fund cont'd:</b>	(18,304)	(5,729)	4,189	(19,844)	(3,375)	7,138	(16,081)	
City of Culture	(592)	0	0	(592)	0	592	0	To develop culture within the City.
Transition extreme	0	(100)	0	(100)	0	100	0	Contribution, as agreed at Finance, Policy & Resources Committee June 15
Youth Work and Under 12's Club	0	(100)	0	(100)	0	100	0	To support work with children and young people in regeneration areas and Mastrick, approved at Finance, Policy & Resources, June 2015
Sea Cadets	0	(10)	0	(10)	0	10	0	Contribution to Aberdeen's two sea cadet groups, approved at Finance, Policy & Resources June 2015
Music Hall Redevelopment	(1,000)	0	0	(1,000)	0	200	(800)	To contribute towards the redevelopment of the Music hall, approved by Council, June 2013
HMT Roof Works	0	0	0	0	(288)	0	(288)	HMT Roof Works as approved at Finance, Policy & Resources Committee, April 2016
Reclaiming Social Work	(371)	(2,930)	34	(3,267)	0	0	(3,267)	Contribution towards costs as agreed at Social care & Wellbeing Committee Sept 2013 & Council Feb 2015
Hilton Outdoor Centre	0	(25)	0	(25)	0	25	0	Improvements to outdoor area, approved at Finance, Policy & Resources, June 2015
Developing Young Workforce	0	0	0	0	(300)	0	(300)	To prepare young adults for the transition from education to the workplace. As approved at Finance, Policy & Resources, April 2016
School Drive/Abbotswell	0	0	0	0	(29)	0	(29)	For adaptations to the school drive service.
De-risk the Council	(5,762)	0	2,890	(2,872)	0	0	(2,872)	Cash backing for Council guarantees to external organisations
Welfare Reform	(2,000)	0	0	(2,000)	0	0	(2,000)	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
<b>Sub Total</b>	<b>(28,029)</b>	<b>(8,894)</b>	<b>7,113</b>	<b>(29,810)</b>	<b>(3,992)</b>	<b>8,165</b>	<b>(25,637)</b>	

	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Purpose of the Earmarked Reserve
<b>General Fund cont'd:</b>	<b>(28,029)</b>	<b>(8,894)</b>	<b>7,113</b>	<b>(29,810)</b>	<b>(3,992)</b>	<b>8,165</b>	<b>(25,637)</b>	
Financial Risk Fund	(5,541)	0	0	(5,541)	(2,837)	0	(8,378)	As agreed at Finance and Resources Committee October 2012, to provide funding to support the cost pressure risks associated with Priority Based Budgeting
Scottish Welfare Fund	(143)	0	103	(40)	0	5	(35)	Unspent funding to be utilised in 2016/17 as per advice from the Scottish Government
Investment Strategy	(9,174)	(6,808)	0	(15,982)	0	4,553	(11,429)	Funding set aside towards the future investment strategy of the Council
Revenue Grants Unspent	(2,052)	(173)	61	(2,164)	(339)	981	(1,522)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Environmental Improvements	(400)	0	400	0	0	0	0	Utilised for Aberdeen's Greenspace Strategy and In Bloom agenda, as agreed at Housing & Environment Committee March 2014
Property Improvements	(285)	0	285	0	0	0	0	Carry out improvement works to Tullos Pool and Rosemount & Loirston Community Facilities as agreed at Education Culture & Sport Committee, March 2013
Social Care & Wellbeing Projects	(20)	0	20	0	0	0	0	Balance of OT store funding
Local Autism Action Plan	(35)	0	35	0	0	0	0	Production of plan for which funding provided through revenue grant determination
Waste Strategy	(75)	0	75	0	0	0	0	Reviewing existing waste Strategy
Queens Link Reinstatement Fund	(102)	0	102	0	0	0	0	Historic fund in relation to potential reinstatement work at beach
Big Belly Bins	0	0	0	0	(105)	0	(105)	To finance the next phase of city centre bin investment in partnership with Aberdeen Inspired
Various Projects	0	0	0	0	(600)	0	(600)	As approved at Finance, Policy and Resources Committee 7th June 2016, to provide funding to support a variety of projects
<b>Total General Fund</b>	<b>(45,856)</b>	<b>(15,875)</b>	<b>8,194</b>	<b>(53,537)</b>	<b>(7,873)</b>	<b>13,704</b>	<b>(47,706)</b>	

	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Purpose of the Earmarked Reserve
<b>Housing Revenue Account (HRA):</b>								
Housing repairs	(1,543)	(1,207)	1,543	(1,207)	(1,193)	1,207	(1,193)	Repairs ordered prior to the year end
House Sales - Non right to buy	(245)	0	0	(245)	0	0	(245)	One-off vacant properties sold on the open market
Purchase of internal land/properties	(305)	0	0	(305)	0	305	0	Recognition of value of land to be transferred to housing account from general fund
Central Heating	(586)	(59)	0	(645)	0	645	0	Finance lease liability in relation to a long-term lease agreement
<b>Total HRA</b>	<b>(2,679)</b>	<b>(1,266)</b>	<b>1,543</b>	<b>(2,402)</b>	<b>(1,193)</b>	<b>2,157</b>	<b>(1,438)</b>	
<b>Total Earmarked Reserves</b>	<b>(48,535)</b>	<b>(17,141)</b>	<b>9,737</b>	<b>(55,939)</b>	<b>(8,466)</b>	<b>15,261</b>	<b>(49,144)</b>	

2014/15	General Fund £'000	HRA £'000
Total Transfers in during the year	(15,875)	(1,265)
Total Transfers out during the year	8,194	1,543
<b>Net Movement in Earmarked Reserves in 2014/15</b>	<b>(7,681)</b>	<b>278</b>

2015/16	General Fund £'000	HRA £'000
Total Transfers in during the year	(7,273)	(1,193)
Total Transfers out during the year	13,104	2,157
<b>Net Movement in Earmarked Reserves in 2014/15</b>	<b>5,831</b>	<b>964</b>

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

Name of Fund	Balance at 1 April 2014 £'000	Transfers in 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Purpose of the Earmarked Reserve
Capital	(47,650)	(17,938)	15,200	(50,388)	(9,564)	32,000	(27,952)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(2,173)	(250)	516	(1,907)	(748)	853	(1,802)	To meet the cost of uninsured claims
City Improvement	(364)	(3)	23	(344)	(3)	4	(343)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)			(5)	To meet the costs of maintaining Lord Byron's statue
<b>Total Statutory and Other Funds</b>	<b>(50,192)</b>	<b>(18,191)</b>	<b>15,739</b>	<b>(52,644)</b>	<b>(10,315)</b>	<b>32,857</b>	<b>(30,102)</b>	

## 7. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2014/15 £'000		2015/16 £'000
(6,932)	(Gains)/losses on the disposal on non current assets	(3,264)
<b>(6,932)</b>	<b>Total</b>	<b>(3,264)</b>

## 8. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2014/15 £'000		2015/16 £'000
31,189	Interest payable and similar charges	35,589
10,129	Pensions interest cost and expected return on pensions assets	8,760
(986)	Interest receivable and similar income	(1,146)
(7,718)	Income and Expenditure in relation to investment properties and changes in their fair value	(4,977)
(8,031)	Other Investment income	(4,928)
<b>24,583</b>	<b>Total</b>	<b>33,298</b>

## 9. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2014/15 £'000		2015/16 £'000	
(103,567)	Council Tax Income	(106,170)	
(194,339)	* Non domestic rates	(210,004)	^
(137,000)	Non ring-fenced government grants	(130,618)	
(35,124)	Capital grants and contributions	(31,307)	
<b>(470,030)</b>	<b>Total</b>	<b>(478,099)</b>	

^ The 2015/16 figures reflect that no excess has been retained by the Council in relation to exceeding the Business Rates Incentivisation Scheme (BRIS) revised target.

\* The 2014/15 figure has been restated to take account of a notified BRIS retention amount.

# 10. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

During 2015/16, a number of contributions from Council Services, totalling £8.5 million were made to the Capital Fund to capture funding for future capital investment. Funds to the value of £32 million were used to fund Capital Expenditure from the Capital Fund.

# 11. Balance Sheet – Usable Reserves

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

# 12. Balance Sheet – Unusable Reserves

<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£'000</b>		<b>£'000</b>
(670,990)	Revaluation Reserve	(1,038,426)
(306)	Available for Sale Financial Instruments Reserve	(8,764)
(704,865)	Capital Adjustment Account	(682,022)
16,735	Financial Instruments Adjustment Account	16,309
289,155	Pensions Reserve	251,118
7,170	Accumulated Absences Account	5,618
<b>(1,063,101)</b>	<b>Total Unusable Reserves</b>	<b>(1,456,167)</b>



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.

2014/15			2015/16	
£'000	£'000		£'000	£'000
	<b>(601,744)</b>	<b>Balance at 1 April</b>		<b>(670,990)</b>
(95,636)		Upward revaluation of assets	(382,297)	
26,744		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,879	
	(68,892)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(374,418)
11,847		Difference between fair value depreciation and historical cost depreciation	6,615	
(12,201)		Accumulated gains on assets sold or scrapped	367	
	(354)			6,982
	0	Amount written off to the Capital Adjustment Account		0
	<b>(670,990)</b>	<b>Balance at 31 March</b>		<b>(1,038,426)</b>

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2014/15			2015/16	
£'000	£'000		£'000	£'000
	(538)	<b>Balance at 1 April</b>		<b>(306)</b>
0		Upward revaluation of investments	(8,458)	
232		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	
	232			(8,458)
	0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		0
	<b>(306)</b>	<b>Balance at 31 March</b>		<b>(8,764)</b>

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2014/15 £'000		2015/16	
		£'000	£'000
<b>(715,505)</b>	<b>Balance at 1 April</b>		<b>(704,865)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
68,788	Charges for depreciation and impairment on non current assets	69,611	
32,724	Revaluation losses on Property, Plant and Equipment	82,216	
100	Amortisation of intangible assets	49	
0	Revenue expenditure funded from capital under statute	0	
	Carrying amount of non current assets scrapped	0	
20,447	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	6,161	
122,059		158,037	
354	Adjusting amounts written out of the Revaluation Reserve	(6,981)	
122,413	Net written out amount of the cost of non current assets consumed in the year		151,056
	Capital financing applied in the year:		
(10,995)	Use of the Capital Receipts Reserve to finance new capital expenditure	(9,047)	
(15,200)	Use of the Capital Fund to finance new capital expenditure	(32,000)	
(35,124)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(31,307)	
(15,674)	Loans Fund principal repayments	(16,765)	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0	
(21,040)	Capital expenditure charged against the General Fund and HRA balances	(35,490)	
(2,488)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(1,773)	
(100,521)			(126,382)
(8,183)	Deferred Capital Receipt		(320)
0	Central Heating Lease Reversal		(647)
(3,069)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(864)
0	Movement in the market value of Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement		0
<b>(704,865)</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(682,022)</b>

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.

2014/15		2015/16	
£'000		£'000	£'000
17,158	<b>Balance at 1 April</b>		<b>16,734</b>
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(27)	Long Term Borrowing – Stepped Loans	(28)	
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(398)	
(424)	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		(426)
<b>16,734</b>	<b>Balance at 31 March</b>		<b>16,309</b>

Pensions Reserve

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

2014/15		2015/16
£'000		£'000
<b>244,529</b>	<b>Balance at 1 April</b>	<b>289,155</b>
33,219	Remeasurements of the net defined benefit liability/(asset)	(52,454)
38,829	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	43,282
(27,422)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,865)
<b>289,155</b>	<b>Balance at 31 March</b>	<b>251,118</b>

Accumulated Absences Account

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

2014/15		2015/16	
£'000		£'000	£'000
<b>8,009</b>	<b>Balance at 1 April</b>		<b>7,170</b>
(8,009)	Settlement or cancellation of accrual made at the end of the preceding year	(7,170)	
7,170	Amounts accrued at the end of the current year	5,618	
(839)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,552)
<b>7,170</b>	<b>Balance at 31 March</b>		<b>5,618</b>

## 13. Cash Flow Statement – Operating Activities

2014/15		2015/16
£'000		£'000
(9,240)	Net surplus or (deficit) on the provision of services ^	(70,339)
<b>(9,240)</b>		<b>(70,339)</b>
	<b>Adjustment to surplus or deficit on the provision of services for noncash movements:</b>	
68,789	Depreciation	69,611
32,723	Impairment, downward revaluations & non sale derecognitions	82,216
2	(Increase)/Decrease in Stock	(169)
(5,367)	(Increase)/Decrease in Debtors	(11,607)
0	Increase/(Decrease) in impairment provision for bad debts	0
16,859	Increase/(Decrease) in Creditors	4,638
11,407	Payments to Pension fund	14,417
20,447	Carrying amount of non current assets sold	6,161
(1,720)	Contributions to Other Reserves/Provisions	12,173
0	Assets held for sale movement	0
0	Capital Grants unapplied transactions	0
100	Amortisation of Intangible Assets	49
(3,069)	Movement in value of investment properties	(864)
<b>140,171</b>		<b>176,625</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
0	Proceeds from short term and long term investments	0
(35,124)	Receipt of Capital Grants and Contributions	(31,307)
(16,489)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(9,410)
<b>(51,613)</b>		<b>(40,717)</b>
<b>79,318</b>	<b>Net cash flows from operating activities</b>	<b>65,569</b>

^ includes the following:

2014/15		2015/16
£'000		£'000
989	Interest received	1,146
(31,183)	Interest paid	(35,590)

## 14. Cash Flow Statement – Investing Activities

2014/15		2015/16
£'000		£'000
(96,999)	Purchase of property, plant and equipment, investment property and intangible assets	(136,871)
(14,731)	Purchase of short term and long term investments	621
0	Other payments for investing activities	0
16,985	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,268
(497)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(858)
0	Proceeds from short term and long term investments	0
35,124	Capital grants and contributions received	31,307
0	Other receipts from investing activities	0
<b>(60,118)</b>	<b>Net cash flows from investing activities</b>	<b>(95,533)</b>

## 15. Cash Flow Statement – Financing Activities

2014/15		2015/16
£'000		£'000
0	Cash receipts of short term and long term borrowing	0
(25)	Other receipts from financing activities	(29)
(2,546)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(1,773)
9,503	Repayments of short term and long term borrowing	15,962
0	Other payments for financing activities	0
<b>6,932</b>	<b>Net cash flows from financing activities</b>	<b>14,160</b>

## 16. Cash Flow Statement – Cash and Cash Equivalents

31 March 2015		31 March 2016
£'000		£'000
42	Cash held by the Authority	35
44,137	Bank current accounts	28,340
0	Short term deposits with building societies	0
<b>44,179</b>	<b>Total cash and cash equivalents</b>	<b>28,375</b>

## 17. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the annual accounts. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

<b>Portfolio Income and Expenditure 2014/15</b>	<b>Education Culture &amp; Sport £'000</b>	<b>Social Care &amp; Wellbeing £'000</b>	<b>Housing &amp; Environment £'000</b>	<b>Enterprise, Planning &amp; Infrastructure £'000</b>	<b>Corporate Governance £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	(7,593)	(32,166)	(26,952)	(62,655)	(9,708)	(139,074)
Government grants	(1,456)	(4,644)	(483)	3,003	(53,326)	(56,906)
<b>Total Income</b>	<b>(9,049)</b>	<b>(36,810)</b>	<b>(27,435)</b>	<b>(59,652)</b>	<b>(63,034)</b>	<b>(195,980)</b>
<b>Employee Expenses</b>	<b>115,717</b>	<b>32,361</b>	<b>25,529</b>	<b>30,179</b>	<b>24,103</b>	<b>227,889</b>
Other service expenses	62,539	128,737	35,815	69,539	65,490	362,120
Support service recharges	0	4	317	0	227	548
<b>Total Other Service Expenses</b>	<b>62,539</b>	<b>128,741</b>	<b>36,132</b>	<b>69,539</b>	<b>65,717</b>	<b>362,668</b>
<b>Total Expenditure</b>	<b>178,256</b>	<b>161,102</b>	<b>61,661</b>	<b>99,718</b>	<b>89,820</b>	<b>590,557</b>
<b>Net Expenditure</b>	<b>169,207</b>	<b>124,292</b>	<b>34,226</b>	<b>40,066</b>	<b>26,786</b>	<b>394,577</b>



Note: The table below reflects the Council's reporting structure from 1<sup>st</sup> April 2015 . 2014/15 has not been restated.

<b>Portfolio Income and Expenditure 2015/16</b>	<b>Education and Children's Services £'000</b>	<b>Adult Social Care £'000</b>	<b>Communities Housing &amp; Infrastructure £'000</b>	<b>Corporate Governance £'000</b>	<b>Office of Chief Executive £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	(7,593)	(32,294)	(80,650)	(10,467)	(1,433)	(132,437)
Government grants	(1,598)	(4,627)	324	(56,289)	(410)	(62,600)
<b>Total Income</b>	<b>(9,191)</b>	<b>(36,921)</b>	<b>(80,326)</b>	<b>(66,756)</b>	<b>(1,843)</b>	<b>(195,037)</b>
<b>Employee Expenses</b>	<b>134,422</b>	<b>16,335</b>	<b>60,612</b>	<b>24,605</b>	<b>2,615</b>	<b>238,589</b>
Other service expenses	84,981	107,634	102,242	68,343	2,574	365,774
Support service recharges	4	0	195	127	0	326
<b>Total Other Service Expenses</b>	<b>84,985</b>	<b>107,634</b>	<b>102,437</b>	<b>68,470</b>	<b>2,574</b>	<b>366,100</b>
<b>Total Expenditure</b>	<b>219,407</b>	<b>123,969</b>	<b>163,049</b>	<b>93,075</b>	<b>5,189</b>	<b>604,689</b>
<b>Net Expenditure</b>	<b>210,216</b>	<b>87,048</b>	<b>82,723</b>	<b>26,319</b>	<b>3,346</b>	<b>409,652</b>

#### Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Net expenditure in the Portfolio Analysis	394,577	409,652
Net expenditure of services and support services not included in the Analysis	(405,852)	(405,084)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	93,399	155,986
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(72,884)	(90,215)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>9,240</b>	<b>70,339</b>
Amounts relating to Subsidiaries, Associates and Joint Ventures	(2,187)	(491)
<b>Group (Surplus)/Deficit</b>	<b>7,053</b>	<b>69,848</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15 comparative figures	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to Management £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Corporate Amounts £'000	Cost of Services £'000	Group Amounts £'000	Total £'000
Fees, charges and other service income	(139,074)	(142,236)	(6,932)	0	(15,834)	0	(304,076)	0	(304,076)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	(2,187)	(2,187) *
Interest and investment income	0	0	0	0	0	0	0	0	0
Income from council tax	0	0	0	0	0	(103,568)	(103,568)	0	(103,568)
Government grants and contributions	(56,906)	(817)	(35,124)	0	0	(330,805)	(423,652)	0	(423,652)
<b>Total Income</b>	<b>(195,980)</b>	<b>(143,053)</b>	<b>(42,056)</b>	<b>0</b>	<b>(15,834)</b>	<b>(434,373)</b>	<b>(831,296)</b>	<b>(2,187)</b>	<b>(833,483)</b>
Employee expenses	227,889	32,533	37,990	(27,422)	0	0	270,990	0	270,990
Other service expenses	362,121	125,423	(1,081)	(45,462)	0	0	441,001	0	441,001
Support Service recharges	547	13,566	0	0	15,834	0	29,947	0	29,947
Depreciation, amortisation and impairment	0	0	98,544	0	0	0	98,544	0	98,544
Interest Payments	0	52	2	0	0	0	54	0	54
<b>Total Expenditure</b>	<b>590,557</b>	<b>171,574</b>	<b>135,455</b>	<b>(72,884)</b>	<b>15,834</b>	<b>0</b>	<b>840,536</b>	<b>0</b>	<b>840,536</b>
<b>Surplus or deficit on the provision of services</b>	<b>394,577</b>	<b>28,521</b>	<b>93,399</b>	<b>(72,884)</b>	<b>0</b>	<b>(434,373)</b>	<b>9,240</b>	<b>(2,187)</b>	<b>7,053</b>
2015/16	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to Management £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Corporate Amounts £'000	Cost of Services £'000	Group Amounts £'000	Total £'000
Fees, charges and other service income	(132,437)	(143,824)	(3,264)	0	(18,249)	0	(297,774)	0	(297,774)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	(491)	(491)
Interest and investment income	0	0	0	0	0	0	0	0	0
Income from council tax	0	0	0	0	0	(106,171)	(106,171)	0	(106,171)
Government grants and contributions	(62,600)	0	(31,307)	0	0	(341,155)	(435,062)	0	(435,062)
<b>Total Income</b>	<b>(195,037)</b>	<b>(143,824)</b>	<b>(34,571)</b>	<b>0</b>	<b>(18,249)</b>	<b>(447,326)</b>	<b>(839,007)</b>	<b>(491)</b>	<b>(839,498)</b>
Employee expenses	238,588	32,205	41,730	(28,865)	0	0	283,658	0	283,658
Other service expenses	365,774	139,426	(2,184)	(61,350)	0	0	441,666	0	441,666
Support Service recharges	325	14,435	0	0	18,249	0	33,009	0	33,009
Depreciation, amortisation and impairment	0	0	151,012	0	0	0	151,012	0	151,012
Interest Payments	0	0	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>604,687</b>	<b>186,066</b>	<b>190,558</b>	<b>(90,215)</b>	<b>18,249</b>	<b>0</b>	<b>909,345</b>	<b>0</b>	<b>909,345</b>
<b>Surplus or deficit on the provision of services</b>	<b>409,650</b>	<b>42,242</b>	<b>155,987</b>	<b>(90,215)</b>	<b>0</b>	<b>(447,326)</b>	<b>70,338</b>	<b>(491)</b>	<b>69,848</b>

\* 2014/15 figure for the Group has been restated to reflect the impact of changes in the accounts of Bon Accord Support Services Ltd.

## 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:

		2013/14		2014/15		2015/16	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Building and Maintenance</b>	Turnover	(31,909)		(31,743)		(31,646)	
Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative surplus over the last three financial years: £7.874 million.	Expenditure	28,600		28,155		30,152	
	Exceptional Items	0		0		0	
	Interest	(2)		(3)		(3)	
	Net (Surplus)/Deficit		(3,311)		(3,591)		(1,497)
	Refunds/(Charges)		347		178		0
	Net (Surplus)/Deficit		(2,964)		(3,413)		(1,497)
<b>Provision and Management of Car Parking Facilities</b>	Turnover	(9,200)		(8,730)		(8,483)	
Responsible for the management and operation of off-street and on-street pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over the last three operational financial years: £13.059 million.	Expenditure	4,315		4,221		5,156	
	Exceptional Items	0		0		0	
	Interest	(125)		(109)		(104)	
	Net (Surplus)/Deficit		(5,010)		(4,618)		(3,431)
	Refunds/(Charges)		0		0		0
	Net (Surplus)/Deficit		(5,010)		(4,618)		(3,431)
<b>Net (Surplus)/Deficit on Trading Operations (excluding Letting of</b>			<b>(7,974)</b>		<b>(8,031)</b>		<b>(4,928)</b>
<b>Letting of Industrial, Commercial and Other Properties</b>	Turnover	(6,521)		(6,747)		(6,562)	
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: £19.171 million.	Expenditure	3,000		2,839		3,158	
	Exceptional Items	(2,081)		(3,069)		(864)	
	Interest	(874)		(741)		(709)	
	Net (Surplus)/Deficit		<b>(6,476)</b>		<b>(7,718)</b>		<b>(4,977)</b>
<b>Net (Surplus)/Deficit on Trading</b>			<b>(14,450)</b>		<b>(15,749)</b>		<b>(9,905)</b>

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

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Net (Surplus)/Deficit on trading operations	(14,450)	(15,749)	(9,905)
Investment Properties	(6,476)	(7,718)	(4,977)
Other Trading Operations	(7,974)	(8,031)	(4,928)
<b>Net Surplus credited to Financing and Investment Income and Expenditure (note 8)</b>	<b>(14,450)</b>	<b>(15,749)</b>	<b>(9,905)</b>

## 19. Agency Services

Under various statutory powers a Council may agree with other local authorities and government departments to do work on their behalf, and likewise certain of the Council's service work may be undertaken on our behalf by other bodies. The main items of agency expenditure and income were as follows:-

Agency Expenditure	2014/15 £'000	2015/16 £'000	Agency Income	2014/15 £'000	2015/16 £'000
Payments to voluntary organisations for the provision of care home places	16,441	16,899	Income from other local authorities in respect of the provision of public analyst services	509	477
Payments to voluntary organisations for the provision of day care	2,997	2,950	Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	206	214
Payments to voluntary organisations for the provision of community based care	19,279	19,010	Net receipts from partners in respect of trunk roads (including administration) – AWPR *	10,140	9,054
Payments to residential schools	8,277	9,456	Receipts from other bodies for administrative services:		
Payments to other public authorities for the provision of care home places	269	398	Scottish Water	761	761
Payments to other public authorities for the provision of community based care	713	724	Scottish Police Authority	67	67
Payments to other public authorities for the provision of day care	0	3	Moray Council	71	73
Payment to private organisations for the provision of care home places	29,441	28,922	Highland Council	0	9
Payments to private organisations for the provision of day care	857	767	Shetland Council	17	70
Payments to private organisations for the provision of community based care	15,139	14,789	Receipts from Aberdeenshire Council for goods supplied	963	1,165
Payment to other public authorities for the provision of mortuary services	22	15			
Payment to Aberdeenshire Council for Aberdeen City and Shire Economic Forum	169	13			
Payment to Bon Accord Support Services	26,026	26,146			
	<b>119,630</b>	<b>120,092</b>		<b>12,734</b>	<b>11,890</b>

\* The council is the appointed managing agent on behalf of Transport Scotland and Aberdeenshire Council for the Aberdeen Western Peripheral Route (AWPR/BT) project. During 2015/16 expenditure on the project amounted to £29.8 million. The council incurred expenditure of £22.7 million including £2.2 million requisitioned by Transport Scotland and received income of £11.3 million from Aberdeenshire Council thus making a net contribution of £11.4 million to the project in the year.

## 20. External Audit Costs

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

	2014/15 £'000	2015/16 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	455	456
Recharge to Trust Funds	(10)	(9)
Recharge to Pension Fund	(39)	(46)
<b>Total</b>	<b>406</b>	<b>401</b>

## 21. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2015, the Council's own contributions equate to approximately 2.7%.

In 2015/16, the council paid £10.223 million to the Scottish Government in respect of teachers' pension costs, which represents 16.2% of teachers' pensionable pay (Employer contribution rates were 14.9% from 01/04/15 to 31/08/15 and 17.2% from 01/09/15 to 31/03/16). The figure for 2014/15 was £9.531 million representing 14.9% of pensionable pay.

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

**22. Defined Benefit Pension Schemes**

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

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

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

There are 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](http://www.nespf.org.uk) or on request from the Head of Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB

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**Participation in pension schemes**

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

**Discretionary post retirement Benefits**

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

**Transactions relating to post employment benefits**

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



	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
	2014/15	2015/16	2014/15	2015/16
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	28,044	33,749	0	0
• administration expenses	477	509	0	0
• past service costs	0	57	0	0
• (gain)/loss from settlements	179	207	0	0
Financing and Investment Income and Expenditure				
• net interest expense	8,911	7,819	1,218	941
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>37,611</b>	<b>42,341</b>	<b>1,218</b>	<b>941</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(1,028)	11,829	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(18,461)	0	(226)	0
• actuarial gains and losses arising on changes in financial assumptions	134,180	(63,234)	2,812	(1,049)
• other	(84,058)	0	0	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>68,244</b>	<b>(9,064)</b>	<b>3,804</b>	<b>(108)</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(37,611)	(42,341)	(1,218)	(941)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	23,202	24,663	0	0
• retirement benefits payable to pensioners	2,435	2,439	1,785	1,763

**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		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Present value of the defined benefit obligation	(1,164,497)	(1,245,520)	(1,225,962)	(42,312)	(43,807)	(41,382)
Fair value of plan assets	949,189	987,605	1,004,213	0	0	0
Sub total	(215,308)	(257,915)	(221,749)	(42,312)	(43,807)	(41,382)
Scottish Teachers Superannuation Scheme	(29,221)	(31,240)	(29,369)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(244,529)</b>	<b>(289,155)</b>	<b>(251,118)</b>	<b>(42,312)</b>	<b>(43,807)</b>	<b>(41,382)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £251.1 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2017 is £27.9 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2017 are £4.2million.

**Assets and liabilities in relation to post employment benefits**

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

	<b>Total Assets: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits Arrangements £'000</b>	
	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Opening fair value of scheme assets</b>	<b>949,189</b>	<b>987,605</b>	<b>0</b>	<b>0</b>
Interest income	41,680	31,562	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	1,028	(11,829)	0	0
• Other	(477)	(509)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	25,637	27,102	2,333	2,358
Contributions from employees into the scheme	7,403	7,746	0	0
Benefits paid	(36,855)	(37,464)	(2,333)	(2,358)
Other	0		0	0
<b>Closing fair value of scheme assets</b>	<b>987,605</b>	<b>1,004,213</b>	<b>0</b>	<b>0</b>
	<b>Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2014/15</b>	<b>2015/16</b>		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,785	1,763		
Benefits paid	(1,785)	(1,763)		
<b>Closing fair value of scheme assets</b>	<b>0</b>	<b>0</b>		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £19.732 million (2014/15: £107.327m).

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

	<b>Total Liabilities: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits £'000</b>	
	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Opening balance at 1 April</b>	<b>(1,164,497)</b>	<b>(1,245,520)</b>	<b>(42,312)</b>	<b>(43,807)</b>
Current service cost	(28,044)	(33,749)	0	0
Interest cost	(50,591)	(39,381)	(1,809)	(1,364)
Contributions from scheme participants	(7,403)	(7,746)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	18,461	0	791	0
• Actuarial gains/losses arising from changes in financial assumptions	(134,180)	63,234	(3,891)	1,431
• Other	84,058	0	1,081	0
Past service cost	0	(57)	0	0
Losses/(gains) on curtailment	(179)	(207)	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	36,855	37,464	2,333	2,358
Liabilities extinguished on settlements	0	0	0	0
<b>Closing balance at 31 March</b>	<b>(1,245,520)</b>	<b>(1,225,962)</b>	<b>(43,807)</b>	<b>(41,382)</b>
	<b>Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2014/15</b>	<b>2015/16</b>		
<b>Opening balance at 1 April</b>	<b>(29,221)</b>	<b>(31,240)</b>		
Interest cost	(1,218)	(941)		
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	226	0		
• Actuarial gains/losses arising from changes in financial assumptions	(2,812)	1,049		
• Other	0	0		
Benefits paid	1,785	1,763		
<b>Closing balance at 31 March</b>	<b>(31,240)</b>	<b>(29,369)</b>		

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2014/15 £'000	%	Fair value of scheme assets 2015/16 £'000	%
Cash and cash equivalents	28,641	2.9%	7,029	0.7%
Equity instruments:				
• UK quoted and unquoted	201,473		197,832	
• Global quoted and unquoted	230,112		234,986	
• Global Frontier Fund	11,851		11,046	
• Pooled UK & Global	326,897		292,226	
Sub total equity	770,333	78.0%	736,090	73.3%
Bonds:				
• Corporate	20,739		23,095	
• Government	61,231		110,464	
Sub total bonds	81,970	8.3%	133,559	13.3%
Property:				
• UK Direct	66,170		76,320	
• Property funds - Global	3,950		9,038	
Sub total property	70,120	7.1%	85,358	8.5%
Private equity:				
• European	11,851		12,051	
• Global	21,727		27,114	
Sub total private equity	33,578	3.4%	39,165	3.9%
Other investment funds:				
• Infrastructure	1,975		2,008	
• Property	988		1,004	
Sub total other investment funds	2,963	0.3%	3,012	0.3%
Derivatives:				
• Forward foreign exchange contracts	0	0.0%	0	0.0%
<b>Total assets</b>	<b>987,605</b>	<b>100.0%</b>	<b>1,004,213</b>	<b>100.0%</b>

### Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1	22.2	22.1	22.2
Women	24.7	24.8	24.7	24.8
Longevity at 65 for future pensioners:				
Men	24.3	24.4	-	-
Women	27.5	27.6	-	-
Rate of inflation	2.0%	2.0%	2.4%	2.0%
Rate of increase in salaries	3.5%	3.5%	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%	2.0%	2.0%

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

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Assumption £'000
Longevity (increase by 1 year in life expectancy)	24,566
Rate of inflation (increase by 0.1%)	20,730
Rate of increase in salaries (increase by 0.1%)	4,458
Rate for discounting scheme liabilities (increase by 0.1%)	(20,385)

### 23. Events after the Balance Sheet Date

The unaudited Annual Accounts was authorised for issue by the Head of Finance on 27 June 2016. 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 2016, the figures in the annual accounts and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

### 24. Related Parties

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

#### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers.

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. During 2015/16 payments to 41 organisations, amounting to £32.0 million (\* 2014/15, 39 organisations, £25.9 million) were made by means of grant support and for the delivery of services. Approval of these grants and service contracts was undertaken in accordance with Council policies and procedures. Details of all members' interests are disclosed on the Council website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

\* 2014/15 figure restated following a review of payments.

#### Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.193 million for this service in 2015/16 (2014/15, £1.124 million).

For 2015/16 the Council paid £28.865 million to the Pension Fund representing its employer contributions in respect of current and former employees (2014/15, £27.422 million).

Entities Controlled or Significantly Influenced by the Council

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

	<b>2014/15</b>			<b>2015/16</b>	
	<b>Receipts £'000</b>	<b>Payments £'000</b>		<b>Receipts £'000</b>	<b>Payments £'000</b>
Joint Boards					
Grampian Joint Valuation Board	0	1,434		0	1,401
AECC/Mountwest Ltd	205	1,495		4	1,329
Common Good	2,111	34		2,060	67
Trust Funds	11	35		47	35
Aberdeen Sports Village	2,469	3,750		21	1,546
Sport Aberdeen	1,099	5,787		688	9,264
Aberdeen Heat & Power	16	8,641		15	6,735
NESTRANS	4,428	1,305		5,405	561
SDPA	0	60		0	49
Scotland Excel	0	224		0	129
Bon Accord Care	50	118	*	41	110
Bon Accord Support Services	1,573	26,026		6,315	33,464

\* 2014/15 figures have been restated to correct a transposition of Receipts and Payments.

The majority of these bodies form part of the Council's group accounts which are set out on pages 144 to 164.



## 25. Partnership Arrangements

The Public Bodies (Joint Working) (Scotland) Act was passed by the Scottish Parliament on 25 February 2014 and provides a framework for the effective integration of adult health and social care services. Aberdeen City Council and its partner NHS Grampian formed a Transitional Leadership Group (TLG) in early 2014 to oversee a programme toward formal integration. During 2015/16 the TLG developed into a shadow Integration Joint Board (IJB). The Act required the submission of a partnership agreement, known as the Integration Scheme, for approval by the Scottish Government. Following a detailed consultation process the scheme was submitted for approval in December 2015. Following approval by the Cabinet Secretary for Health, Wellbeing and Sport an Order was laid before the Scottish Parliament on 8 January 2016 and the Aberdeen City IJB was established as an autonomous legal entity with effect from 6 February 2016. Full delegation of the services from the partners to the IJB will take effect from 1st April 2016. The budgets outlined below will form the core of the funding to be delegated to the IJB for 2016/17.

The vision included in the Aberdeen City Health and Social Care Partnership's Strategic Plan 2016-19 is that **"We are a caring partnership working together with our communities to enable people to achieve fulfilling, healthier lives and wellbeing"**. The strategic priorities included in the plan for the next three years are to:

- Develop a consistent person centred approach that promotes and protects the human rights of every individual and which enable our citizens to have opportunities to maintain their wellbeing and take a full and active role in their local community;
- Support and improve the health, wellbeing and quality of life of our local population;
- Promote and support self-management and independence for individuals for as long as reasonably possible;
- Value and support those who are unpaid carers to become equal partners in the planning and delivery of services, to look after their own health and to have a quality of life outside the caring role if so desired;
- Contribute to a reduction in health inequalities and the inequalities in the wider social conditions that affect our health and wellbeing;
- Strengthen existing community assets and resources that can help local people with their needs as they perceive them and make it easier for people to contribute to helping others in their communities; and
- Support our staff to deliver high quality services that have a positive impact on personal experiences and outcomes.

In financial year 2015/16 the Partnership arrangement included services to older people, those with physical illness, people with learning disabilities, and people needing mental health services.

The Partnership had a budget, covering each of the above client groupings, in excess of £240m during 2015/16. The budgets were aligned throughout the Partnership, which means that each Partner organisation held their own element of the budget and records the expenditure and income that relates to the part of the services it is responsible for. At appropriate levels the budgets are then accumulated from across the Partnership and the total represents the overall Partnership budget. Aberdeen City Council's expenditure (and related income) on services to clients is included within the Comprehensive Income and Expenditure Statement.

Aberdeen City Council's expenditure (and related income) on services to clients in 2015/16 was approximately £105.9 million in respect of the specific services. This can be broken down as follows:

- Older People and Physical Health                      £68.7 million
- Learning Disabilities                                        £27.4 million
- Mental Health & Addictions                                £9.8 million

These budgets cover a range of services from the assessment of needs and the Council's provision of day and home care to the commissioning and purchase of care home places from private and voluntary sector organisations.

## 26. Leases

### Council as Lessee

#### *Operating Leases*

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	1,437	986
Later than one year and not later than five years	3,024	2,070
Later than five years	21,199	9,543
	<b>25,660 *</b>	<b>12,599</b>

\* 2014/15 figures restated due to termination of the ground lease for Mountwest 343 Limited

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

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	523	344
Later than one year and not later than five years	1,568	1,005
Later than five years	0	0
	<b>2,091</b>	<b>1,349</b>

Council as Lessor*Operating Leases*

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

	Land and Buildings			Hydrogen Buses	
	31 March 2015 £'000	31 March 2016 £'000		31 March 2015 £'000	31 March 2016 £'000
Not later than one year	6,938	7,683		80	80
Later than one year and not later than five years	19,051	19,208		241	193
Later than five years	142,521	151,625		0	0
	<b>168,510</b>	<b>178,515</b>		<b>321</b>	<b>273</b>

**27. Investment Properties**

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

	31 March 2015 £'000	31 March 2016 £'000
Rental and interest income from investment property	(7,488)	(7,271)
Expenses arising from investment property	2,839	3,158
Revaluation (gains)/losses	(3,069)	(864)
<b>Net (gain)/loss</b>	<b>(7,718)</b>	<b>(4,977)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2014/15 £'000	2015/16 £'000
<b>Balance at start of the year</b>	<b>84,771</b>	<b>84,870</b>
Additions:		
• Purchases	2	203
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	(2,972)	0
Net gains/losses from fair value adjustments	3,069	864
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	0
Other changes	0	0
<b>Balance at end of the year</b>	<b>84,870</b>	<b>85,937</b>

## 28. Intangible Assets

The Council accounts for its capitalised software licences as intangible assets. Consideration is also given to whether any internally generated software should be included as intangible assets. As at 31 March 2016 no material software has been identified.

Software licences are given a finite useful life based on assessments of the period that the licence is expected to be of use to the Council. The majority of licences have a useful life of five years with a small number having been assessed as having a ten year useful life. Of the latter, a maximum of two years remains of the ten year useful life assigned.

The carrying amount of intangible assets is amortised on a straight line basis. Of the amortisation charged to revenue in 2015/16, £0.49 million was charged to IT Administration and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	<b>2014/15</b>	<b>2015/16</b>
	<b>Software</b>	<b>Software</b>
	<b>Licences</b>	<b>Licences</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year:		
• Gross carrying amounts	1,361	1,361
• Accumulated amortisation	(1,181)	(1,281)
Net carrying amount at start of year	180	80
Additions	0	0
Other disposals	0	0
Amortisation for the period	(100)	(49)
Other changes	0	0
Net carrying amount at end of year	80	31
Comprising:		
• Gross carrying amounts	550	550
• Accumulated amortisation	(470)	(519)
	<b>80</b>	<b>31</b>

## 29. Heritage Assets

## i Reconciliation of the Carrying Value of Heritage Assets Held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
<b>Cost or valuation</b>							
At 1 April 2014	608	1,984	6	10	148,973	300	151,881
Additions	0	0	11	0	7	0	18
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	19,471	0	19,471
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>608</b>	<b>1,984</b>	<b>17</b>	<b>10</b>	<b>168,451</b>	<b>300</b>	<b>171,370</b>
<b>Cost or valuation</b>							
At 1 April 2015	608	1,984	17	10	168,451	300	171,370
Additions	0	11	0	0	0	0	11
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	711	0	711
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>608</b>	<b>1,995</b>	<b>17</b>	<b>10</b>	<b>169,162</b>	<b>300</b>	<b>172,092</b>

### City Monuments

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

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

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature there is little movement in the market for the sale of these collections and it is often difficult to value an item. For items within the Maritime collection, most were valued between 2002 and 2013. The numismatics collection consists of a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection consists of a Rawlins of London Carriage dated 1817 which was valued in 2001.

### Art Collection

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

### Civic Insignia

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

### Additions of Heritage Assets

The following items were added during the year:

	£'000
Half Hull Model of Clipper 'Thermopylae', 1868	11
Net carrying amount at end of year	11

There were no disposals made in the financial year.

### ii Heritage Assets: Five Year Summary of Transactions

Due to the nature and number of Heritage Assets held it is deemed impractical to disclose a five year summary of transactions for accounting periods before 1 April 2010.

### iii Heritage Assets: Further Information on the Museum's Collections

#### City Monuments

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

#### Maritime & Social History

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

#### Numismatics

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

#### Science, technology and industry

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

#### Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19<sup>th</sup> and 20<sup>th</sup> century Scottish art, early 20<sup>th</sup> century English art and a growing collection of challenging international art of the 21<sup>st</sup> century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both valued and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which has been valued by the curator at £32 million.



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**Applied and Decorative Art**

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

**Civic Insignia**

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

**Archaeology**

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

**Library & Information Services**

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

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

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

**Preservation and Management**

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

## 30. Property, Plant and Equipment

Movements in 2014/15:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2014</b>	<b>816,039</b>	<b>877,463</b>	<b>74,167</b>	<b>199,005</b>	<b>22,369</b>	<b>36,212</b>	<b>29,853</b>	<b>2,055,108</b>	<b>156,074</b>
Additions	36,755	8,137	10,546	11,738	936	246	28,621	96,979	1
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,064	25,878	0	0	0	5,721	0	32,663	33,513
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,978)	(5,107)	0	0	0	(7,852)	0	(36,937)	(2,643)
Derecognition – Disposals	(5,474)	0	(1,161)	0	0	(10,836)	0	(17,471)	0
Derecognition – Other	0	(1,023)	(18,499)	0	0	0	(435)	(19,957)	0
Reclassifications and Transfers	825	3,526	0	0	0	(2,730)	(3,525)	(1,904)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>825,231</b>	<b>908,874</b>	<b>65,053</b>	<b>210,743</b>	<b>23,305</b>	<b>20,761</b>	<b>54,514</b>	<b>2,108,481</b>	<b>186,945</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2014</b>	<b>(106,055)</b>	<b>(35,509)</b>	<b>(48,170)</b>	<b>(72,644)</b>	<b>0</b>	<b>(2,623)</b>	<b>0</b>	<b>(265,001)</b>	<b>(15,798)</b>
Depreciation charge	(30,569)	(24,281)	(6,712)	(6,720)	0	(506)	0	(68,788)	(4,318)
Depreciation written out to the Revaluation Reserve	130	16,630	0	0	0	0	0	16,760	11,150
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,277	0	0	0	2,933	0	4,210	907
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	918	0	1,119	0	0	5	0	2,042	0
Derecognition – Other	0	110	18,499	0	0	0	0	18,609	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>(135,576)</b>	<b>(41,773)</b>	<b>(35,264)</b>	<b>(79,364)</b>	<b>0</b>	<b>(191)</b>	<b>0</b>	<b>(292,168)</b>	<b>(8,059)</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>689,655</b>	<b>867,101</b>	<b>29,789</b>	<b>131,379</b>	<b>23,305</b>	<b>20,570</b>	<b>54,514</b>	<b>1,816,313</b>	<b>178,886</b>
<b>At 31 March 2014</b>	<b>709,984</b>	<b>841,954</b>	<b>25,997</b>	<b>126,361</b>	<b>22,369</b>	<b>33,589</b>	<b>29,853</b>	<b>1,790,107</b>	<b>140,276</b>

## Property, Plant and Equipment

Movements in 2015/16:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2015</b>	<b>825,231</b>	<b>908,874</b>	<b>65,053</b>	<b>210,743</b>	<b>23,305</b>	<b>20,761</b>	<b>54,514</b>	<b>2,108,481</b>	<b>186,945</b>
Additions	34,278	28,187	8,799	26,470	1,132	1	32,067	130,934	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	347,811	32	0	0	0	502	0	348,345	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(221,439)	(3,253)	0	0	0	(30)	0	(224,722)	0
Derecognition – Disposals	(4,983)	0	(2,797)	0	0	0	0	(7,780)	(8,059)
Derecognition – Other	0	0	(11,027)	0	0	0	0	(11,027)	0
Reclassifications and Transfers	(637)	13,625	0	0	0	930	(15,325)	(1,407)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>980,261</b>	<b>947,465</b>	<b>60,028</b>	<b>237,213</b>	<b>24,437</b>	<b>22,164</b>	<b>71,256</b>	<b>2,342,824</b>	<b>178,886</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2015</b>	<b>(135,576)</b>	<b>(41,773)</b>	<b>(35,264)</b>	<b>(79,364)</b>	<b>0</b>	<b>(191)</b>	<b>0</b>	<b>(292,168)</b>	<b>(8,059)</b>
Depreciation charge	(32,299)	(24,805)	(5,358)	(7,107)	0	(42)	0	(69,611)	(3,081)
Depreciation written out to the Revaluation Reserve	25,121	8	0	0	0	233	0	25,362	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	142,118	386	0	0	0	0	0	142,504	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	0	0	2,475	0	0	0	0	2,475	8,059
Derecognition – Other	0	0	11,012	0	0	0	0	11,012	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>(636)</b>	<b>(66,184)</b>	<b>(27,135)</b>	<b>(86,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(180,426)</b>	<b>(3,081)</b>
<b>Net Book Value</b>									
<b>At 31 March 2016</b>	<b>979,625</b>	<b>881,281</b>	<b>32,893</b>	<b>150,742</b>	<b>24,437</b>	<b>22,164</b>	<b>71,256</b>	<b>2,162,398</b>	<b>175,805</b>
<b>At 31 March 2015</b>	<b>689,655</b>	<b>867,101</b>	<b>29,789</b>	<b>131,379</b>	<b>23,305</b>	<b>20,570</b>	<b>54,514</b>	<b>1,816,313</b>	<b>178,886</b>

*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 60 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

*Capital Commitments*

As at 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £45.046 million in future years. Similar commitments as at 31 March 2015 were £37.431 million. The major commitments are:

- Housing – New build housing Smithfield - £11.940 million
- Housing – Upgrade of flat roofs - £0.308 million
- Housing – Upgrade Provost Hogg Court to very sheltered housing - £0.171 million
- Housing – Structural repairs to multi storey flats at Seaton - £14.950 million
  
- Non Housing – Day Care Centre for Adults with learning disabilities - £3.536 million
- Non Housing – Greenbrae Primary School Extension & Refurbishment - £4.583 million
- Non Housing – Lord Provost Henry Rae community centre - £2.474 million
- Non Housing – Dyce 3G Pitch - £0.845 million
- Non Housing – 311 Clifton Road - £0.674 million
- Non Housing – Duthie Park Depot - £0.270 million
- Non Housing – Powis Community Centre - £0.404 million
- Non Housing – Muirfield Primary School - £0.215 million
- Non Housing – Dyce Primary School - £0.210 million
- Non Housing – Duthie Park Winter Gardens - £0.330 million
- Non Housing – Tullos Primary School - £0.206 million
- Non Housing – Ashley Road School - £0.300 million
- Non Housing – Cults Primary School - £0.337 million
- Non Housing – Stocket Parade Hostel - £0.230 million
- Non Housing – Cornhill, Kingsford and Holy Family - £0.877 million
- Non Housing – Bridge of Don Academy - £0.319 million

*Effects of Changes in Estimates*

In 2015/16, the Council made no material change to its accounting estimates for Property, Plant and Equipment.

*Revaluations*

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

The significant assumptions applied in estimating the fair values are:

- Buildings constructed under PPP arrangements have been valued as if they were assets wholly owned by the Council without any deferment.
- Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of properties other than Beacon properties is not considered necessary due to the similarity of the property types covered by the Beacons.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 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
<b>Total cost or valuation</b>	<b>1,795,196</b>	<b>1,202,801</b>	<b>68,484</b>	<b>191,110</b>	<b>21,359</b>	<b>39,454</b>	<b>16,161</b>	<b>3,334,565</b>

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

### 31. Capital Expenditure and Capital Financing

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

	<b>HRA</b>	<b>General Fund</b>	<b>Total</b>	<b>HRA</b>	<b>General Fund</b>	<b>Total</b>
	<b>2014/15</b>	<b>2014/15</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Capital Financing Requirement</b>	<b>235,659</b>	<b>490,872</b>	<b>726,531</b>	<b>238,232</b>	<b>484,777</b>	<b>723,009</b>
<i>Capital investment</i>						
Property, Plant and Equipment	36,755	60,225	96,980	34,278	96,657	130,935
Investment Properties	0	2	2	0	203	203
Heritage Assets	0	18	18	0	11	11
Loan for National Housing Trust Initiative	0	0	0	5,722	0	5,722
<i>Sources of finance</i>						
Capital receipts	(11,120)	(93)	(11,213)	(9,087)	(153)	(9,240)
Government grants and other contributions	(4,554)	(30,570)	(35,124)	(1,325)	(29,982)	(31,307)
Other contributions	0	(15,200)	(15,200)	0	(32,000)	(32,000)
Sums set aside from revenue:						
• Direct revenue contributions	217	0	217	192	0	192
• Capital for Current Revenue (CFCR)	(18,725)	(2,315)	(21,040)	(21,995)	(13,495)	(35,490)
• Loans fund principal	0	(15,674)	(15,674)	(5,613)	(11,152)	(16,765)
• PPP liability repayments	0	(2,488)	(2,488)	0	(1,773)	(1,773)
<b>Closing Capital Financing Requirement</b>	<b>238,232</b>	<b>484,777</b>	<b>723,009</b>	<b>240,404</b>	<b>493,093</b>	<b>733,497</b>
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	10	(1,043)	(1,033)	(2,983)	15,245	12,262
Assets acquired under finance leases	0	0	0	0	0	0
Assets acquired under PFI/PPP contracts	0	(2,488)	(2,488)	0	(1,773)	(1,773)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>10</b>	<b>(3,531)</b>	<b>(3,521)</b>	<b>(2,983)</b>	<b>13,472</b>	<b>10,489</b>

## 32. Public Private Partnerships (PPP) and Similar Contracts

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

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

### Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 30.

### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Services £'000</b>	<b>Reimbursement of Capital Expenditure £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
Payable in 2016/17	5,012	2,478	7,050	14,540
Payable within two to five years	23,006	10,625	27,094	60,725
Payable within six to ten years	37,028	14,739	30,966	82,733
Payable within eleven to fifteen years	40,817	21,282	27,591	89,690
Payable within sixteen to twenty years	43,821	30,749	22,343	96,913
Payable within twenty one to twenty five years	26,028	26,190	11,759	63,977
Payable within twenty six to thirty years	0	0	0	0
<b>Total</b>	<b>175,712</b>	<b>106,063</b>	<b>126,803</b>	<b>408,578</b>



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

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Balance outstanding at start of year</b>	<b>110,324</b>	<b>107,836</b>
Payments during year	(2,488)	(1,773)
Capital expenditure incurred in the year	0	0
Other Movements	0	0
<b>Balance outstanding at end of year</b>	<b>107,836</b>	<b>106,063</b>

### 33. Assets Held for Sale

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Balance Outstanding at start of year</b>	<b>2,206</b>	<b>3,412</b>
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,904	1,407
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale:	0	0
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Assets sold	(698)	(840)
Transfers from non current to current	0	0
<b>Balance outstanding at end of year</b>	<b>3,412</b>	<b>3,979</b>

## 34. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
<b>Balance outstanding at start of year</b>	<b>1,392</b>	<b>1,425</b>	<b>37</b>	<b>49</b>	<b>78</b>	<b>31</b>	<b>1,507</b>	<b>1,505</b>
Purchases	18,009	15,755	25,284	25,840	201	43	43,494	41,638
Recognised as an expense in the year	(17,976)	(15,553)	(25,272)	(25,873)	(248)	(43)	(43,496)	(41,469)
Written off balances	0	0	0	0	0	0	0	0
Reversals of write offs in previous years	0	0	0	0	0	0	0	0
<b>Balance outstanding at end of year</b>	<b>1,425</b>	<b>1,627</b>	<b>49</b>	<b>16</b>	<b>31</b>	<b>31</b>	<b>1,505</b>	<b>1,674</b>

## 35. Short Term Debtors

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	11,171	14,978
Other local authorities	2,089	3,567
NHS bodies	2,022	390
Public corporations and trading funds	2,967	891
Other entities and individuals	88,070	92,438
<b>Gross Total</b>	<b>106,319</b>	<b>112,264</b>
Deduct: Provision for Impairment	(51,890)	(52,184)
<b>Net Total</b>	<b>54,429</b>	<b>60,080</b>

## 36. Short Term Creditors

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	(6,961)	(11,052)
Other local authorities	(12,618)	(13,491)
NHS bodies	(888)	(934)
Public corporations and trading funds	(6,382)	(4,437)
Other entities and individuals	(55,529)	(57,733)
<b>Total</b>	<b>(82,378)</b>	<b>(87,647)</b>

## 37. Provisions

	Note 1 Compensation Payments - Equal Pay £'000	Note 2 Property - Asset Management £'000	Note 3 Housing Benefit Subsidy £'000	Note 4 Other £'000	Total £'000
<b>2015/16</b>					
<b>Balance at 1 April 2015</b>	<b>(2,284)</b>	<b>(1,422)</b>	<b>(200)</b>	<b>(3,163)</b>	<b>(7,069)</b>
Additional provisions made in 2015/16	0	(315)	(100)	(270)	(685)
Amounts used in 2015/16	12	988	67	0	1,067
Unused amounts reversed in 2015/16	1,351	0	133	84	1,568
Unwinding of discounting in 2015/16	0	0	0	0	0
<b>Balance at 31 March 2016</b>	<b>(921)</b>	<b>(749)</b>	<b>(100)</b>	<b>(3,349)</b>	<b>(5,119)</b>
<i>Represented by:</i>					
<b>Current provisions</b>	<b>(422)</b>	<b>0</b>	<b>(100)</b>	<b>(3,349)</b>	<b>(3,871)</b>
<b>Long term provisions</b>	<b>(499)</b>	<b>(749)</b>	<b>0</b>	<b>0</b>	<b>(1,248)</b>

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**Notes on Provisions –**
**1. Compensation Payments-Equal Pay - £ 0.921 million**

This is a provision for arrears of equal pay under Single Status legislation for the period from June 2006, subsequent to compromise settlements already paid. The primary groups of staff involved are employed in the Cleaning, Catering, Education and Social Work services. This provision may have an extended life due to uncertainty in relation to Employment Tribunal outcomes which may also alter the amounts due.

**2. Property-Asset Management - £0.749 million**

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2013 and 2020. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation. 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 2016/17.

**4. Other**

- **General Fund - £0.680 million**

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

- **Holiday Pay - £1.174 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 2016/17.

- **Council Tax Discount on Second Homes and Long Term Empty Properties - £0.469 million**

This provision relates to amounts committed towards affordable housing projects, which are expected to be released in 2016/17.

- **HRA - £1.025 million**

This provision relates to a potential ICO penalty notice and voluntary disclosure required for VAT.

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### 38. Contingent Liabilities

At 31 March 2016 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 £130,205 in support of an overdraft facility and card transactions until 31 March 2017.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of loans of £140,000 and a maximum overdraft facility of £200,000 as well as a guarantee of £200,000 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2022.

- **Landfill Sites**

The Council is responsible under environmental legislation for the ongoing monitoring, maintenance and ultimately capping and re-instatement of 3 closed landfill sites. The costs associated with two of these sites, Ness and Hill of Tramaud, have been accounted for through a mix of revenue and capital funding.

The third site at Mill of Dyce was previously operated by the Council under a lease. The Council purchased the site in 2012/13, and following an assessment of the environmental monitoring and reinstatement requirements works were carried out in 2014. The works are now complete with no further activity planned for the site.

- **Waste Disposal**

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

- **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The penalties have never been imposed and it is expected that the regulations will be repealed in due course. However, until such a repeal is formalised there remains a potential liability on the Council.

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

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

- **Sport Aberdeen**

The Council has 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.

- **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.

**39. Grant Income**

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

		<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>			
	Total Revenue Funding Grant	330,805	341,155
	<b>Total</b>	<b>330,805</b>	<b>341,155</b>
<b>Credited to Services</b>			
Department of Work and Pensions			
	Housing Benefit Grant	51,980	54,912
	Housing Benefit Admin Grant	918	900
	Discretionary Housing Payment	308	289
	Other	57	133
Grampian Health Board			
	Resource Transfer	18,692	19,133
	Integrated Care Funding	0	581
Other Local Authorities			
	Western Peripheral Route Works	17,373	11,276
	Other	449	352
Scottish Government			
	S27 Community Justice Grant	4,488	4,325
	Home Insulation	2,210	1,113
	Zero Waste Scotland	409	111
	Education Maintenance	313	287
	Other	1,225	1,354
Department for Culture, Media and Sport			
	Accelerate Aberdeen	1,799	121
European Funding			
	Hydrogen Bus Project	457	482
	Hydrogen Transport Economy	261	0
	Other	218	107
Sport Scotland		524	406
Scottish Legal Aid Board		193	271
Creative Scotland		327	438
Heritage Lottery Fund		201	181
Transport Scotland		0	254
Home Office		59	92
Sustrans		180	0
Other		299	206
	<b>Total</b>	<b>102,940</b>	<b>97,324</b>
* 2014/15 figure updated following a review of grant income.			

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

#### Current Liabilities

		2014/15 £'000	2015/16 £'000
<b>Revenue Grants - Receipts in Advance</b>			
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)		6	95
Equality Funding		16	0
Self Directed Support / Caledonian Funding		456	304
Bequest / Europe Direct for Libraries		51	21
Creative Scotland – Various Projects		218	17
Creative Learning Network		8	0
Sport Scotland – Various Projects		24	0
Education Scotland		35	84
Scottish Government		201	0
DWP		50	0
Community Safety Hub Funding		50	0
Heritage Lottery Fund - various projects		5	0
<b>Total</b>		<b>1,120</b>	<b>521</b>
<b>Capital Grants - Receipts in Advance</b>			
Gypsy Traveller Grant		103	103
Hydrogen Bus Project		192	0
Sport Scotland Grant		200	200
Mental Health Grant	*	97	97
Henry Rae Community Centre Regeneration Grant		0	1,414
Scottish Government Flood Grant		0	407
<b>Total</b>		<b>592</b>	<b>2,221</b>

\* 2014/15 figure restated following a review of capital grants.



## 40. Financial Instruments

*Categories of Financial Instruments*

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

Note: Lenders Option/Borrowers Option (LOBO's) of £48.9m have been included in long term borrowing but have a call date in the next 12 months.

Financial Instruments Balances	Long term		Current	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
<b>Investments</b>				
Loans and receivables	0	0	40,199	31,119
Available for sale financial assets	10,602	19,061	0	0
<b>Total investments</b>	<b>10,602</b>	<b>19,061</b>	<b>40,199</b>	<b>31,119</b>
<b>Debtors</b>				
Loans and receivables	22,121	28,077	0	0
Financial assets carried at contract amount	0	0	54,429	60,080
<b>Total debtors</b>	<b>22,121</b>	<b>28,077</b>	<b>54,429</b>	<b>60,080</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(469,621)	(464,892)	(92,658)	(113,348)
Overdraft	0	0	0	0
<b>Total borrowings</b>	<b>(469,621)</b>	<b>(464,892)</b>	<b>(92,658)</b>	<b>(113,348)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(106,062)	(103,584)	(1,773)	(2,478)
Finance lease liabilities (Creditors)	0	0	0	0
<b>Total other long term liabilities</b>	<b>(106,062)</b>	<b>(103,584)</b>	<b>(1,773)</b>	<b>(2,478)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	(451)	(223)	(82,378)	(87,647)
<b>Total creditors</b>	<b>(451)</b>	<b>(223)</b>	<b>(82,378)</b>	<b>(87,647)</b>

**Reclassifications****Income, Expense, Gains and Losses**

Financial Instruments Gains/(Losses)	2014/15			2015/16		
	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	(31,189)	0	(31,189)	(35,590)	0	(35,590)
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(31,189)</b>	<b>0</b>	<b>(31,189)</b>	<b>(35,590)</b>	<b>0</b>	<b>(35,590)</b>
Interest income	0	986	<b>986</b>	0	1,146	<b>1,146</b>
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>986</b>	<b>986</b>	<b>0</b>	<b>1,146</b>	<b>1,146</b>
<b>Net gain/(loss) for the year</b>	<b>(31,189)</b>	<b>986</b>	<b>(30,203)</b>	<b>(35,590)</b>	<b>1,146</b>	<b>(34,444)</b>

**Fair Values of Assets and Liabilities**

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

- estimated ranges of interest rates at 31 March 2016 of 2.95% to 11.00% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair Value of Liabilities	31 March 2015				31 March 2016				
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000
PWLB – maturity	(388,591)	(6,841)	(395,432)	(526,405)	(393,465)	(6,701)	(400,165)	(639,686)	(538,953)
PWLB – annuity	0	0	0	0	0	0	0	0	0
PWLB – EIP	(588)	(24)	(613)	(649)	(196)	(8)	(204)	(207)	(207)
LOBOs	(93,893)	(665)	(94,558)	(124,404)	(93,893)	(665)	(94,560)	(160,613)	(127,076)
Transfer Interest to Short Term in line with Code requirements	0	7,530	7,530	0	0	7,374	7,374	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	15,518	0	0	0	24,781	0	0
Financial Instrument Adjustments	0	0	(2,066)	0	0	0	(2,118)	0	0
<b>Total Long Term Borrowing</b>	<b>(483,072)</b>	<b>0</b>	<b>(469,621)</b>	<b>(651,458)</b>	<b>(487,554)</b>	<b>0</b>	<b>(464,892)</b>	<b>(800,506)</b>	<b>(666,236)</b>
Short term borrowing	(69,527)	(82)	(69,609)	(69,609)	(81,125)	(69)	(81,194)	(81,194)	(81,194)
Transfer Interest from Long Term in line with Code requirements	0	(7,530)	(7,530)	0	0	(7,374)	(7,374)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(15,518)	0	0	0	(24,780)	0	0
<b>Total Short Term Borrowing</b>	<b>(69,527)</b>	<b>(7,612)</b>	<b>(92,657)</b>	<b>(69,609)</b>	<b>(81,125)</b>	<b>(7,443)</b>	<b>(113,348)</b>	<b>(81,194)</b>	<b>(81,194)</b>

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 2016) 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.

Fair Value of Assets	31 March 2015				31 March 2016			
	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	67,095	199	67,294	67,335	46,627	99	46,726	46,740

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

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#### 41. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

##### ***Credit risk***

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £46.6m 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 2016 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:

Estimated maximum exposure at 31 March 2015 £'000		Amount at 31 March 2016 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £'000
		A	B	C	(A x C)
0	Deposits with banks and building societies	46,726	0	0	0
1,005	Customers	26,471	3.99%	3.99%	1,056
<b>1,005</b>					<b>1,056</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £26.4m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2015 £'000	31 March 2016 £'000
Less than three months	7,431	7,737
Three to six months	1,175	1,575
Six months to one year	1,636	2,337
More than one year	14,440	14,822
	<b>24,682</b>	<b>26,471</b>

### Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	92,657	110,977
Between one and two years	24,781	10,000
Between two and five years	43,447	38,447
Between five and ten years	16,000	11,000
More than ten years	383,329	403,329
	<b>560,214</b>	<b>573,753</b>

In the "More than 10 years" category in the table above there are £48.9 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.

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 2016, if discount rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	489
Increase in interest receivable on variable rate investments	(333)
Impact on Surplus or Deficit on the Provision of Services	<b>156</b>
Share of overall impact debited to the HRA	<b>49</b>
Decrease in fair value of fixed rate investment assets	<b>0</b>
Impact on Other Comprehensive Income and Expenditure	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>105,003</b>
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	47

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

#### Foreign exchange risk

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

## Loans Fund

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

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2015/16, the average interest rates were 3.84% for capital (2014/15, 3.85%), 0.40% for revenue advances (2014/15, 0.39%) and 0.02% for expenses (2014/15 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

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
General Fund	373,161	408,526	402,839	397,654	396,557	397,314	413,355
Trading Operations	24,911	23,257	22,678	24,282	23,083	21,283	20,486
Housing Revenue Account	163,850	185,923	193,225	196,880	196,665	196,675	193,692
<b>Total</b>	<b>561,922</b>	<b>617,706</b>	<b>618,742</b>	<b>618,816</b>	<b>616,305</b>	<b>615,272</b>	<b>627,533</b>



Loans Fund			Loans Fund		
Revenue Account			Balance Sheet as at 31 March		
2014/15 £'000		2015/16 £'000	2015 £'000		2016 £'000
	<b>Expenditure</b>			<b>Assets</b>	
23,987	Interest paid to External Bodies	24,050		Advances to:	
912	Interest paid to Other Council Accounts	1,042	615,272	Aberdeen City Council for Capital Expenditure	627,534
153	General Expenses	139	2	Other Bodies	2
<b>25,052</b>		<b>25,231</b>	14,407	Rescheduled Premiums	14,010
	<b>Income</b>		629,681		641,546
	Interest & Expenses charged to Aberdeen City Council			<b>Current Assets</b>	
(15,700)	General Fund	(15,945)	67,000	Temporary Investments	46,600
(8,008)	Housing Revenue Account	(7,965)	293	Sundry Debtors	125
(852)	Trading Operations	(816)	696,974		688,271
(492)	From Temporary Investments	(505)		<b>Less: Current Liabilities</b>	
<b>(25,052)</b>		<b>(25,231)</b>	156,062	Temporary Advances from Council Services	128,019
			7,613	Sundry Creditors	7,443
			(8,635)	Bank Overdraft	(2,371)
			155,040		133,091
			<b>541,934</b>	<b>Net Assets</b>	<b>555,180</b>
				<b>Financed by:</b>	
			(389,179)	Public Works Loan Board	(393,661)
			(93,893)	Money Market Loans	(93,893)
			(2)	Stock Issue & Gas Annuities	(2)
			(58,860)	Temporary Loans	(67,624)
			<b>(541,934)</b>		<b>(555,180)</b>

Steven Whyte, CPFA  
Head of Finance

27 June 2016

**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**

<b>2014/15</b>		<b>2015/16</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	<b>Income</b>		
(78,661)	Dwelling Rents	(81,142)	
(3,550)	Non dwelling Rents	(3,892)	
0	Hostel Grant	0	
(958)	Other Income	(1,021)	
<b>(83,169)</b>			<b>(86,055)</b>
	<b>Expenditure</b>		
550	Staff Costs	841	
<b>550</b>			<b>841</b>
	Premises Costs:		
25,443	Repairs and Maintenance	25,317	
3,164	Maintenance of amenity areas	3,067	
1,117	Bad debts written off/provisions	2,166	
1,896	Loss of rent vacant periods	1,790	
1,586	Other costs	1,855	
<b>33,206</b>			<b>34,195</b>
	Administration Costs:		
7,156	Management and Administration	8,418	
1,961	Other costs	964	
<b>9,117</b>			<b>9,382</b>
	Supplies and Services:		
3,293	Communal Lighting and Heating, etc.	3,698	
175	Information Technology	196	
148	Other Costs	157	
<b>3,616</b>			<b>4,051</b>

2014/15 £'000		2015/16	
		£'000	£'000
	Agencies:		
240	Contributions	194	
406	Supporting People Contribution	305	
655	Tenant's Participation/Helplines	689	
<b>1,301</b>			<b>1,188</b>
	Capital Charges:		
30,956	Depreciation	32,299	
23,976	Impairment of Non Current Assets	79,320	
<b>54,932</b>			<b>111,619</b>
<b>102,722</b>	<b>Gross Expenditure</b>		<b>161,276</b>
19,553	<b>Net Cost of HRA Services per Council's</b>		75,221
148	Corporate and Democratic Core		144
<b>19,701</b>	<b>Net Cost of HRA Services</b>		<b>75,365</b>
(5,648)	(Gain) / Loss on Sale of HRA Non Current Assets		(3,071)
8,007	Interest payable and similar charges		7,965
(114)	Interest and investment income		(147)
591	Pensions interest and return on assets		512
(4,554)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)		(1,325)
<b>17,983</b>	<b>(Surplus)/deficit for the year on HRA Services</b>		<b>79,299</b>

**Movement on the Housing Revenue Account Statement**

<b>2014/15 £'000</b>		<b>Notes</b>	<b>2015/16 £'000</b>
(9,395)	Balance on the HRA at start of Year		(10,455)
17,983	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		79,299
(21,773)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(80,428)
(3,790)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(1,129)
2,730	Transfers to or (from) Reserves	2	776
(1,060)	(Increase) or Decrease in Year on the HRA		(353)
<b>(10,455)</b>	<b>Balance on the HRA at end of Year</b>		<b>(10,808)</b>

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

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
5,648	Gain or (loss) on sale of HRA non-current assets	3,071
18,725	Capital expenditure funded by the HRA	21,994
	Transfer to/from the Capital Adjustment Account:	
(54,931)	Depreciation and Impairment	(111,619)
4,554	Capital Grants and Contributions	1,325
4,885	Repayment of Debt	5,613
(656)	HRA share of contributions to or from the Pensions Reserve	(828)
2	Adjustment involving the Accumulated Absences Account	4
0	Statutory Reserves	12
<b>(21,773)</b>		<b>(80,428)</b>

**2. Transfers (to) or from Reserves**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
2,730	Transfer to/(from) the General Fund	776
<b>2,730</b>	<b>Total</b>	<b>776</b>

**3. Housing Stock**

The Council's housing stock at 31 March 2016 was 22,435 (22,348 at 31 March 2015) in the following categories:

<b>2014/15 Number</b>		<b>2015/16 Number</b>
	<b>Type of Property</b>	
2,152	Sheltered Property	2,065
2	Wardens Property	0
4,465	Cottage	4,386
8,778	Flat	8,733
2,170	Four in Block	2,157
558	Maisonette	552
2,116	Multi Storey Flat	2,110
121	Split Level Flat	120
439	Multi Storey Maisonette	436
1,124	Amenity	1,198
373	Homeless	358
<b>22,298</b>	<b>Sub Total</b>	<b>22,115</b>
50	Properties off the charge	320
<b>22,348</b>	<b>HRA Total</b>	<b>22,435</b>
	<b>Other Assets</b>	
1	Hostel	1
245	Garages Sites	245
2,053	Lock Up Garages	2,053
917	Parking Spaces	916
17	Travelling Peoples Sites	17
<b>3,233</b>		<b>3,232</b>

**4. Rent Arrears**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
3,850	Current Tenant Arrears	4,043
3,195	Former Tenant Arrears	2,704
<b>7,045</b>	<b>Total Rent Arrears</b>	<b>6,747</b>

**5. Impairment of Debtors**

In 2015/16 an impairment of £5,167,000 has been provided in the Balance Sheet for irrecoverable rents, a decrease of £672,000 from the provision in 2014/15.

**6. Exceptional or Prior Year Adjustments**

There are no exceptional or prior year adjustments not disclosed in the statement.

## National Non Domestic Rates

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

Occupiers of non-domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non domestic rate (NDR) poundage for 2015/16, which is set annually by the Scottish Ministers, is 48 pence. There is also a small supplement on the poundage rate of 1.3 pence for subjects with a rateable value greater than £35,000 to cover the additional costs of the Small Business Bonus Scheme. In 2014/15, the NDR poundage rate was set at 47.1 pence and the supplement was 1.1 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.

2014/15		2015/16	
£'000		£'000	£'000
<b>(218,913)</b>	<b>Gross Rates Levied and Contributions in Lieu</b>		<b>(230,006)</b>
	<i>Deduct:</i>		
23,896	Reliefs, remissions, etc.	26,805	
0	Payment of Interest		
1,014	Write off of uncollectable debts and allowances for impairment	2,208	29,013
<b>(194,003)</b>	<b>Net Non Domestic Rate Income</b>		<b>(200,993)</b>
1,040	Adjustment to previous years' National Non Domestic Rates		2,126
<b>(192,963)</b>	<b>Contribution to Non Domestic Rate Pool</b>		<b>(198,867)</b>
<b>(193,738)</b>	<b>Distribution from Non Domestic Rate Pool</b>		<b>(210,116)</b>
	<i>Add:</i>		
(365)	Adjustment for Statutory Additions	(267)	
(533) **	BRIS Income Retained	0	
(898)			(267)
	<i>Less:</i>		
298	Charity Relief adjustment		380
<b>(194,338)</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement *</b>		<b>(210,003)</b>

\* The figure for 2015/16 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2015/16.

\*\* The figure for 2014/15 has been restated to take account of a notified BRIS retention amount.

<b>Category</b>	<b>Number of Subjects</b>	<b>Rateable Value at 1 April 2016 £'000</b>
Shops	2,129	92,928
Public Houses	166	6,835
Offices	2,179	161,602
Hotels	375	17,620
Industrial Factories, Warehouses, Stores	1,875	103,477
Leisure Entertainment, Caravans and Holiday Sites	309	13,072
Garages and Petrol Stations	199	3,549
Cultural	12	606
Sporting Subjects	51	419
Education & Training	116	29,173
Public Service Subjects	538	15,784
Communications	320	2,307
Quarries, Mines etc.	9	95
Petrochemical	2	848
Religious	134	2,443
Health / Medical	123	13,975
Other	453	6,147
Care Facilities	129	5,242
Advertising	383	425
Undertaking	8,200	1,888
<b>Total Non Domestic Rates Subjects</b>	<b>17,702</b>	<b>478,435</b>



## Council Tax

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

In 2015/16, for Band D properties, the Council's Council Tax was frozen at £1,230.39. The full range of bandings is set out after the Council Tax Income Account.

## Council Tax Income Account

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
(135,856)	Gross Assessments	(136,714)
(494)	Net band adjustments	(753)
<b>(136,350)</b>	<b>Council Tax Collectable</b>	<b>(137,467)</b>
	<i>Deduct:</i>	
9,093	Exemptions	9,897
62	Disabled Relief	62
12,261	Discounts	12,095
2,220	Provision for non collection	2,725
9,180	Council Tax Reduction	9,051
201	Other	102
<b>(103,333)</b>		<b>(103,536)</b>
	<i>Add:</i>	
(1,153)	Statutory Additions	(1,162)
825	Prior Year Adjustments	(1,469)
98	Write Ons	(2)
<b>(103,563)</b>	<b>Net Council Tax income for the Year</b>	<b>(106,169)</b>
(4)	Arrears of Community Charge (Poll Tax) recovered during the year	(1)
<b>(103,567)</b>	<b>Net Council Tax income transferred to General Fund</b>	<b>(106,170)</b>

The calculation of the Council Tax Base 2015/16:

	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)			6			6	5/9	3
Band A	22,078	(2,446)	21	(3,008)	(313)	16,332	6/9	10,888
Band B	28,092	(2,283)	14	(3,152)	(274)	22,397	7/9	17,420
Band C	18,825	(1,470)	(16)	(1,548)	(198)	15,593	8/9	13,861
Band D	14,845	(1,952)	9	(1,151)	(254)	11,497	9/9	11,498
Band E	14,163	(548)	(2)	(972)	(192)	12,449	11/9	15,215
Band F	8,359	(206)	6	(458)	(87)	7,614	13/9	10,998
Band G	7,422	(154)	(34)	(276)	(86)	6,872	15/9	11,455
Band H	928	(18)	(4)	(23)	(18)	865	18/9	1,732
							Total	93,070
							Council Tax Reduction	(9,418)
							Contributions in Lieu	6
							Provision for Bad Debts (2.4%)	(2,234)
							Council Tax Base	81,424

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 2015/16 was £1,230.39 (2014/15 £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	6/9	820.26
27,001 – 35,000	B	7/9	956.97
35,001 – 45,000	C	8/9	1,093.68
45,001 – 58,000	D	9/9	1,230.39
58,001 – 80,000	E	11/9	1,503.81
80,001 – 106,000	F	13/9	1,777.23
106,001 – 212,000	G	15/9	2,050.65
Over 212,000	H	18/9	2,460.78

## Common Good

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

### Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
<b>Balance at 1 April 2014</b>	<b>(99,274)</b>	<b>(68)</b>	<b>(99,342)</b>
<b><u>Movement in Reserves during 2014/15</u></b>			
(Surplus) or Deficit on provision of services	(6,392)	0	(6,392)
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,392)</b>	<b>0</b>	<b>(6,392)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(105,666)</b>	<b>(68)</b>	<b>(105,734)</b>
<b><u>Movement in Reserves during 2015/16</u></b>			
(Surplus) or Deficit on provision of services	(6,758)	0	(6,758)
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,758)</b>	<b>0</b>	<b>(6,758)</b>
<b>Balance at 31 March 2016</b>	<b>(112,424)</b>	<b>(68)</b>	<b>(112,492)</b>

## Comprehensive Income and Expenditure Statement

2014/15 Net (Income) Expenditure £'000		2015/16		
		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
17	Official Catering	14	0	14
108	Administration Costs	63	0	63
1,293	Donations, Grants, Contributions etc.	1,355	0	1,355
441	Civic Hospitality	325	0	325
0	Civic Expenditure	0	0	0
73	Funding of International Budget	113	0	113
104	Christmas Illuminations & Festivities	106	0	106
216	Civic Administration Unit	201	0	201
82	Other Projects	81	0	81
497	Miscellaneous Expenditure	479	0	479
318	Greenfern Master plan	64	0	64
0	Youth Activity Funding		0	0
0	Exhibitions, Displays and Galas		0	0
102	Duthie Park HLF	122	0	122
<b>3,251</b>	<b>Cost Of Services</b>	<b>2,923</b>	<b>0</b>	<b>2,923</b>
	Other Operating Expenditure:			
(4,554)	Gains/losses on the disposal of non current assets			(1,764)
	Financing and Investment Income and Expenditure:			
(2,897)	Investment property income & expenditure			(2,734)
(160)	Interest receivable and other investment income			(283)
<b>(4,360)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(1,858)</b>
(2,032)	(Surplus) or Deficit on revaluation of investment property			(4,898)
<b>(6,392)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(6,756)</b>

**Balance Sheet**

<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£'000</b>		<b>£'000</b>
90,558	Investment Property	95,531
<b>90,558</b>	<b>Long Term Assets</b>	<b>95,531</b>
15,021	Investments in Aberdeen City Council Loans Fund	16,881
136	Investment Property Held for Sale	61
464	Short Term Debtors	470
<b>15,621</b>	<b>Current Assets</b>	<b>17,412</b>
(445)	Short Term Creditors	(451)
<b>(445)</b>	<b>Current Liabilities</b>	<b>(451)</b>
<b>105,734</b>	<b>Net Assets</b>	<b>112,492</b>
(105,666)	Common Good Fund	(112,424)
(68)	Reserve Fund	(68)
<b>(105,734)</b>	<b>Total Reserves</b>	<b>(112,492)</b>

Steven Whyte, CPFA  
Head of Finance

27 June 2016

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**Trust Funds and Endowments**

The Council is responsible for the administration of various Trusts. They have been created by bequest or by public subscription and are utilised for a variety of purposes in line with the trusts purposes identified in their governing documents. The money earned from the investments of the trusts is used for the maintenance of graves and monuments, the administration of the Guildry and its awards, school prizes and the advancement of art and the purchase of works of art. As well as administering the trusts, the Council is also the appointed trustee for all the trusts with the exception of Marguerite McBey Trust which has two Councillors on the board of Trustees.

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2016 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 9 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 Chris Anderson Trust and the Aberdeen International Youth Festival 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 John Murdoch Henderson Trust (part of SC025063, EEIF) was re-organised through the adoption of a revised constitution in 2015. OSCR deemed that the purpose of the Bridge of Don and the Bridge of Dee funds is the advancement of heritage. Work is underway on reorganising these charities by the adoption of a new constitution for the Bridge of Don Trust and the winding up of the Bridge of Dee trust by the transfer of its remaining assets to the Bridge of Don Fund. Work is also underway on the creation of a new constitution for the Guildry.

## Movement in Funds

Charity	Balance as at 31 March 2015 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2016 £'000
EEIF	(175)		6	(3)	4	(169)
Educational Trusts	0					0
Guildry	(2,670)		98	(124)	26	(2,669)
Bridge of Don	(1,359)		74	(87)	2	(1,370)
Bridge of Dee	(34)					(34)
Alexander MacDonald Bequest	(31)					(31)
Aberdeen Art Gallery Trust	(45)			(1)	1	(45)
Lands of Skene	(1,201)		74	(336)	336	(1,127)
Lands of Torry	(1,052)		(306)	(128)	128	(1,358)
McBey Trust	(827)			(9)	8	(827)
Charitable Trusts	0					0
Miscellaneous Trusts	0					0
<b>Total - Charitable Trusts</b>	<b>(7,395)</b>	<b>0</b>	<b>(54)</b>	<b>(688)</b>	<b>506</b>	<b>(7,631)</b>
<b>Non Charity</b>	<b>Balance as at 31 March 2015 £'000</b>	<b>Transfer between Funds £'000</b>	<b>Revaluation of Investments £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Balance as at 31 March 2016 £'000</b>
Educational Trusts	(1,031)		(294)	(63)	63	(1,325)
Endowment Funds						
- Educational	(1,070)		39	(17)		(1,048)
- Social Work	0					0
Guildry	(1)					(1)
Arts & Heritage	(74)			(1)	1	(74)
Graveyards	(25)				2	(24)
Monuments	(7)					(7)
John Rickart	(55)			(1)	1	(55)
Lands of Elsick	(3)					(3)
Glover House Ltd			(1)	(6)	6	(2)
Aberdeen Japan Trusts			(525)			(525)
<b>Total - Non Charitable Trusts</b>	<b>(2,266)</b>	<b>0</b>	<b>(781)</b>	<b>(88)</b>	<b>72</b>	<b>(3,063)</b>
<b>Total</b>	<b>(9,661)</b>	<b>0</b>	<b>(835)</b>	<b>(776)</b>	<b>578</b>	<b>(10,694)</b>

**Investment of Funds**

<b>Charitable Trusts 2014/15 £'000</b>	<b>Non Charitable Trusts 2014/15 £'000</b>	<b>Total 2014/15 £'000</b>		<b>Charitable Trusts 2015/16 £'000</b>	<b>Non Charitable Trusts 2015/16 £'000</b>
			<b>Invested in:</b>		
4,617	0	4,617	Land & Buildings	4,256	525
115	844	959	Equities – Listed	109	805
5	39	44	Gilt Edged Securities	5	39
0	0	0	Bank	0	1
2,249	1,451	3,700	Council Loans Fund	2,854	1,760
400	0	400	Other Investments	400	0
53	0	53	Debtors	52	0
(44)	(68)	(112)	Creditors	(45)	(67)
<b>7,395</b>	<b>2,266</b>	<b>9,661</b>		<b>7,631</b>	<b>3,063</b>
0	0	0	Share Capital	0	(1)
(5,024)	(1,687)	(6,711)	Unrestricted Funds	(5,032)	(2,514)
(118)	(577)	(695)	Endowment Funds	(114)	(545)
(2,253)	0	(2,253)	Designated Funds – Common Good Fund	(2,485)	(1)
0	(2)	(2)	Designated Funds – Grampian Health Board	0	(2)
<b>(7,395)</b>	<b>(2,266)</b>	<b>(9,661)</b>		<b>(7,631)</b>	<b>(3,063)</b>

Steven Whyte, CPFA  
Head of Finance

27 June 2016

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## Group Accounts

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

### Group Movement in Reserves Statement

	<b>Total Usable Reserves (Page 34) £'000</b>	<b>Total Unusable Reserves (Note 12) £'000</b>	<b>Total Council Reserves £'000</b>	<b>Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000</b>	<b>Total Reserves £'000</b>	
<b>Balance at 31 March 2014</b>	<b>(116,831)</b>	<b>(1,048,091)</b>	<b>(1,164,922)</b>	<b>(98,936)</b>	<b>(1,263,857)</b>	*
<b>Movement in Reserves during 2014/15</b>	9,240	0	9,240	(2,187)	7,053	
(Surplus) or deficit on provision of services *	0	(35,440)	(35,440)	31	(35,409)	
Other Comprehensive Income and Expenditure *	0	0	0	0	0	
<b>Total Comprehensive Income and Expenditure</b>	<b>9,240</b>	<b>(35,440)</b>	<b>(26,200)</b>	<b>(2,156)</b>	<b>(28,356)</b>	
Adjustments between Group and Council accounts			0	0	0	
<b>Net Increase /Decrease before Transfers</b>	<b>9,240</b>	<b>(35,440)</b>	<b>(26,200)</b>	<b>(2,156)</b>	<b>(28,356)</b>	
Adjustments between accounting basis & funding basis under regulations	(28,614)	28,614	0	0	0	
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>(19,374)</b>	<b>(6,826)</b>	<b>(26,200)</b>	<b>(2,156)</b>	<b>(28,356)</b>	
Transfers to/from Earmarked Reserves & Statutory Reserves	8,183	(8,183)	0	0	0	
<b>Increase/Decrease in Year</b>	<b>(11,191)</b>	<b>(15,009)</b>	<b>(26,200)</b>	<b>(2,156)</b>	<b>(28,356)</b>	
<b>Balance at 31 March 2015 carried forward</b>	<b>(128,026)</b>	<b>(1,063,100)</b>	<b>(1,191,127)</b>	<b>(101,093)</b>	<b>(1,292,217)</b>	*
<b>Movement in Reserves during 2015/16</b>					0	
(Surplus) or deficit on provision of services	70,339	0	70,339	(491)	69,848	
Other Comprehensive Income and Expenditure	0	(435,245)	(435,245)	(9,747)	(444,992)	
<b>Total Comprehensive Income and Expenditure</b>	<b>70,339</b>	<b>(435,245)</b>	<b>(364,906)</b>	<b>(10,238)</b>	<b>(375,144)</b>	
Adjustments between Group & Council accounts	0	0	0	0	0	
<b>Net Increase/Decrease before Transfers</b>	<b>70,339</b>	<b>(435,245)</b>	<b>(364,906)</b>	<b>(10,238)</b>	<b>(375,144)</b>	
Adjustments between accounting basis & funding basis under regulations	(39,253)	39,253	0	0	0	
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>31,086</b>	<b>(395,992)</b>	<b>(364,906)</b>	<b>(10,238)</b>	<b>(375,144)</b>	
Transfers to/from Earmarked Reserves & Statutory Reserves	(2,924)	2,924	0	0	0	
<b>Increase/Decrease in Year</b>	<b>28,162</b>	<b>(393,068)</b>	<b>(364,906)</b>	<b>(10,238)</b>	<b>(375,144)</b>	
<b>Balance at 31 March 2016</b>	<b>(99,865)</b>	<b>(1,456,169)</b>	<b>(1,556,034)</b>	<b>(111,331)</b>	<b>(1,667,357)</b>	

\* 2013/14 and 2014/15 total reserves restated to reflect the impact of changes in the accounts of Bon Accord Support services Ltd.

## Group Comprehensive Income and Expenditure Statement

2014/15			2015/16		
Net Expenditure 1 April 2014 £'000	Net Expenditure 31 March 2015 £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
(3,116)	2,160	Central Services to the Public	5,874	(3,143)	2,731
33,249	34,841	Cultural and Related Services	55,343	(21,743)	33,600
172,066	181,511	Education Services	197,956	(10,321)	187,635
30,372	30,724	Environmental Services	43,446	(8,722)	34,724
20,890	26,988	Housing Services	246,617	(162,635)	83,982
14,423	9,106	Planning and Development Services	13,674	(5,748)	7,926
18,705	18,922	Roads and Transport Services	56,630	(37,382)	19,248
135,833	135,624	Social Work Services	170,082	(33,325)	136,757
7,986	9,754	Corporate and Democratic Core	7,260	1,430	8,690
8,228	14,762	Non Distributed Costs	5,982	15	5,997
1,463	1,433	Joint Boards	1,401		1,401
0	0	Exceptional Items			0
<b>440,099</b>	<b>465,825</b>	<b>Cost Of Services</b>	<b>804,265</b>	<b>(281,574)</b>	<b>522,691</b>
23,591	(11,486)	Other Operating Expenditure			(4,729)
30,488	21,867	Financing and Investment Income and Expenditure (note vi)			30,322
(444,173)	(469,496)	Taxation and Non-Specific Grant Income			(478,633)
<b>50,005</b>	<b>6,710</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>804,265</b>	<b>(281,574)</b>	<b>69,652</b>
246	343	Share of (Surplus) or Deficit on the provision of services by associates and joint ventures			196
<b>50,251</b>	<b>7,053</b>	<b>Group (Surplus) / Deficit (note 17)</b>			<b>69,848</b>
(37,973)	(71,040)	Surplus or deficit on revaluation of non current assets			(379,919)
104	233	Surplus or deficit on revaluation of available for sale financial assets			(52,454)
(84,813)	35,461	Actuarial gains / losses on pension assets / liabilities			(12,224)
(1,013)	(63)	Share of other comprehensive expenditure and income of associates and joint ventures			(481)
<b>(123,695)</b>	<b>(35,409)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(444,992)</b>
<b>(73,445)</b>	<b>(28,356)</b>	<b>* Total Comprehensive Income and Expenditure</b>			<b>(375,144)</b>

\* 2013/14 and 2014/15 total comprehensive income and expenditure restated to reflect the impact of changes in the accounts of Bon Accord Services Ltd.

## Group Balance Sheet

<b>1 April 2014</b>	<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
1,791,359	1,817,555	Property, Plant and Equipment (note xi)	2,163,508
175,629	177,792	Investment Property (note xii)	183,763
180	80	Intangible Assets	31
12,344	20,288	Long Term Investments and/or Investments in Associates and Joint Ventures	28,720
151,881	171,370	Heritage Assets	172,092
13,987	22,121	Long Term Debtors	28,078
<b>2,145,380</b>	<b>2,209,206</b>	<b>Long Term Assets</b>	<b>2,576,192</b>
33,276	40,199	Short Term Investments	31,119
1,937	2,323	Inventories	2,096
59,379	54,964	Short Term Debtors	53,910
21,489	47,683	Cash and Cash Equivalents	34,130
2,342	3,548	Assets held for sale	4,040
<b>118,423</b>	<b>148,717</b>	<b>Current Assets</b>	<b>125,295</b>
0	(107)	Cash and Cash Equivalents	0
(109,266)	(77,217)	Short Term Borrowing	(95,101)
(65,676)	(89,691)	Short Term Creditors	(95,741)
(5,899)	(3,698)	Provisions	(3,784)
(2,488)	(1,773)	PPP Short Term Liabilities	(2,478)
(5,223)	(752)	Capital Grants Receipts in Advance	(2,534)
(1,540)	(1,120)	Revenue Grants Receipts in Advance	(546)
(8,009)	(7,508)	Other Short Term Liabilities	0
<b>(198,101)</b>	<b>(181,866)</b>	<b>Current Liabilities</b>	<b>(200,184)</b>
0	(453)	Long Term Creditors	(223)
(3,584)	(3,371)	Provisions	(1,335)
(435,192)	(469,812)	Long Term Borrowing	(464,892)
(1,201)	(1,481)	Liabilities in Associates and Joint Ventures	(1,196)
(107,836)	(106,062)	PPP Long Term Liabilities	(103,584)
0	0	Other Long Term Liabilities	
(254,032)	(302,661)	Pension Liabilities	(262,715)
<b>(801,845)</b>	<b>(883,840)</b>	<b>Long Term Liabilities</b>	<b>(833,945)</b>
<b>1,263,857</b>	<b>1,292,217</b>	<b>** Net Assets</b>	<b>1,667,357</b>

## Group Balance Sheet

<b>1 April 2014</b>	<b>31 March 2015</b>			<b>31 March 2016</b>
<b>£'000</b>	<b>£'000</b>			<b>£'000</b>
(116,831)	(128,025)		Usable Reserves	(99,863)
(1,048,091)	(1,063,102)		Unusable Reserves	(1,456,168)
30,937	33,339		Group - Usable Reserves	32,558
(129,872)	(134,429)		Group - Unusable Reserves	(143,885)
<b>(1,263,857)</b>	<b>(1,292,217)</b>	<b>**</b>	<b>Total Reserves</b>	<b>(1,667,357)</b>

\*\* 2013/14 and 2014/15 has been restated to reflect the impact of changes in the accounts of Bon Accord Support Services Ltd.

Steven Whyte, CPFA  
Head of Finance

27 June 2016

**Group Cash Flow**

<b>31 March 2015</b> <b>£'000</b>		<b>31 March 2016</b> <b>£'000</b>
(6,286)	Net surplus or (deficit) on the provision of services	(69,848)
137,464	Adjust net surplus or deficit on the provision of services for non cash movements	178,643
(51,613)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,717)
<b>79,565</b>	<b>Net cash flows from Operating Activities (Note vii)</b>	<b>68,078</b>
(60,410)	Net cash flows from Investing Activities (note viii)	(95,684)
6,932	Net Cash flows from Financing Activities (note ix)	14,160
<b>26,087</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(13,446)</b>
21,489	Cash and cash equivalents at the beginning of the reporting period	47,576
<b>47,576</b>	<b>Cash and cash equivalents at the end of the reporting period (note x)</b>	<b>34,130</b>

## Notes to the Group Accounts

### Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity, except in the following cases:

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2015, and due to the nature and age of the buildings it is anticipated that there would be no material impact of undertaking a revaluation as at the point of the assets becoming operational.
- Aberdeen Exhibition and Conference Centre Ltd, 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 2015 to 31 March 2016, with the exception of ASV Ltd, whose accounting year end is 31 July, in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the annual accounts produced at 31 March 2015, 31 July 2016 and 31 March 2016. 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%. The Joint Venture with the University of Aberdeen is in Aberdeen Sports Village Limited 50%.

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**Subsidiaries****Aberdeen Exhibition and Conference Centre Limited (AECC)**

AECC is wholly owned and controlled by Aberdeen City Council who are represented on the board of directors. The Council holds a 100% shareholding, comprising 28,065,000 £1 ordinary shares fully paid up, in Aberdeen Exhibition and Conference Centre Limited (AECC) to conduct of exhibitions, conferences and other events.

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

### **Associates**

Aberdeen City Council incorporates the following Associate in its group annual accounts;

Grampian Valuation Joint Board	39%
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There is no share capital issued by the Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to the Board.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

### **Distribution of Reserves**

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from Sportscotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

### **Note iii Financial Impact of Consolidation**

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £101.3 million (increase of £99.2 million in 2013/14).



**Note iv Group Entities**

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2014/15	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	1,648	(201)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	0	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	105,736	6,392	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,408	113	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(1,380)	(1,906)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(10,219)	(2,024)	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(411)	14	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	21,204	(467)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(3,798)	(718)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

For the financial year 2015/16	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	1,580	(69)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	112,492	6,757	Head of Finance, Aberdeen City Council
Trust Funds	100	100	8,208	802	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(304)	1,075	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(8,965)	1,254	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(488)	134	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	38,121	(83)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(3,066)	732	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 2016, AH&P Ltd made a profit of £725,226 (a profit of £437,047 in 2014/15) and the net assets of the company were £2,192,314 (£1,467,088 in 2014/15). Turnover was £3,604,811 (£2,940,346 in 2014/15). The accounts for 2015/16 are subject to audit. Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2015/16, Aberdeen City Council contributed £47,000 (£122,000 in 2014/15) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The audited accounts for 2014/15 show a surplus of £2,000 (deficit of £2,000 2014/15) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2015, net assets amounted to £310,815 (£316,395 in 2013/14) with a loss for the year of 5,580 (loss of £417 in 2013/14). The accounts for 2015/16 are being prepared. It is anticipated that there will be no significant changes as at March 2016. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities–region planning authorities. The current legislative position of SPDA prevents it from retaining a surplus and reserves. In 2015/16, Aberdeen City Council contributed 62,000 (£60,237 in 2014/15) 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 2015/16, Aberdeen City Council contributed £128,501 (£124,108 2014/15) 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**

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
31,202	Interest payable and similar charges	35,599
10,129	Pensions interest cost and expected return on pensions assets	8,760
(1,133)	Interest receivable and similar income	(1,398)
(10,615)	Income and expenditure in relation to investment properties and changes in their fair value	(7,711)
(8,396)	Other investment income	(4,928)
<b>21,187</b>	<b>Total</b>	<b>30,322</b>

## Note vii Cash Flow Statement – Group Operating Activities

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
(7,053)	Net surplus or (deficit) on the provision of services	(69,848)
<b>(7,053)</b>		<b>(69,848)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
69,052	Depreciation	69,890
32,723	Impairment, downward revaluations & non sale derecognitions	82,216
(386)	(Increase)/Decrease in Stock	227
(4,424)	(Increase)/Decrease in Debtors	(10,349)
0	Increase/(Decrease) in impairment provision for bad debts	0
18,425	Increase/(Decrease) in Creditors	3,493
11,407	Payments to Pension fund	14,417
20,447	Carrying amount of non current assets sold	6,161
0	Carrying amount of written off assets	0
(1,720)	Contributions to Other Reserves / Provisions	12,173
(3,069)	Movement in value of investment properties	(864)
0	Assets held for sale movement	
100	Amortisation of intangible assets	49
(4,324)	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	1,229
<b>138,231</b>		<b>178,643</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(35,124)	Receipt of Capital Grants and Contributions	(31,307)
(16,489)	Proceeds from the sale of PP&E, investment property and intangible assets	(9,410)
<b>(51,613)</b>		<b>(40,717)</b>
<b>79,565</b>	<b>Net cash flows from operating activities</b>	<b>68,078</b>

## Note viii Cash Flow Statement – Group Investing Activities

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
(97,250)	Purchase of property, plant and equipment, investment property and intangible assets	(137,020)
(14,731)	Purchase of short term and long term investments	621
	Other payments for investing activities	
16,985	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,266
(497)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(858)
(34)	Proceeds from short term and long term investments	0
35,124	Capital grants and contributions received	31,307
(7)	Other receipts from investing activities	
<b>(60,410)</b>	<b>Net cash flows from investing activities</b>	<b>(95,684)</b>

## Note ix Cash Flow Statement – Group Financing Activities

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
0	Cash receipts of short term and long term borrowing	0
(25)	Other receipts from financing activities	(28)
9,503	Repayments of short term and long term borrowing	15,962
(2,546)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet	(1,773)
0	Other payments for financing activities	0
<b>6,932</b>	<b>Net cash flows from investing activities</b>	<b>14,160</b>

## Note x Cash Flow Statement – Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
42	Cash held by officers	35
47,534	Bank current accounts	34,095
<b>47,576</b>	<b>Total cash and cash equivalents</b>	<b>34,130</b>

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

Comparative Movements in 2014/15:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2014</b>	<b>816,039</b>	<b>877,685</b>	<b>76,709</b>	<b>199,005</b>	<b>22,369</b>	<b>36,212</b>	<b>29,853</b>	<b>2,057,872</b>	<b>156,074</b>
Additions	36,755	8,165	10,770	11,738	936	246	28,621	<b>97,231</b>	0
Revaluations	(22,914)	20,771	0	0	0	(2,132)	0	<b>(4,275)</b>	33,513
Derecognition / Disposals	(5,474)	(1,023)	(19,743)	0	0	(10,836)	(435)	<b>(37,511)</b>	(2,643)
Transfers	826	3,526	0	0	0	(2,730)	(3,525)	<b>(1,903)</b>	0
<b>At 31 March 2015</b>	<b>825,232</b>	<b>909,124</b>	<b>67,736</b>	<b>210,743</b>	<b>23,305</b>	<b>20,760</b>	<b>54,514</b>	<b>2,111,414</b>	<b>186,944</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2014</b>	<b>(106,055)</b>	<b>(35,510)</b>	<b>(49,682)</b>	<b>(72,644)</b>	<b>0</b>	<b>(2,623)</b>	<b>0</b>	<b>(266,514)</b>	<b>(15,798)</b>
Depreciation charge	(30,569)	(24,296)	(6,958)	(6,720)	0	(506)	0	<b>(69,049)</b>	(4,318)
Depreciation & Impairment written out	130	17,907	0	0	0	2,933	0	<b>20,970</b>	12,057
Derecognition / Disposals	918	110	19,701	0	0	6	0	<b>20,735</b>	0
Transfers	0	0	0	0	0	0	0	<b>0</b>	0
<b>At 31 March 2015</b>	<b>(135,576)</b>	<b>(41,789)</b>	<b>(36,939)</b>	<b>(79,364)</b>	<b>0</b>	<b>(190)</b>	<b>0</b>	<b>(293,858)</b>	<b>(8,059)</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>689,656</b>	<b>867,335</b>	<b>30,797</b>	<b>131,379</b>	<b>23,305</b>	<b>20,570</b>	<b>54,514</b>	<b>1,817,555</b>	<b>178,885</b>
<b>At 31 March 2014</b>	<b>709,984</b>	<b>842,173</b>	<b>27,028</b>	<b>126,361</b>	<b>22,369</b>	<b>33,590</b>	<b>29,853</b>	<b>1,791,360</b>	<b>140,276</b>

## Movements in 2015/16:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2015</b>	<b>825,232</b>	<b>909,124</b>	<b>67,735</b>	<b>210,743</b>	<b>23,305</b>	<b>20,760</b>	<b>54,514</b>	<b>2,111,413</b>	<b>186,944</b>
Additions	34,278	28,187	8,948	26,470	1,132	1	32,067	131,083	1
Revaluations	126,373	(3,221)	0	0	0	472	0	123,624	0
Derecognition / Disposals	(4,984)	0	(13,850)	0	0	0	0	(18,834)	(8,059)
Transfers	(637)	13,625	0	0	0	930	(15,325)	(1,407)	0
<b>At 31 March 2016</b>	<b>980,262</b>	<b>947,715</b>	<b>62,833</b>	<b>237,213</b>	<b>24,437</b>	<b>22,163</b>	<b>71,256</b>	<b>2,345,879</b>	<b>178,886</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2015</b>	<b>(135,576)</b>	<b>(41,789)</b>	<b>(36,939)</b>	<b>(79,364)</b>	<b>0</b>	<b>(190)</b>	<b>0</b>	<b>(293,858)</b>	<b>(8,059)</b>
Depreciation charge	(32,299)	(24,822)	(5,620)	(7,107)	0	(42)	0	(69,890)	(3,081)
Depreciation & Impairment written out	167,239	394	0	0	0	233	0	167,866	0
Derecognition / Disposals	0	0	13,512	0	0	0	0	13,512	8,059
Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>(636)</b>	<b>(66,217)</b>	<b>(29,047)</b>	<b>(86,471)</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>(182,370)</b>	<b>(3,081)</b>
<b>Net Book Value</b>									
<b>At 31 March 2016</b>	<b>979,626</b>	<b>881,498</b>	<b>33,786</b>	<b>150,742</b>	<b>24,437</b>	<b>22,164</b>	<b>71,256</b>	<b>2,163,508</b>	<b>175,805</b>
<b>At 31 March 2015</b>	<b>689,656</b>	<b>867,335</b>	<b>30,796</b>	<b>131,378</b>	<b>23,305</b>	<b>20,570</b>	<b>54,514</b>	<b>1,817,553</b>	<b>178,885</b>



**Note xii Investment Properties**

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Rental and interest income from investment property	(10,619)	(10,345)
Expenses arising from investment property	2,936	3,366
Revaluation (gains)/losses	(3,123)	(503)
<b>Net (gain)/loss</b>	<b>(10,806)</b>	<b>(7,482)</b>

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	176,070	178,232
Additions:		
• Purchases	2	203
• Construction		
• Subsequent expenditure		
Disposals	(2,971)	5,459
Net gains/losses from fair value adjustments	5,131	
Transfers:		
• to/from Inventories		
• to/from Property, Plant and Equipment		
Other changes		
<b>Balance at end of the year</b>	<b>178,232</b>	<b>183,895</b>

**Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2015 and 2016 are as follows:**

	<b>Loans</b>		<b>Debtors</b>		<b>Creditors</b>	
	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
AECC	0		23	250	0	(1,368)
Bon Accord Care Ltd	(1,558)	0	0	0	(23)	(12)
Bon Accord Support Services Ltd	(475)	0	0	4,664	(1,974)	(2,697)
Sport Aberdeen	(2,970)	(2,990)	55	67	(192)	(122)
Common Good	(6,980)	(8,840)	0	0	0	
Trust Funds	(3,458)	(4,355)	0	0	0	
	<b>(15,441)</b>	<b>(16,185)</b>	<b>78</b>	<b>4,981</b>	<b>(2,189)</b>	<b>(4,199)</b>

**Note xiv Operating Expenditure and Income of the Subsidiaries**

The operating expenditure and income of the subsidiaries have been included within Education, Cultural and Related, Planning and Development, Housing and Social Work Services, and Corporate & Democratic Core.

**Note xv Share of Operating (surplus)/deficit, Total assets and liabilities of Joint Ventures and Associates**

Analysis of operating results and balance sheet of Joint Ventures and Associates

<b>2014/15</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Total Assets £'000</b>	<b>Total Liabilities £'000</b>	<b>Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	110	661	(2,142)	(1,481)
<b>Associates Total</b>	<b>110</b>	<b>661</b>	<b>(2,142)</b>	<b>(1,481)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	234	26,120	(15,518)	10,602
<b>Joint Ventures Total</b>	<b>234</b>	<b>26,120</b>	<b>(15,518)</b>	<b>10,602</b>
<b>2015/16</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Total Assets £'000</b>	<b>Total Liabilities £'000</b>	<b>Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	154	524	(1,720)	(1,196)
<b>Associates Total</b>	<b>154</b>	<b>524</b>	<b>(1,720)</b>	<b>(1,196)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	42	25,807	(6,747)	19,060
<b>Joint Ventures Total</b>	<b>42</b>	<b>25,807</b>	<b>(6,747)</b>	<b>19,060</b>

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**Note xvi Pension Costs**

**Aberdeen City Council (ACC)** participates in the Local Government Pension Scheme and Teachers' Scheme administered by the Scottish Government. Aberdeen City Council acts as an administering authority for the Local Government Pension Scheme. Both schemes are defined benefit schemes based on final pensionable salary.

**Subsidiaries**

**Aberdeen Exhibition and Conference Centre Limited (AECC)** operate a defined contribution pension scheme for employees where assets of the scheme are held separately from those of the Group. Contributions are charged to the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The pension costs for the year are £183,900 (£230,893 in 2014/15).

**Sport Aberdeen Limited (SA)** participates, as an admitted body, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension surplus for the year is £677,000 (£1,946,000 deficit in 2014/15).

**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 2015/16 BAC made a pension surplus of £1,254,000 while BASS realised a deficit of £22,000 (£2,024,000 and £33,000 deficits respectively in 2014/15).

**Joint Ventures**

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

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year are £78,136.5 (£75,927 in 2014/15).

**Associates**

**Grampian Valuation Joint Board** participates in the Local Government Pension Scheme administered by ACC.

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

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Grampian Valuation Joint Board	65	57
<b>Total</b>	<b>65</b>	<b>57</b>

**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'.

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
ACC	(289,155)	(251,118)
<b><u>Share of Associates</u></b>		
Grampian Valuation Joint Board	(1,836)	(1,525)
<b>Total</b>	<b>(290,991)</b>	<b>(252,643)</b>

## **Glossary of Terms**

**Revenue Expenditure:** *This is expenditure incurred in providing services in the current year and which benefits that year only.*

**Capital Expenditure:** *This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising income from the sale of existing assets.*

**CIPFA:** *The Chartered Institute of Public Finance and Accountancy.*

**COSLA:** *Convention of Scottish Local Authorities*

**LASAAC:** *The Local Authority (Scotland) Accounts Advisory Committee.*

**SeRCOP:** *CIPFA's Service Reporting Code of Practice 2015/16.*

**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*