UNAUDITED ANNUAL ACCOUNTS

FOR THE PERIOD

1 APRIL 2016 TO 31 MARCH 2017

Contents

Management Commentary

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2016/17 and understand our financial performance for the year to 31 March 2017. 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.

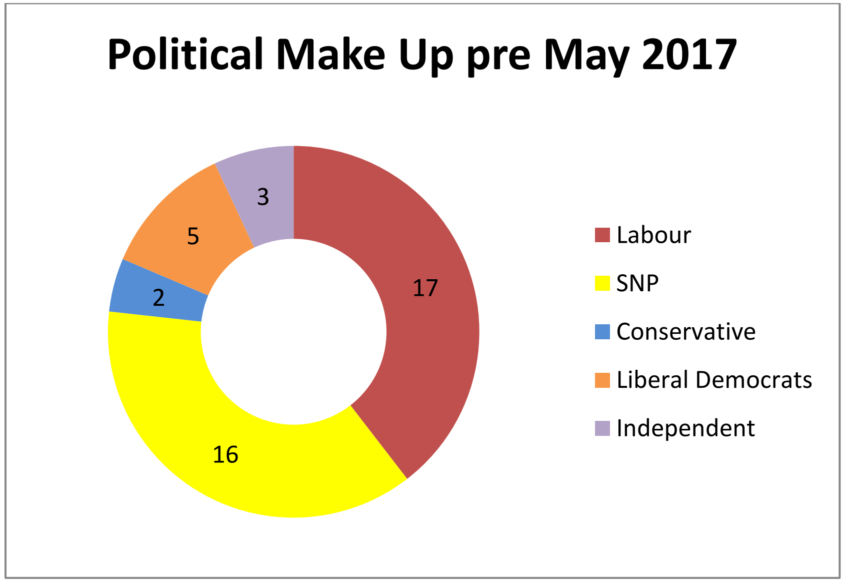
The Council, in preparing the accounts, is required to adhere to the relevant accounting standards in accordance with International Reporting Standards. This differs from how the Council is funded and as such the accounts provide a reconciliation between the two reporting methodologies.

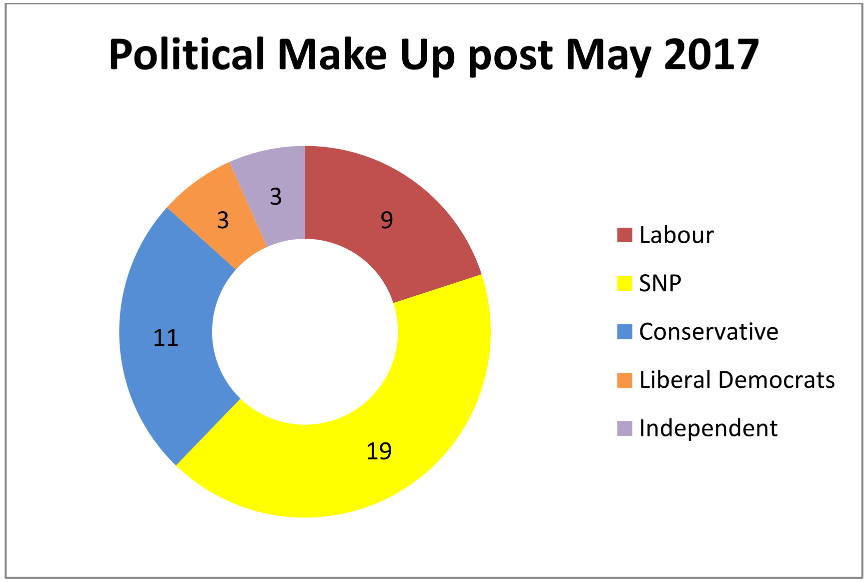
Who we are

We deliver services to 116,200 households, 10,000 businesses, serving a population of 228,000 people 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 during 2016/17 was overseen by 43 elected members (with a Conservative/Labour/Independent joint Administration), who are elected every 5 years by the citizens of Aberdeen. The political makeup of the Council during 2016/17 is shown in the diagram below. The local government elections in May 2017 returned 45 elected members (and a joint Administration again being formed by the Conservative/Labour/Independent alliance) who will oversee our governance for the next 5 years and can also be seen below.





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: https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=5544&Ver=4

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:

- **Local Outcome Improvement Plan (LOIP)**

During 2016/17, the Council, as a statutory Community Planning Partner, adopted Community Planning Aberdeen's (CPA) Local Outcome Improvement Plan, which established improvement outcomes and associated measures for the ten year period of the plan. Through CPA, arrangements have been put in place to monitor and report on improvement, in terms of outcomes, to the CPA Board and Management Group. The full LOIP can be viewed at: http://communityplanningaberdeen.org.uk/wp-content/uploads/2016/08/FINAL-LOIP-22-AUG-16.pdf

- **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 Integrated Joint Board (IJB) was legally established on 6 February 2016 and has been fully operational since 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 Council determines the funding it will provide to the IJB, from which the IJB can issue direction to the Council, in respect of the functions delegated to it, on the services to be provided. Whilst the IJB is ultimately responsible for the delivery of those services, operationally the Council requires to monitor and be assured that it is providing the services it has been directed to, appropriately. 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. Full details can be viewed at:
https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=3612&Ver=4

- **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

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 Improvement 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.

Shaping Aberdeen

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 were awarded corporate wide Investors in Young People status in January 2017. We are currently seeking external endorsement of our employee practices through achieving accreditations as a Living Wage Employer.

At the same time we are increasing our profile as an employer of choice in the area, particularly for younger people. During 2016/17, we recruited 17 apprentices and provided placements for 88 trainee teachers as well as recruiting 414 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 2016/17, we continue to develop 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.

As the United Kingdom continues to negotiate the implementation of the recent referendum on exiting the European Union the Council continues to monitor the impact this may have on its operations. At present there is no immediate financial risk but this will be monitored to ensure any impact can be mitigated against.

Our Financial Performance

- ### Performance in the Year

During 2016/17, the Council set a revenue budget of £756 million (being £669 million on the General Fund and £87 million on the Housing Revenue Account). The performance during the year resulted in a surplus of £3.0 million (represented by £2.5 million on the General Fund and £0.5 million on the Housing Revenue Account. This reflects the service performance prior to any year end, such as the review of provisions and use of reserves and statutory, such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 44 and the Comprehensive Income and Expenditure Statement (CIES) on page 45 as follows:

	(Surplus) / Deficit	Year End Adjustments	BRIS Adjustment*	(Surplus) / Deficit	Use of Earmarked Reserves	(Surplus) / Deficit per the EFA	Statutory Adjustments	(Surplus) / Deficit per the CIES
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund	(2,566)	(4,142)	(2,719)	(9,427)	17,816	8,389	25,470	33,859
Housing Revenue Account	(500)	0	0	(500)	-	(500)	21,425	20,925
(Surplus) or Deficit on Provision of Services	**(3,066)**	**(4,142)**	**(2,719)**	**(9,927)**	**17,816**	**7,889**	**46,895**	**54,784**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(32,035)
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,749**

* During the year, the Scottish government, under the Business Rates Incentivisation Scheme (BRIS) announced that the level of Non Domestic Rates collected by the Council for the financial year 2015/16 exceeded our target and therefore provided additional grant of £3.3 million. An adjustment of £0.6 million has been made in relation to the 2014/15 BRIS amount.

The total capital budget for the period 2016/17 to 2020/21 was set at £1,102 million. Over this time period the Council will require to borrow £560 million and the mechanism for meeting this requirement was considered during the year.

In order to best meet the borrowing requirements the Council took the decision to obtain a credit rating from Moody's Investors Service and received an exceptionally strong rating of Aa2, the third highest rating that can be given. The primary reason for obtaining a credit rating was to open new capital investment markets to the Council which otherwise would not be available. The rating assigned to the Council reflects a number of key strengths: the strong institutional framework for Scottish Local Authorities; the relatively strong local economy with some exposure to oil and gas industries, the strong financial performance track record of the Council which is expected to be maintained; and the slow evolution of the Scottish framework which brings insulation to fluctuations in key industries, whilst also recognising challenges: the projected increase in level and complexity of debt; and key project risks associated with the development of the Aberdeen Exhibition and Conference Centre.

Having obtained the credit rating, in November 2016 the Council issued an index linked Bond on the London Stock Exchange for £370 million and received a £44 million premium. The principal is due to begin being repaid in 2020 and the interest rate set at 0.1%. As such, the Council must also now comply with a new regulatory framework as laid out by the London Stock Exchange and the Financial Conduct Authority. Our accounts and supporting processes will be audited to ensure compliance with these regulations as well as normal accounting practices applicable to other local authorities in the United Kingdom. It should be noted however that accounting for this type of bond is complex and as such, for the purposes of the unaudited Annual Accounts, the bond principal and premium are recorded in the Balance Sheet with the actual interest paid reflected within Financing and Investment Income and Expenditure in the CIES. The statutory accounting entries, including amortisation of the premium using an Effective Interest Rate are being progressed and will be reflected in the audited Annual Accounts. We do not expect this to have any impact on the £3 million surplus on the provision of services noted above.

The resultant movement in the Balance Sheet is shown on page 46. This shows that whilst total liabilities increased by £400 million, there was a corresponding increase in total assets such that overall net assets decreased minimally over the period. An increase in long term assets of £100 million over the year was partly due to revaluations but also reflects the level of investment made by the Council in new and existing assets.

The most significant projects undertaken during the year within the General Fund programme were: Aberdeen Western Peripheral Route; 3rd 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 ASN School; Art Gallery Redevelopment; and the New AECC development.

The HRA programme included: Structural Works on Multi-Storey Blocks; Heating System Replacement; and new Affordable Housing.

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 construction of a hotel, conference centre and energy centre underway and planning permission for a second hotel expected in June 2017. Having assessed various funding mechanisms for the development the Council took the decision to encompass this project within its capital programme and fund through borrowing. While income levels will vary, especially in the early years, in overall terms the development is expected to be cost neutral to the Council 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.

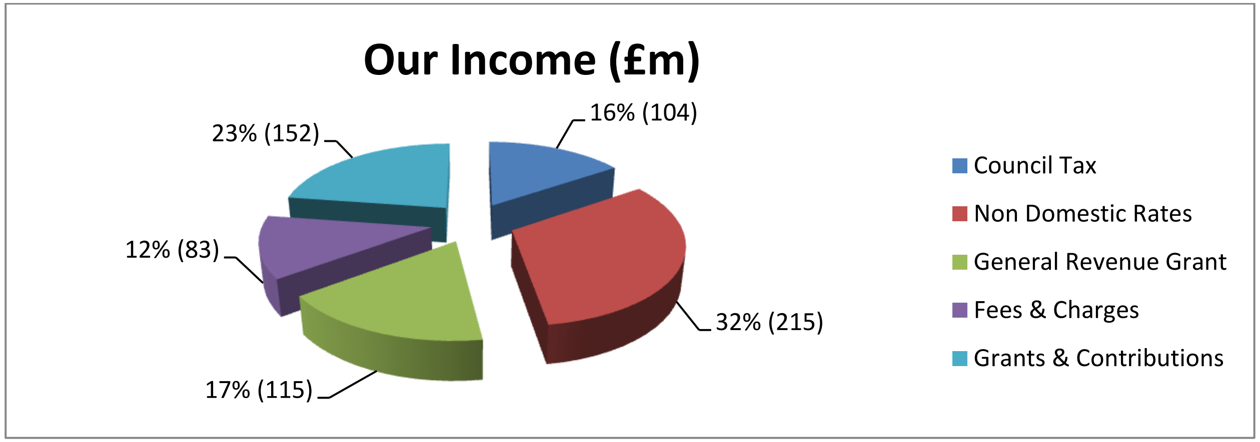
- The Council has formed a Limited Liability Partnership (LLP) with Places for People in the name of Shaping Aberdeen Housing LLP. The LLP’s five year business plan was approved by both LLP members, with Council approval on 15 March 2017. The aim of the partnership is ultimately to deliver 1,000 affordable homes which are vital to addressing housing shortages across the City. This method of delivery brings 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. The first project will commence in summer 2017 with the development of 369 properties for mid-market rent in the Summerhill area of the City.

- The first section of the Aberdeen Western Peripheral Route formally achieved “permitted for use” status on 22 September 2016 and unitary charge arrangements commenced. The remaining sections of the road are expected to achieve “permitted for use” status during 2017/18. This new trunk road is funded by the Scottish Government, Aberdeen City Council and Aberdeenshire Council with a funding agreement capping payments from the Councils.

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. The operational delivery of the plan is progressing with outline design for the redevelopment of Union Terrace Gardens approved in March 2017 and the Conservation Area Regeneration Scheme for Union Street, having received confirmation of match funding from Historic Environment Scotland in February 2017, due to formally start in April 2017.

- **Where We Receive Our Income**

Our General Fund, prior to any statutory accounting adjustments achieves 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 as well as grants and contributions from other bodies. 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.

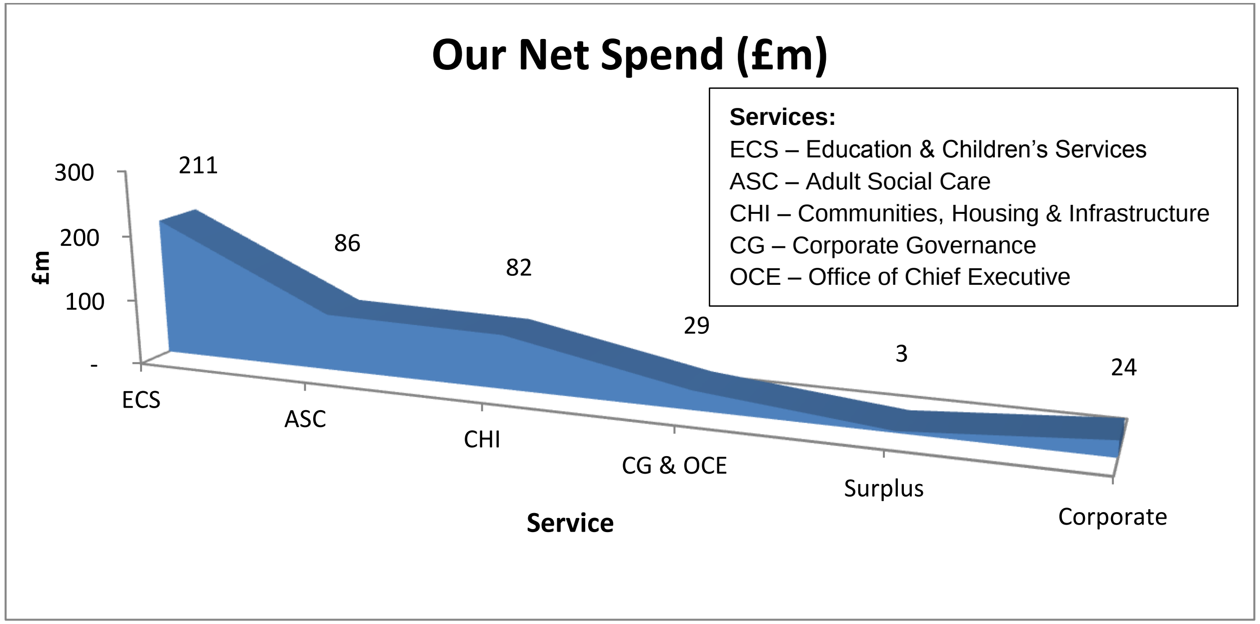


The Council can expect to face further reductions in the level of funding by way of government grants going forward and is already well placed to meet these challenges. Service re-design will be a strong feature on how we propose to embrace these new financial challenges going forward and plans are already in place to make sure financial targets continue to be met as they have been over a number of years now.

In managing these income streams it is important that we maintain a strong liquid position in relation to access to money. 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 £163 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 through the loans fund rate.

- **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. Prior to any year end or statutory accounting adjustments, our use of public resources through the General Fund is shown in the Expenditure and Funding Analysis (EFA) on page 44 and graphically below:



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 2017/18 budget we approved a fund to support our change programme, with £6 million created from the 2016/17 underspend. We also maintained our risk fund at £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 68 to 74.

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 £3,037.9 million. This is an increase against the total assets of the Council, which are £2,935.1 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 2016/17. Details can be seen on page 151.

- ### Common Good

Against a budgeted increase to working balances of £0.7 million, the Common Good recorded a surplus of £0.5 million, largely due to increased rental income and lower than anticipated spend on a number of projects. As many of these projects are ongoing a sum of £0.3 million has been earmarked to provide the necessary funding to complete them during 2017/18.

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 is £111.2 million at 31 March 2017, a decrease of £1.3 million from last year, reflecting movements in value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 137 to139.

- ### 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 2017 was £9.5 million, a decrease of £1.2 million from last year, largely due to changing asset values reflecting the current market. Further details on the Trust Funds and Endowments can be seen at pages 140 to 142.

- ### Aberdeen Exhibition and Conference Centre Ltd (AECC Ltd)

During 2016/17, the Council undertook a procurement process to appoint an operator for the existing Aberdeen Exhibition and Conference Centre for the next two years and the new facility for a ten year period. The outcome of this process saw the appointment of SMG Europe as the new operator from 1 April 2017. Steps have been taken to hand over the operation from AECC Ltd to SMG Europe with the intention that AECC Ltd as a company will be wound up during 2017/18. The annual accounts of AECC Ltd are reflective of the agreed position in relation to its assets, liabilities and reserves and has been accounted for as a discontinued operation.

Performance Management

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

A revised Performance Management Framework (PMF), incorporating a standard reporting template, was agreed by the Corporate Management Team and subsequently implemented across services. The PMF will continue to be enhanced during 2017/18 through the Performance, Risk and Improvement Board which reports to the Change Delivery Board.

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 143 to 161. It is worth noting that our ALEO's do not carry any 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 330,000 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 7.7% of the total Scottish NDR collectable during 2017/18, demonstrating the economic strength required from within the City to maintain Scotland wide income levels for distribution to all local authorities. Against this back drop of economic difficulties within the Oil and Gas sector it is worth noting that the number of dwellings in the City increased during 2016/17 from 114,712 to 116,173 an increase of over 1,400 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 21,000 from 2025 to 2039, which with an average number of residents per household of 2.08, suggests a further 10,000 units required between 2025 and 2039.

Population information for the Aberdeen City area has been sourced from the Scottish Government, showing projections up to 2039. Initial indications are that the total population for Aberdeen City is likely to increase from its current levels of 228,000 in 2016 to 268,000. 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.

2017/18 Budget and Medium Term Financial Outlook

The Council set its 2017/18 General Fund revenue budget and five year indicative capital budget on 22 February 2017 Against a backdrop of reducing revenue funding, the 2017/18 budget presented £31.9 million of service options to Elected Members from which to not only balance the budget but also create a surplus to support our change programme. This is the first time in 4 years the Council has had to identify significant savings as our medium term financial plan strategy 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 obtaining a credit rating it was important that we could demonstrate the medium to long term affordability of issuing a bond which we did. Plans are already well placed to continue to ensure the Council is able to meet its statutory obligation of setting an annually balanced budget. It is clear that the medium term will continue to place, not just this Council, all Council's with further austerity measures.

Aberdeen City Council is pro-active in facing these economic conditions with a well developed Economic Strategy that aims to work with the business sectors locally to continue to grow and diversify the local economy while at the same time identifying potential new commercial opportunities giving the council the opportunity to be more self-sustaining. This has been captured through a 35 year projection of where key income and expenditure movements are likely to occur and our long term planning will focus on these key areas.

We also plan to examine the use of our reserves to invest inwardly to transform how we provide services for the 21st century but will do so only where there is a strong internal rate of return which will reduce ongoing revenue commitments but also strengthen the balance sheet further.

In setting the 2017/18 budget, the importance of maintaining sufficient working capital was recognised with a review of earmarked reserves undertaken, which included maintaining 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 2017/18 budget and indicative five year budgets including: a 1% annual staff pay award which we are currently reviewing; 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 and government policy; impact of Adult Health and Social Care Integration; and a capital programme reflecting the Council investment ambitions over the next five years.

Conclusion

The Council achieving a credit rating of Aa2 demonstrates external assurance on the financial governance and strength of the organisation allowing investors to demonstrate confidence in both the Council and Aberdeen, the place, to invest in a £370 million bond issuance. The Council is the first in Scotland to receive a public credit rating and provides the opportunity for the Council to grow in financial strength going forward.

The 2016/17 financial year results showed a surplus for the year of over £6 million across all accounts and including the BRIS funding. This shows another strong performance over the year and this surplus will be set aside to provide investment to further reduce our costs going forward to ensure longer term stability in service delivery going forward through an exciting Transformation Programme putting Communities at the heart of our decision making.

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 2016/17 Annual Accounts.

Steven Whyte, CPFA Head of Finance	Angela Scott Chief Executive	Councillor Jennifer Laing Leader of the Council

27 June 2017

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 2017

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 2017.

Steven Whyte, CPFA
Head of Finance
27 June 2017

Annual Governance Statement

Purpose of Annual Governance Statement

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

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

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

Section 1 An acknowledgement of our responsibility to ensure that there is a sound system of governance in place.

Section 2 Reference to and assessment of the effectiveness of our governance framework, to the roles played in maintaining this, and to the issues raised in the previous Statement and the extent to which these have been resolved.

Section 3 A commitment to monitoring implementation as part of the next annual review.

Section 4 An action plan to deal with Significant Governance Issues.

Section 5 An opinion on the level of assurance that the governance arrangements can, and will continue, to provide.

Section 1 Scope of Responsibility

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2017 and up to the date of approval of the annual accounts.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Strategic Business Plan 2017/18, where the role of governance, performance management and risk management are recognised as crucial in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen.

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 and Scrutiny Committee.

The Council has an approved Local Code of Corporate Governance which sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of our systems of internal control.

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

The revised Code, approved by Council on 15 March 2017, can be viewed at: https://committees.aberdeencity.gov.uk/documents/s67547/LocalCodeofCorporateGovernance.pdf

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

Section 2 Review of Effectiveness

2.1 Review of Governance

In May 2016, the Corporate Management Team and Council together commissioned a comprehensive internal review of the Council's governance arrangements which would deliver:

- A governance framework to support the Council in implementing the Strategic Business Plan, particularly in relation to "how we do business";
- 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;
- Assurance that elected members are fully supported in their roles, particularly in relation to the scrutiny function; and
- Support for the cultural "triple aim" – Customer, Staff, Resources.

A dedicated resource was appointed in March 2016 to lead on the review, and a governance structure created to ensure optimum engagement with elected members and Chief Officers. A programme of work comprising over 30 projects was put in place with the support of the Corporate Management Team and Council, specifically the Governance Reference Group, a cross-party group of elected members.

This resulted in a number of key governance documents being approved by Council with cross-party support, prior to the local government election in May 2017. An additional benefit has been to emphasise the importance of strong governance, increasing engagement in the process of the review. It is expected that this will help to maximise the impact of the improvements to governance.

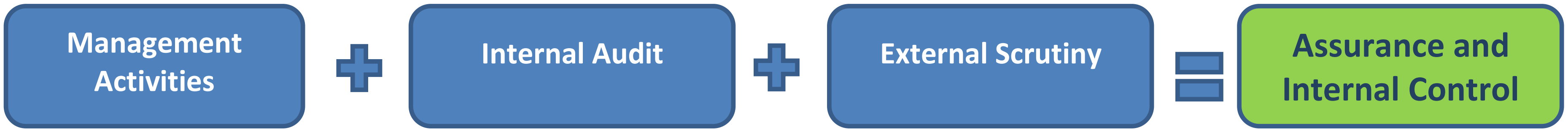
2.2 External Assessment

Given the specialist nature of risk management and its importance to a strong governance framework, the Good Governance Institute (GGI) was approached to evaluate the Council's system of risk management in August 2016 and reported with an assurance development programme in September 2016. This recommended a series of governance and risk improvements which are in the process of being implemented through the Performance, Risk and Improvement Board within the Change Delivery Portfolio.

The Council also invited CIPFA to undertake an interim independent assessment of its governance arrangements, prior to a full assessment against the Mark of Excellence. This is a relatively new accreditation scheme, and Aberdeen City Council was the first local authority in Scotland to initiate this review. The results of the interim assessment are included in Table A. CIPFA produced a series of recommendations and actions for the Council to take forward to increase these scores, however it is noted that the overall score of 71% demonstrates that the Council is "substantially achieving" CIPFA's standard of good governance. In March 2017, CMT reviewed an action plan to address the areas where improvements are required. The outcome of the assessment and improvements will be a stronger, more robust, system of governance, reduced likelihood of governance failure, and as a result improved public services. Indications are that this will be within 12-18 months, but will be on a date to be determined by the Council. There will be on-going dialogue with CIPFA during this period.

2.3 Sources of Assurance

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



2.3.1 *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 are incorporated into the 'Significant Governance Issues' section (Section 4) where it is determined necessary. For 2016/17, other than those included in the significant issues table below, no issues were highlighted.

It has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer(CFO) in Local Government (2015). Furthermore in relation to 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 extended Corporate Management Team. In addition the CFO and Monitoring Officer, or their nominees, 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.

Group Entities

In terms of the controlling interest in the group entities, assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Chief Executive or Director of Finance as evidenced by each organisations most recent audited accounts. There are no significant areas to be included in this statement. The Council receives assurance from elected members and officers who attend board meetings and receive operational and performance information on a regular basis. The ALEO Strategic Partnership has been established which brings together senior Council officers with senior ALEO representatives to discuss corporate governance, strategic planning, business planning and horizon scanning. A new model for ALEO oversight is being developed to receive further assurance from ALEOs based on their management of risk and this will be submitted to Audit, Risk and Scrutiny Committee in June.

Integration Joint Board

The Integration Joint Board (IJB) has undergone a significant amount of activity during 2016-17 to strengthen its governance arrangements. The Good Governance Institute has continued to support the Board's development by facilitating workshop sessions on Board dynamics and governance; and the Health and Social Care Partnership has prepared an implementation plan to action recommendations made by the GGI for further improvement. During 2016-17, the Board established two committees: the Audit and Performance Systems (APS) Committee and the Clinical and Care Governance (C&CG) Committee to support its functions, with the IJB and APS Committee now open to the public and press. The Board appointed internal auditors and a Chief Finance Officer. The Chairmanship of the Board has also transferred from the Council to an NHS Grampian representative and this term will run to 31 December 2018. The IJB has agreed a Local Code of Governance based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016 Edition) document.

The IJB agreed its first integrated budget on 7 March 2017 and approved the adoption of a budget protocol to ensure that both partners and all political groups would be consulted on the IJB budget process in future years. The Board has also agreed a senior leadership structure; a Financial Reserve Strategy; a performance management framework to monitor progress against the 9 National Health and Wellbeing Outcomes; and agreed how IJB decisions, in the form of Directions would be issued to both partners. The IJB has created a Developmental Timetable to record all workshops, briefings and training sessions to support members' professional development and increase the Board's capacity to make informed decisions. The IJB's standing orders are to be reviewed in August 2017.

The Chief Officer considers that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement. It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board's systems of governance.

2.3.2 *Internal Audit*

The Audit, Risk and Scrutiny Committee remained responsible for ensuring the effectiveness of the internal audit function. The Internal Audit function continued to be 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 2017. The report provided details of the position relating to the audits contained within the 2016/17 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 2017. The report further confirms the organisational independence of Internal Audit.

The Audit, Risk and Scrutiny Committee received a range of reports during the year produced by Internal Audit which enabled scrutiny and questioning of officers to take place, such that the Committee has gained assurance about the identified weaknesses and the actions being taken to address them. The Internal Audit plan for 2016/17 was agreed by the Audit, Risk and Scrutiny Committee on 9 March 2016. Some 2016/17 audits have been deferred with the agreement of the Audit, Risk and Scrutiny Committee. A total of 31 audits were carried out and reported with 305 recommendations made of which 5 were classed as major at corporate level and 9 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.

Of the 305 recommendations 265 were due to be implemented by 31 March 2017. Of these 80 (30.2%) were implemented on time. Of the remainder 120 (45.3%) were implemented by 31 March 2017 but were implemented late, and 65 (24.5%) remained outstanding at 31 March 2017. In addition 121 actions from 2015/16 reports were due to be implemented in 2016/17 or had been due to be implemented by 31 March 2016 but remained outstanding at that time. Of these 22 (18.2%) were implemented on time. Of the remainder 69 (57.0%) were implemented by 31 March 2017 but were implemented late, and 30 (24.8%) remained outstanding at 31 March 2017.

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. For the period 16/17, it was agreed not to complete the self-evaluation on the basis that the Good Governance Institute and CIPFA had already evaluated the Committee and its governance leading to approved improvement actions.

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor report to Senior Management and the Board (the Audit, Risk and Scrutiny Committee) on the outcome of Internal Audit's Quality Assurance and Improvement Plan (QAIP). No internal self-assessment has been completed for 2016/17 as an external review is in the process of being completed by KPMG. The outcome of this review, identifying any areas for development, will be reported to the Audit, Risk and Scrutiny Committee in due course.

2.3.3 *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, together with updates on outstanding audit recommendations.

2.4 Review of Effectiveness

The input from GGI and CIPFA, as well as the creation of a dedicated programme of governance improvements, enabled a comprehensive review of the effectiveness of the Council's governance activity to take place, overseen by the Governance Review Programme Board, Governance Reference Group and Corporate Management Team.

Table A below summarises governance activity against the Local Code requirements for the period 1 April 2016 to 31 March 2017. This includes a self evaluation of effectiveness as at 31 March 2017 as well as CIPFA's interim assessment against the Governance Mark of Excellence as at 31 December 2016, and so provides assurance around our systems of internal controls.

The scoring systems are explained below:

Self evaluation scoring system	**CIPFA 'Excellence' scoring system**	
4 – Exceeds the requirements of the Local Code **3 – Fully compliant with Local Code requirements** **2 – Partially compliant with Local Code requirements** **1 – Not compliant with Local Code requirements**	Fully achieved Substantially achieved Partially achieved Not achieved	Over 80% 66%-80% 50%-65% Below 50%

Note: the self evaluation scoring was applied across a wide range of measures against each element of the local code of governance. Table A below reports a summary of these and the average overall score against each of the CIPFA Principles of Good Governance.

Table A

CIPFA Principles of Good Governance	Summary of evidence of assurance 2016/17	Self Evaluation of Effectiveness 31st March 2017	CIPFA Evaluation of Effectiveness 31st December 2016
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	We continue to use and develop our staff appraisal and induction, employee opinion survey, elected member training, schemes of delegation, Committee standing orders, information governance, registers of interests. Specific highlights this year: ➢ Member-Officer Relations Protocol adopted ➢ A Third Tier Network was established ➢ New Procurement Regulations adopted and Financial Regulations revised accordingly ➢ Strategic Response to Fraud, Bribery and Corruption implemented ➢ All service and core policies collated and categorised and incorporated into the e-induction process ➢ Register of Interests for Chief Officers introduced	2.4	67%
B - Ensuring openness and comprehensive stakeholder engagement	We continue to use and develop community planning, local decision making and community engagement, complaints handling procedures, reporting of Ombudsman decisions to Audit, Risk and Scrutiny Committee, governance arrangements for 3rd parties, ALEO's and Trusts. Specific highlights this year: ➢ Employee Opinion Survey (EOS) achieved improved response rate of 48% (21% in 2014) ➢ A 'Customer Service Charter and Standards' was launched ➢ A new Local Outcome Improvement Plan (LOIP) was adopted ➢ Three new Locality Plans adopted for communities experiencing poorer outcomes ➢ Participatory Budgeting (PB) city wide steering group was created ➢ Three Priority Setting events took place in the Regeneration Areas	2.7	78%
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	➢ The Council's Strategic Business Plan was agreed in February 2017 along with the 2017/18 budget, linking outcomes to available resources, the LOIP and Service Plans ➢ A consistent improvement methodology was introduced to support the delivery of Service Improvement Plans ➢ In line with its financing strategy for the capital programme, the Council agreed to obtain a credit rating and issued Bonds listed on the London Stock Exchange. In doing this the Council considered a forecast of it's financial position over a 35 year period ➢ Treasury Management Policy and Strategy updated and approved in March 2017	3.0	89%
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	We continue to use and develop our budget monitoring processes and reporting, ALEO governance arrangements, risk management, value for money. Specific highlights this year: ➢ Annual strategic and operational planning cycle was put in place ➢ A single corporate "Model for Improvement" was adopted ➢ A corporate Performance Management Framework was introduced ➢ The effectiveness of the risk management system was reviewed by the Good Governance Institute	2.3	70%

CIPFA Principles of Good Governance	Summary of evidence of assurance 2016/17	Self Evaluation of Effectiveness 31st March 2017	CIPFA Evaluation of Effectiveness 31st December 2016
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	We continue to use and develop our workforce planning, schems of delegation, Committee terms of reference, elected member and staff induction and development. Specific highlights this year: ➢ Member-Officer Relations Protocol adopted ➢ New software purchased to facilitate the introduction of Paperlight Committees ➢ Elected member induction and professional development framework redesigned. ➢ The Aberdeen Health and Social Care Partnership reached agreement with social care providers to adopt the living wage as a minimum standard for the sector's employment rewards	2.2	76%
F - Managing risk and performance through robust internal control and strong public financial management	We continue to use and develop our arrangements for performance management, budget monitoring, risk management, ALEO governance, Trusts, business continuity, health and safety, internal and external audit, information governance, Following the Public Pound, scheme of delegation, Financial Regulations, Fraud, Bribery and Corruption policy. Specific highlights this year: ➢ The Audit, Risk and Scrutiny Committee received report on scrutiny of its performance ➢ Risk management system reviewed by the Good Governance Institute ➢ A cross-service programme of work was put in place to ensure full compliance with the requirements of the Council's Bond issue ➢ Organisational Resilience self-assessment tool developed ➢ Review of Health and Safety Assurance carried out ➢ Internal Audit plan agreed by the Audit, Risk and Scrutiny Committee ➢ Internal Audit produced Internal Financial Control Statement ➢ During 2016/17, Internal Audit reported on Following the Public Pound, Budget Monitoring, and Data Protection compliance across the Council ➢ The Council commissioned a comprehensive assurance mapping process, which will include development of a risk appetite statement ➢ A full review of the structural integrity of the 10 school buildings which were constructed using the PPP methods was undertaken and found no structural defect ➢ In 2016/17 ACC subscribed to a number of CIPFA's benchmarking clubs	2.5	59%
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	We continue to use and develop our arrangements for corporate management, Committee management, publication of the Council's annual accounts, annual budget setting, budget monitoring, ALEO governance, internal and external audit, external scrutiny, ombudsman reports. Specific highlights this year: ➢ The annual budget setting process for 2017/18 was led by ECMT. The budget report format reflected a number of changes to take account of the reporting requirements of the London Stock Exchange following the issue of listed Bonds ➢ Assessment of financial management across the Council against the CIPFA FM model ➢ Review of operation of ALEO Governance Hubs ➢ Participation in the Local Government Benchmarking Framework	2.9	81%

Section 3 Monitoring Implementation and Future Developments

Next year, up to 31 March 2018 will see progress continue with the review of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Change Delivery Board, which will oversee the Governance Review Programme and provide a structure and support for transformational change. An action plan is in place to take forward areas of development identified by CIPFA, who will assess the Council for the Governance Mark of Excellence, if not during 2017/18 then shortly thereafter. The table below highlights the *primary* actions planned in 2017/18.

Table B

CIPFA Principle of Good Governance	Primary Actions Planned 2017/18
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	➢ Member-Officer Relations Protocol - training for elected members and officers to be rolled out as part of member induction and Convener training. Will also be kept under review. ➢ Bond Financing Strategy – Implications for the Council - the cross-service programme of work to ensure full compliance with the requirements of trading on the London Stock Exchange will continue. A staff training programme and the induction of elected members will cover the implications of issuing Bonds on the LSE, the need to maintain the credit rating and guidance around Insider Lists. ➢ Integration Joint Board – Proper Officer to be appointed. ➢ Review of Committee Structure and Operating Model at management level. ➢ Approval of a new Scheme of Governance including Delegated Powers and Committee Terms of Reference. ➢ Tool for committees to review their own effectiveness, against their Terms of Reference. To be developed alongside SOLAR colleagues. This will also include the approval of a Proper Officer Register listing statutory appointees and proper officers within the Council for legislative purposes. ➢ Standing Orders to be covered as part of elected member induction and a training approach for officers on the primary changes to be rolled out. ➢ Employee Opinion Survey Action Plan will be overseen by group of four ECMT members – priority actions in the areas of visibility, vision, trust and recognition. ➢ Digital platform for corporate policies to be implemented to improve compliance and monitoring of relevance of policies. Links with recruitment will continue to be explored to ensure that new staff are clear around expectations, and with PR&D to reinforce to existing staff. ➢ Review of staff appeals process. ➢ Behavioural framework – work wil continue to develop this and to focus on acceptable and unacceptable behaviours as as identified by the Third Tier Network. This is being supported by the Creating the Environment for Transformational Change Board which will oversee progress, and report directly into CMT. ➢ Review of operation of Procurement Regulations after one full year. ➢ Preparation for implementation of the General Data Protection Regulations 2018.

CIPFA Principle of Good Governance	Primary Actions Planned 2017/18
B - Ensuring openness and comprehensive stakeholder engagement	➢ Achievement of the improvement outcomes in the Service Improvement Plans will be monitored through Directorate management teams, 121s, CMT dashboard and through quarterly Committee performance reports which should match the Plans. The Performance, Risk and Improvement Programme Board will review the process for producing Service Improvement Plans in 2017/18. ➢ Third Party Governance - work on risks and assurance regarding external funding sources to begin shortly and approval and implementation of ALEO Assurance model. ➢ Complaints - In addition, and in line with our corporate Being Digital strategy we will migrating the process onto our digital platform during 2017 which will enable easier access for customers, enhanced and slicker approach to handling complaints, as well as embedding a customer focussed culture within the organisation which values feedback and organisational learning from the voice of the customer. ➢ Engagement with staff on governance activities will be achieved through a redesign on the internal Zone pages. ➢ Evaluate consultation arrangements with trade unions to achieve consistency and quality. ➢ Introduction of a procedure for Participation Requests under the Empowerment Act. ➢ Review of Council's Consultation Arrangements to improve both the organisational value, quality and governance of external and statutory consultations through an agreed process. ➢ Customer Service Charter and Standards - Further internal cascades will continue during 2017 prior to an external public launch.
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	➢ The Change Delivery Board will support the delivery of five transformational programmes of work and make key decisions. Each programme will be led by a programme sponsor and reporting will be via highlight and exception reporting: • Enterprising Council: Optimising spend through third parties, better management of our supply chain, and investigating alternative service delivery models which provide the best outcomes for our customers while developiandng commercial opportunities to generate income. • Operational Excellence: Creating a streamlined support function for all frontline services which is efficient, reduces bureaucracy and maximises the use of technology. • Performance & Risk Management: Use information and data to inform decision making, manage risk and continuously improve the services we deliver to our customers. This will include evaluating the process for producing and implementing Service Improvement Plans based on feedback collected by the Third Tier Network. • Governance Review: Delivering an externally accredited governance structure that is compliant with the CIPFA Principles of Good Governance and to provide an exemplar for all local authorities across the country. • Bond Governance:The Bond Governance Programme will design and implement the financial and regulatory controls we need to protect our credit rating and to comply with stock market regulations. ➢ Continuation of whole system approach to define clear improvement outcomes.

CIPFA Principle of Good Governance	Primary Actions Planned 2017/18
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	➢ The Terms of Reference for each Committee will be revised to include reference to an annual report of the effectiveness of the Committee's performance against its remit which will identify areas for improvement / intervention. ➢ Implement revised model for ALEO Governance Hub to focus on assurance rather than scrutiny. ➢ During 2017/18 monitoring arrangements will be further refined in order to meet the requirements of the London Stock Exchange and quarterly reports will be developed to include full balance sheet reporting. This process provides up to date financial forecasts to enable senior officers and members to take decisions to manage the Council's financial position. ➢ Approval and implementation of the Policy on the Appointment of Elected Members to Outside Bodies. ➢ Link ECMT sessions with those of the Third Tier Network, and challenge the third tier to reach to fourth tier and below to strengthen the golden thread. This will include the budget setting process, service planning and achieving our cultural aspirations set out in Shaping Aberdeen.
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	➢ Governance training programme for officers to be rolled out at all levels of the organisation covering all key governance documents, processes and systems. This will include development of the governance strand of a Leadership Programme for managers to raise the profile of governance amongst senior managers. ➢ Workforce Planning - ECMT engagement required to connect workforce planning with Council priorities, improvement plans and budget. ➢ Finalise and obtain approval for the Scheme of Governance so that Chief Officers are clear about powers delegated to them – to be incorporated within governance training programme to ensure understanding and compliance. ➢ Elected Member induction and development programme to be completed "first 100 days". On-going feedback to be sought from elected members. ➢ Third Tier Network will focus on rolling out the four prority actions from the Employee Opinion Survey through a robust action plan. The schedule of meetings of the Network will correspond with ECMT to ensure consistent messages are being delivered. The Network will continue to be challenged to ensure that these messages are delivered to 4^{th} tier and below. ➢ Performance Review and Development – will be reviewed and overseen by CMT. Purpose will be to link with findings of Employee Opinion Survey, to improve compliance within areas of the Council which are not completing PR&D and to review the quality of objectives set. ➢ Training to be delivered on holding crucial conversations and crucil and equipping staff with the skills and confidence to have conversations to hold people to account for delivering outcomes.

CIPFA Principle of Good Governance	Primary Actions Planned 2017/18
F - Managing risk and performance through robust internal control and strong public financial management	➢ The Corporate Investigation Team's Annual Report for 2016/17, detailing the Council's policy and strategic response to Fraud, Bribery and Corruption, along with it's business plan for 2017/18, will be presented to Audit, Risk & Scrutiny Committee in June 2017. ➢ Internal Audit's Annual Report and Internal Financial Control Statement for 2016/17 will be presented to Audit, Risk & Scrutiny Committee in June 2017. ➢ A review of the Common Good Fund will be conducted. ➢ Continuing implementation of the Risk Management Action Plan in response to Good Governance Institute recommendations, including the development of an assurance mapping framework. ➢ Organisational Resilience Project Plan to be implemented. ➢ Implementation and oversight of Bond Governance Project Plan. ➢ Business Continuity Plans for critical functions in other services of the Council will be reviewed and progress overseen by Senior Management Teams. ➢ Completion of Review of Financial Management by CIPFA. ➢ Introduction of a system solution for health and safety audits. ➢ Health and Safety Improvement Plans for each service area.
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	➢ Implementation of new Committee Management Procedures including training and development, monitoring and review and improved compliance. ➢ Programme of improvement for Internal Audit function.

Section 4 Significant Governance Issues Action Plan

The Annual Governance Statement from 2015/16 identified six significant governance issues and in reviewing the progress made by officers of these actions, 4 of these have progressed sufficiently to be removed and 2 remain outstanding as at 31 March 2017. An additional 10 issues have been added and actions to address these are outlined.

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

Table C

Issue Ref.	Issue Description	Source of Evidence	Action
	Outstanding Issues from 2015/16		
1	Investigation Required: An investigation has been instructed following the allegations made regarding baby and adult cremations at Hazlehead Crematorium.	Self-evaluation 2013/14.	The national cremation investigation report was published on 27 June 2016 and a subsequent report on Aberdeen's response to the findings was presented to Full Council on 17 August 2016. All of the report's findings were accepted and actions to implement recommendations were complete, with the exception of those which were subject to new legislation. A number of claims are now in the hands of the Council's insurers.
2	Craft Workers Terms and Conditions: To review the completion of timesheets and compliance with agreed terms and conditions.	Internal Audit Report 2015/16	Full implementation of the recommendations as agreed in the internal audit report, which is dependent upon finalising a renewed craft agreement. Discussions with trade workers and unions are ongoing.
	New Issues during 2016/17		
3	Agency Staff: To ensure that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust.	Internal Audit Report 2016/17	To fully implement the recommendations as agreed in the internal audit report.
4	Compliance with Procurement Related Legislation and Financial Regulations 2016/17 audit: To undertake a high level review of the Council's spend with a sample of suppliers to obtain assurance that the Council is complying with Legislation and the Council's internal governance arrangements and could, therefore, demonstrate that Value for Money has been achieved.	Internal Audit Report 2016/17	To fully implement the recommendations as agreed in the internal audit report.
5	Limitations on scope of Internal Audit work: The internal audit statement identifies a number of reports in which limitations were placed upon the audit work.	Internal Audit statement 2016/17	The Interim Depute Chief Executive (Director of Corporate Governance) discussed the importance of responding to the Internal Auditor with Senior Management to ensure information is presented in a timeous manner going forward. A review to be carried out of relevant access requirements to personal information held in the Carefirst system.

Issue Ref.	Issue Description	Source of Evidence	Action
6	Major capital investment in councils: follow-up Assessed to what extent councils have improved performance in managing capital investment programmes and projects since a 2013 report from Audit Scotland which focused on major capital projects over £5 million and found weaknesses in early estimates of costs and timetables as well as weak processes for developing and using business cases and in reporting monitoring information to elected members.	Audit Scotland national report	To fully implement the actions and recommendations noted in the external audit report to Council and the action plans developed in response to this report, matters relating to specific investment projects as considered by the Audit, Risk & Scrutiny Committee in February 2017, and a full management review of capital plan delivery, which has subsequently been undertaken.
7	Failure to comply with the Council's decision making processes, including: • Compliance with the Council's committee management procedures and in particular, meeting relevant deadlines; and; • Decision making without required authority (e.g. through Scheme of Delegation).	Corporate Governance Scorecard. Self-Evaluation 2016/2017	A new set of Committee Management Procedures has been implemented and performance will be monitored by the Corporate Management Team. A new Scheme of Governance which will set out the Council's decision making processes will be implemented. A Governance Training Programme will be developed.
8	Bond Financing Strategy: Implications for the Council – A report to Council in December 2016 summarised the implications of the award of a credit rating by Moody's Investor Services and the bond issuance by the Council. The Bonds are admitted to trading on the London Stock Exchange (LSE) The issue of the bond places a financial commitment on the Council until 2054. The purpose of the bond was to put in place capital financing for the Council's capital programmes.	Self-evaluation 2016/17	To fully comply with the requirements of the LSE. Key elements of this commitment are to: • act in a manner capable of maintaining the Council's Credit Rating • comply with the Market Abuse Regulations, the Disclosure and Transparency Rules, the Listing Rules and the continuing obligations set out in the LSE Admission and Disclosure Standards • review the Council's financial management systems, processes and routines • align our governance systems to the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds • develop and maintain Insider List(s) The Council will also pilot an Economic Policy Panel to operate as an independent panel of experts that could comment on the performance of the Aberdeen economy, the outlook for the economy in relation to global economies and financial markets and the sustainability of the Council's finances.
9	Transformation Programme: Risks inherent in the extensive programme of transformation and commercialisation being undertaken.	Self-evaluation 2016/17	A Governance framework and management structure has been put in place for the Transformation Delivery Board. Risks to be monitored throughout lifetime of the project.
10	Review of risk management system	Self-evaluation 2016/17	To fully implement the action plan agreed by the Audit, Risk & Scrutiny Committee. The project forms a part of the Performance, Risk and Improvement programme of work which reports into the Transformation Delivery Board. Key pieces of work include development of an assurance framework and a risk appetite statement.

Issue Ref.	Issue Description	Source of Evidence	Action
11	Scottish Child Abuse Inquiry: Potentially, as a result of the Inquiry and subsequent potential legislation regarding the Limitation (Childhood Abuse) Bill, the council could face an unquantified number of cases of child abuse.	Self-evaluation 2016/17	A Governance group has been appointed, weekly monitoring of the position is in place and an external QC has been appointed for independent legal advice.
12	Kingsmead Home: A nursing home operated by a private sector provider that was experiencing operational difficulties. Report required in terms of a review of contract management and service delivery processes and how this information is escalated.	Self-evaluation 2016/17	Using emergency powers the Council has assumed responsibility for the operation of the home on a temporary basis, pending determination as to how services to meet the needs of the residents may best be provided in the future. The Integration Joint Board has commissioned a review from the Good Governance Institute.

Section 5 Level of Assurance Obtained

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2017 and has also received an interim governance assessment from CIPFA, dated 31 December 2017. Together these demonstrate that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance, although further work is required to build our assurance framework and that will bring about further improvements to our governance structure.

These reviews demonstrate sufficient evidence that the Code of Corporate Governance operates effectively, and provide a clear pathway for the enhancement of our governance arrangements over the coming year. We are satisfied that the programme of improvement actions will help to raise the standard of governance towards the level required to achieve CIPFA's Mark of Excellence in governance, and to provide assurance to our external auditors and other bodies with a role to play in evaluating our structures. We are also satisfied that their implementation and operation will be monitored closely as part of the next annual review.

Angela Scott
Chief Executive

Councillor Jennifer Laing
Leader of the Council

on behalf of Aberdeen City Council

27 June 2017

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 2016 (SSI No. 2016/6) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2015 (SSI No. 2015/7). 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 2016/17, the salary of the Leader of Aberdeen City Council is £39,418. 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, £29,564.

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 £442,215. 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, £29,564, with the remaining Senior Councillors receiving 75 per cent of that sum, £22,173.

In 2016/17, Aberdeen City Council had 17 Senior Councillor posts. The salary and allowances paid to them totalled £412,160 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 2016/17 is available to any member of the public on the Council's website at www.aberdeencity.gov.uk Follow the links through the 'Council and Government' page, clicking on 'see Councillors Allowances and Expenses' followed by 'Councillors Allowances and Expenses 2016-2017.

Table 3: Details of exit packages.

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

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

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

Table 1: Remuneration Bands

	Number of Employees	
Remuneration Band	**2015/16**	**2016/17**
£50,000 - £54,999	115	149
£55,000 - £59,999	48	45
£60,000 - £64,999	19	17
£65,000 - £69,999	4	5
£70,000 - £74,999	5	5
£75,000 - £79,999	7	5
£80,000 - £84,999	5	11
£85,000 - £89,999	7	2
£90,000 - £94,999	1	-
£95,000 - £104,999	-	-
£105,000 - £109,999	1	1
£110,000 - £114,999	3	-
£115,000 - £119,999	-	2
£120,000 - £124,999	1	-
£125,000 - £139,999	-	-
£140,000 - £144,999	-	1
£145,000 - £149,999	1	-
£150,000 - £154,999	-	1
Total	**217**	**244**

Table 2: Total Remuneration Paid to Councillors

	2015/16 £	2016/17 £
Salaries	865,268	880,977
Allowances	-	-
Expenses	43,677	71,003
Total	**908,945**	**951,980**

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	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
					£'000	£'000
£0 - £19,999	-	-	12	3	71	22
£20,000 - £39,999	-	-	3	4	93	127
£40,000 - £59,999	-	-	5	-	242	-
£60,000 - £79,999	-	-	-	2	-	127
£80,000 - £99,999	-	-	1	-	81	-
£100,000 - £149,999	-	-	-	1	-	142
	-	**-**	**21**	**10**	**487**	**418**

The total cost of £418,000 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 (2015/16 £nil).

Table 4: Remuneration of Senior Councillors

2015/16			2016/17				
Total Remuneration £	Councillor Name	Responsibility	Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	Notes
40,300	Jennifer Laing	Leader of the Council	39,418	169	1,039	40,626	
29,373	Marie Boulton	Depute Council Leader	29,564	102	893	30,559	**1**
34,758	George Adam	Lord Provost	29,564	479	12,079	42,122	
34,268	John Reynolds	Depute Provost	22,173	352	13,140	35,665	
22,175	Yvonne Allan	Convener, Appeals	22,173	104	-	22,277	
29,716	Neil Cooney	Convener, Communities, Housing and Infrastructure	29,564	782	83	30,429	
31,045	Barney Crockett	Convener, Pensions	22,173	456	19,589	42,218	
21,221	Alan Donnelly	Vice Convener, Finance, Policy and Resources (from 12 May 2016)	22,173	144	5,698	28,015	**2**
16,857	Andrew Finlayson	Vice Convener, Planning Development Management	16,893	99	-	16,992	
-	Stephen Flynn	Convener, Audit, Risk and Scrutiny (from 12 May 2016)	24,943	102	-	25,045	
22,859	Gordon Graham	Vice Convener, Communities, Housing and Infrastructure	22,173	911	-	23,084	
22,106	Ross Grant	Regeneration and Transport Spokesperson	22,173	132	-	22,305	
22,973	Len Ironside CBE	NHS/Social Care Integration Joint Board & Social Care Spokesperson	22,173	229	563	22,965	**3**
11,768	Lesley Dunbar	Convener, Shadow Integrated Joint Board (until 7 October 2015)	-		-	-	
24,715	Jackie Dunbar	Convener, Audit, Risk and Scrutiny Committee (until 11 May 2016)	3,155	13	-	3,168	
2,871	Callum McCaig	Convener, Audit, Risk and Scrutiny Committee (until 7 May 2015)	-		-	-	
22,928	Ramsay Milne	Convener, Planning Development Management	25,840	165	1,367	27,372	
22,123	Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	22,173	116	1,401	23,690	
29,626	Angela Taylor	Convener, Education and Children's Services	29,564	158	63	29,785	
22,053	Ross Thomson	Vice Convener, Finance, Policy and Resources (until 11 May 2016)	2,516	12	-	2,528	
29,864	William Young	Convener, Finance, Policy and Resources	29,564	134	970	30,668	
21,133	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	21,000	81	-	21,081	
22,098	Scott Carle	Vice Convener, Education and Children's Services (from 12 May 2016)	22,173	127	-	22,300	**4**
536,830	**Total**		**481,142**	**4,867**	**56,885**	**542,894**	

Table 4: Notes

Note 1:		Councillor Boulton was also Convener, Licensing Board.
Note 2:		Prior to his appointment as Vice Convener, Finance, Policy and Resources Councillor Donnelly was Vice Convener, Education and Children's Services and is also Convener, Petitions. As such a full year disclosure of remuneration has been made.
Note 3:		Prior to his appointment as NHS/Social Care Integration Joint Board & Social Care Spokesperson Councillor Ironside was Convener, Integrated Joint Board. As such a full year disclosure of remuneration has been made.
Note 4:		Prior to his appointment as Vice Convener Councillor Carle was Convener,Licensing Committee. Councillor Carle is also the Convener, Licensing Committee and the Vice Convener, Petitions. As such a full year disclosure of remuneration has been made.

Table 5: Remuneration of Senior Employees of the Council

2015/16 Full Time Equivalent £	2015/16 Total Remuneration £	Name	Post Title	2016/17 Full Time Equivalent £	2016/17 Salary, Fees and Allowances £	2016/17 Compensation for Loss of Employment £	2016/17 Total Remuneration * £	Returning Officer Fee note 1 £
146,856	149,469	Angela Scott	Chief Executive	148,324	153,351	-	153,351	5,026
113,716	113,916	Gayle Gorman	Depute Chief Executive (Director of Education and Children's Services)	114,853	115,753	-	115,753	-
113,716	10,976	Ewan Sutherland	Acting Director of Corporate Governance (until 30 April 2015)	-	-	-	-	-
113,716	113,916	Pete Leonard	Depute Chief Executive (Director of Communities, Housing and	114,853	109,428	-	109,428	-
104,061	15,099	Marc Cole	City Centre Director	104,061	116,846	-	116,846	-
83,457	85,776	Bernadette Oxley	Chief Social Work Officer	84,292	84,292	-	84,292	-
113,716	76,052	Elizabeth Taylor	Transitioning Director (until 28 August 2015)	-	-	-	-	-
113,716	113,716	Gordon McIntosh	Transitioning Director (until 10 August 2016)	114,853	42,897	30,890	73,787	-
83,457	92,609	Steven Whyte	Head of Finance (s.95 Officer)	84,292	89,692	-	89,692	-
83,457	65,381	Fraser Bell	Head of Legal and Democratic Services (Monitoring Officer)	84,292	84,792	-	84,792	-
83,457	28,343	Craig Innes	Head of Procurement (Monitoring Officer) (from 7 April 2015 until 28 July	-	-	-	-	-
83,457	20,991	Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer) (until 6 April	-	-	-	-	-
79,898	82,349	Ciaran Monaghan	Head of Service, Office of Chief Executive	80,697	85,948	-	85,948	3,451
79,898	79,898	Takki Sulaiman	Head of Communications and Promotion	80,697	80,697	63,488	144,185	-
	1,048,491	**Total**			963,696	94,378	1,058,074	

* Some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties.

Note 1: The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administrating a parliamentary election. These duties are separate from any duties undertaken as a local government employee. The total RO fee is regulated by The Scottish Parliament Elections (Returning Officer Fees and Charges) Regulations 2016 (SSI 2016/10). The RO can appoint one or more persons to discharge any or all of the functions of the post but cannot delegate personal responsibility for delivering the election. Amgela Scott is the RO for Aberdeen City Council, and during 16/17 she delegated some of the RO duties/fees to the Head of Service, Office of the Chief Executive and 2 other non senior employees.

Note 2: Interim Depute Chief Executive (Director of Corporate Governance) filled by an agency appointment

Note 3: Interim Director Communities, Housing and Infrastructure also filled by an agency appointment

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

2015/16			2016/17				
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Performance Related Pay £	Benefits Other Than in Cash £	Total Remuneration £	Note
100,119	Graeme Cumming	Interim Managing Director Aberdeen Exhibition & Conference Centre	123,624	65,002	1,490	190,116	1
90,208	Alistair Robertson	Managing Director Sport Aberdeen Ltd	92,575	-	-	92,575	
94,136	Sandra Ross	Managing Director Bon Accord Support Services Ltd	95,078	-	-	95,078	
284,463	**Total**		**311,277**	**65,002**	**1,490**	**377,769**	

Note 1: AECC Ltd ceased to be the operators of the Aberdeen Exhibition and Conference Centre on 31 March 2017. As a result, AECC Ltd will be wound up during 2017/18. The remuneration above includes costs that will be payable in 2017/18.

Pension Benefits

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

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

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

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

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

The tiers and members contribution rates are as follows:

Pensionable pay	**Contribution rate 2015/16**	**Contribution rate 2016/17**
On earnings up to and including £20,500	5.5%	5.5%
On earnings above £20,500 and up to £25,000	7.25%	7.25%
On earnings above £25,000 and up to £34,400	8.5%	8.5%
On earnings above £34,400 and up to £45,800	9.5%	9.5%
On earnings above £45,800	12%	12%

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

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

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

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

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

<u>Pension Disclosures</u>:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 2017.

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 2017.

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: For year to 31 March 2016 £	In-year Pension Contributions: For year to 31 March 2017 £	Accrued Pension Benefits	As at 31 March 2017 £'000	Difference from 31 March 2016 £'000
Jennifer Laing	Leader of the Council	7,532	7,608	Pension	5	1
				Lump Sum	2	-
Marie Boulton	Depute Council Leader	5,649	5,706	Pension	4	1
				Lump Sum	2	-
George Adam	Lord Provost	5,649	5,706	Pension	2	1
John Reynolds	Depute Provost	4,237	4,279	Pension	5	1
				Lump Sum	2	-
Yvonne Allan	Convener, Appeals	4,237	4,279	Pension	5	1
				Lump Sum	2	-
Neil Cooney	Convener, Communities, Housing and Infrastructure	5,649	5,706	Pension	7	2
				Lump Sum	2	-
Barney Crockett	Convener, Pensions	4,237	4,279	Pension	4	-
				Lump Sum	2	-
Alan Donnelly	Vice Convener, Finance, Policy and Resources (from 12 May 2016)	3,714	4,279	Pension	5	-
				Lump Sum	9	-
Andrew Finlayson	Vice Convener, Planning Development	3,228	-	Pension	-	(1)
Stephen Flynn	Convener, Audit, Risk and Scrutiny (from 12 May 2016)	-	4,814	Pension	1	1
Gordon Graham	Vice Convener, Communities, Housing and Infrastructure	4,237	4,279	Pension	4	1
				Lump Sum	1	-
Ross Grant	Regeneration and Transport Spokesperson	4,237	4,279	Pension	2	-
Lesley Dunbar	Convener, Shadow Integrated Joint Board (until 7 October 2015)	2,200	-	Pension	-	(1)
Jackie Dunbar	Convener, Audit, Risk and Scrutiny Committee (until 11 May 2016)	4,752	609	Pension	4	1
				Lump Sum	2	-
Callum McCaig	Convener, Audit, Risk and Scrutiny Committee (until 7 May 2015)	548	-	Pension	-	(3)
				Lump Sum	-	(1)
Ramsay Milne	Convener, Planning Development Management	4,237	4,279	Pension	2	1
Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	4,237	4,279	Pension	3	1
Angela Taylor	Convener, Education and Children's Services	5,649	5,706	Pension	2	-
Ross Thomson	Vice Convener, Finance, Policy and Resources (until 11 May 2016)	4,237	486	Pension	2	-
William Young	Convener, Finance, Policy and Resources	5,649	5,706	Pension	4	1
				Lump Sum	2	-
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,053	4,053	Pension	3	-
				Lump Sum	1	-
Scott Carle	Vice Convener, Education and Children's Services (from 12 May 2016)	4,237	4,279	Pension	2	1
Sub Total		**92,405**	**84,611**	**Pension**	**66**	**9**
				Lump Sum	**27**	**(1)**

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 2016 £	For year to 31 March 2017 £		As at 31 March 2017 £'000	Difference from 31 March 2016 £'000
Angela Scott	Chief Executive	28,343	28,627	Pension	61	4
Gayle Gorman	Depute Chief Executive (Director of Education and Children's Services)	21,947	22,167	Pension	9	2
Ewan Sutherland	Acting Director of Corporate Governance (until 30 April 2015)	2,118	-	Pension Lump	- -	(29) (62)
Pete Leonard	Depute Chief Executive (Director of	21,947	22,167	Pension Lump	41 74	3 1
Marc Cole	City Centre Director	2,914	20,620	Pension	3	3
Bernadette Oxley	Chief Social Work Officer	14,944	16,268	Pension Lump	33 49	31 49
Elizabeth Taylor	Transitioning Director (until 28 August 2015)	8,719	-	Pension Lump	- -	(39) (258)
Gordon McIntosh	Transitioning Director (until 10 August 2016)	21,947	7,985	Pension Lump	37 250	(12) 145
Steven Whyte	Head of Finance (s.95 Officer)	17,835	16,268	Pension Lump	26 41	2 -
Fraser Bell	Head of Legal and Democratic Services (Monitoring Officer)	11,518	16,268	Pension	10	2
Craig Innes	Head of Procurement (Monitoring Officer) (from 7 April 2015 until 28 July 2015)	4,942	-	Pension Lump	- -	(26) (49)
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer) (until 6 April 2015)	264	-	Pension Lump	- -	(36) (83)
Ciaran Monaghan	Head of Service, Office of Chief Executive	15,420	15,575	Pension Lump	37 77	2 -
Takki Sulaiman	Head of Communications and Promotion	15,420	15,575	Pension	4	2
Total		**188,278**	**181,520**	**Pension** **Lump**	**261** **491**	**(91)** **(257)**

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

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

		In-year Pension Contributions		Accrued Pension Benefits			
Name	**Post Title**	**For year to 31 March 2016 £**	**For year to 31 March 2017 £**		**As at 31 March 2017 £'000**	**Difference from 31 March 2016 £'000**	**Note**
Graeme Cumming	Interim Managing Director, Aberdeen Exhibition & Conference Centre Ltd	13,846	17,308		n/a	n/a	1
Alistair Robertson	Managing Director, Sport Aberdeen Ltd	11,250	8,640	Pension	47	3	
Sandra Ross	Managing Director, Bon Accord Support Services Ltd	14,309	14,452	Pension	7	2	
Total		**39,405**	**40,400**	**TOTAL**	**54**	**5**	

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 2017

Movement in Reserves Statement

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

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	Total Unusable Reserves £'000	**Total Council Reserves £'000**
Balance at 1 April 2015	**(64,828)**	**(10,457)**	**(52,644)**	**-**	**(97)**	**(128,026)**	**(1,063,099)**	**(1,191,127)**
Movement in Reserves during 2015/16								
(Surplus) or deficit on provision of services	(8,960)	79,299	0	0	0	**70,339**	0	**70,339**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(403,962)	**(403,962)**
Total Comprehensive Income and Expenditure	**(8,960)**	**79,299**	**0**	**0**	**0**	**70,339**	**(403,962)**	**(333,623)**
Adjustments between accounting basis & funding basis under regulations (note 5)	5,631	(79,839)	31,637	0	0	**(42,571)**	42,571	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(3,329)**	**(540)**	**31,637**	**0**	**0**	**27,768**	**(361,391)**	**(333,623)**
Transfers to/from Earmarked Reserves (note 6)	9,301	187	(9,095)	0	0	**393**	(393)	**0**
(Increase)/Decrease in 2015/16	**5,972**	**(353)**	**22,542**	**0**	**0**	**28,161**	**(361,784)**	**(333,623)**
Balance at 31 March 2016 carried forward	**(58,856)**	**(10,809)**	**(30,102)**	**0**	**(97)**	**(99,863)**	**(1,424,884)**	**(1,524,747)**

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	Total Unusable Reserves £'000	**Total Council Reserves £'000**
Balance at 31 March 2016 brought forward	**(58,856)**	**(10,808)**	**(30,102)**	**-**	**(97)**	**(99,863)**	**(1,424,884)**	**(1,524,747)**
Movement in Reserves during 2016/17								
Total Comprehensive Income & Expenditure	33,859	20,925	0	0	97	**54,881**	(32,133)	**22,748**
Adjustments between accounting basis & funding basis under regulations (note 5)	(24,901)	(21,425)	250	0	0	**(46,076)**	46,076	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**8,958**	**(500)**	**250**	**0**	**97**	**8,805**	**13,943**	**22,748**
Transfers to/from Earmarked Reserves (note 6)	(578)	0	433	0	0	**(145)**	145	**0**
(Increase)/Decrease in Year	**8,380**	**(500)**	**683**	**0**	**97**	**8,660**	**14,088**	**22,748**
Balance at 31 March 2017	**(50,476)**	**(11,308)**	**(29,419)**	**0**	**0**	**(91,203)**	**(1,410,796)**	**(1,501,999)**

Expenditure and Funding Analysis

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

2015/16				2016/17		
Net Expenditure chargeable to GF & HRA balances £'000	**Adjustments between funding & Accounting basis**	**Net Expenditure in the CIES £'000**	**Services**	**Net Expenditure chargeable to GF & HRA balances £'000**	**Adjustments between funding & Accounting basis**	**Net Expenditure in the CIES £'000**
210,199	3,054	213,253	Education & Childrens Services	210,889	18,443	229,332
83,325	6,103	89,428	Communities, Housing & Infrastructure	82,003	25,022	107,025
87,049	(8,346)	78,703	Integrated Joint Board/Social Work	86,296	1,868	88,164
1,041	0	1,041	Housing Benefits	636	0	636
38,799	111	38,909	Corporate & Miscellaneous	31,183	464	31,647
25,212	1,037	26,249	Corporate Governance	25,387	1,029	26,416
2,825	11	2,836	Office of the Chief Executive	3,285	33	3,318
(1,175)	76,415	75,240	Housing Revenue Account	(500)	24,627	24,127
447,275	**78,385**	**525,659**	**Net Cost of Services**	**439,179**	**71,486**	**510,665**
(442,619)	(12,701)	(455,320)	Other Income and Expenditure	(431,290)	(24,591)	(455,881)
4,656	65,684	70,339	**(Surplus) or Deficit on Provision of Services**	7,889	46,895	54,784
(75,284)			Opening General Fund and HRA Balance at 31 March 2016	(69,665)		
4,656			(Surplus)/deficit on General Fund and HRA Balance in Year	7,889		
963			To/From Other Statutory Reserves	(9)		
(69,665)			**Closing General Fund and HRA Balance at 31 March 2017**	(61,785)		

Comprehensive Income and Expenditure Statement

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

2015/16				2016/17		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
225,445	(12,192)	213,253	Education & Childrens Services	239,120	(9,788)	229,332
171,703	(82,276)	89,427	Communities, Housing & Infrastructure	179,554	(72,529)	107,025
119,276	(40,572)	78,704	Integrated Joint Board/Social Work	130,245	(42,081)	88,164
56,671	(55,630)	1,041	Housing Benefits	58,044	(57,408)	636
39,849	(939)	38,910	Corporate & Miscellaneous	38,955	(7,308)	31,647
37,276	(11,027)	26,249	Corporate Governance	37,849	(11,433)	26,416
4,679	(1,843)	2,836	Office of the Chief Executive	5,761	(2,443)	3,318
171,738	(96,497)	75,241	Housing Revenue Account	120,813	(96,686)	24,127
826,637	**(300,976)**	**525,661**	**Cost of Services**	**810,341**	**(299,676)**	**510,665**
0	(3,264)	(3,264)	Other Operating Expenditure (note 7)	0	(2,831)	(2,831)
74,087	(47,512)	26,575	Financing and Investment Income and Expenditure (note 8)	74,856	(46,534)	28,322
0	(478,633)	(478,633)	Taxation and Non Specific Grant Income (note 9)	0	(481,372)	(481,372)
900,724	**(830,385)**	**70,339**	**(Surplus) or Deficit on Provision of Services**	**885,197**	**(830,413)**	**54,784**
		(351,633)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(14,575)
		0	Impairment losses on non current assets charged to the Revaluation Reserve			0
		41	(Surplus)/deficit on revaluation of available for sale financial assets			(4,804)
		(52,454)	Actuarial (gains)/losses on pension assets/liabilities			(12,607)
		86	Other (gains)/losses			(49)
		(403,960)	**Other Comprehensive Income and Expenditure**			**(32,035)**
		(333,621)	**Total Comprehensive Income and Expenditure**			**22,749**

Balance Sheet

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

1 April 2015 £'000	31 March 2016 £'000			Note	31 March 2017 £'000
1,816,313	2,139,615		Property, Plant & Equipment	28	2,238,305
171,370	172,092		Heritage Assets	27	172,756
84,870	85,937		Investment Property	25	85,335
80	31		Intangible Assets	26	0
10,602	19,061		Long Term Investments	38	23,865
22,121	19,577		Long Term Debtors	38	16,225
2,105,356	**2,436,313**		**Long Term Assets**		**2,536,486**
44,179	28,375		Cash and Cash Equivalents	16	181,145
40,199	31,119		Short Term Investments	38	141,227
54,429	60,080		Short Term Debtors	33	69,242
1,505	1,674		Inventories	32	1,645
3,412	3,979		Assets Held for Sale	31	5,382
143,724	**125,227**		**Current Assets**		**398,641**
(92,658)	(113,348)		Short Term Borrowing	38	(81,351)
(82,378)	(87,672)		Short Term Creditors	34	(90,396)
(3,698)	(3,870)		Short Term Provisions	35	(4,233)
(1,773)	(2,478)		PPP Short Term Liabilities	30	(2,611)
(7,170)	(5,618)		Accumulated Absences Account	12	(5,515)
(1,120)	(521)		Grants Receipts in Advance - Revenue	37	(473)
(495)	(2,221)		Grants Receipts in Advance - Capital	37	(518)
(189,292)	**(215,728)**		**Current Liabilities**		**(185,097)**

1 April 2015 £'000	31 March 2016 £'000		Note	31 March 2017 £'000
(469,621)	(464,892)	Long Term Borrowing	38	(896,504)
(451)	(223)	Long Term Creditors	38	(108)
(3,371)	(1,248)	Long Term Provisions	35	(679)
(106,063)	(103,584)	PPP Long Term Liabilities	30	(100,973)
(289,155)	(251,118)	Pension Liabilities	21	(249,767)
(868,661)	**(821,065)**	**Long Term Liabililties**		**(1,248,031)**
1,191,127	**1,524,747**	**Net Assets**		**1,501,999**
		Usable Reserves:	11	
(64,828)	(58,856)	General Fund Balance		(50,476)
(10,457)	(10,808)	Housing Revenue Account		(11,308)
(52,644)	(30,102)	Statutory and Other Reserves		(29,419)
0	0	Capital Receipts Reserve		0
(97)	(97)	Capital Grants Unapplied Account		0
(1,063,101)	(1,424,884)	Unusable Reserves	12	(1,410,796)
(1,191,127)	**(1,524,747)**	**Total Reserves**		**(1,501,999)**

Steven Whyte, CPFA
Head of Finance

27 June 2017

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.

2015/16 £'000		2016/17 £'000
(70,339)	Net Surplus or (Deficit) on the provision of services	(54,784)
176,625	Adjust net surplus or deficit on the provision of services for non cash movements	138,487
(40,717)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(54,546)
65,569	Net cash flows from Operating Activities (note 13)	29,157
(95,533)	Net cash flows from Investing Activities (note 14)	(273,495)
14,160	Net cash flows from Financing Activities (note 15)	397,108
(15,804)	Net increase or decrease in cash and cash equivalents	152,770
44,179	Cash and cash equivalents at the beginning of the reporting period	28,375
28,375	**Cash and cash equivalents at the end of the reporting period (note 16)**	**181,145**

Notes to the Accounts

1. Accounting Policies

i General Principles

The Annual Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year ending 31 March 2017. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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

<u>Benefits Payable during Employment</u>

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 2.5%.
- 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:

- **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.

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Operating Leases

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

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

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

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

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

xx Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and vehicles, plant and equipment – depreciated historical cost;
- community assets – historical cost or nominal value;
- council dwellings – 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.

<u>Impairment</u>

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.

<u>Disposals and Assets Held for Sale</u>

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.

<u>Depreciation</u>

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.

Deprecation is calculated on the following bases:

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

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

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

xxi Public Private Partnerships (PPP) and Similar Contracts

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

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

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

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

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

xxii Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

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.

<u>Contingent Liabilities</u>

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.

<u>Contingent Assets</u>

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

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

xxiii Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to 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.

xxiv 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.

xxv VAT

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

2. Accounting Standards That Have Been Issued but 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 the reporting of pension fund scheme transaction costs; and
- Amendment to the reporting of investment concentration.

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 annual accounts.

Overall, these new or amended standards are not expected to have a significant impact on the annual accounts.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £172.7 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 2017 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 8.75%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £25.6m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £27.2m.
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 £8,973.02 and £4,340.09 per month respectively.
Provisions	The Council has made a provision of £0.2 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 £0.02 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 £23.8 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 £24.2 million. The interaction of assumptions is therefore extremely complex. See note 21 for further assumptions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2017 the Council had a balance of short term debtors of £123.699 million. A review of significant balances suggested that an allowance for impairment of debt of £54.457 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 £2.474 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.

2015/16	**Usable Reserves**					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Statutory & Other Reserves £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Movement in Unusable Reserves £'000**
Adjustments involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets	(37,313)	(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	(15)	0	0	0	0	15
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
Other adjustments	0	645	0	0	0	(645)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
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)
Adjustments involving the Capital Receipts Reserve:						
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	1,181	9,087	0	(10,268)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(666)	(192)	0	858	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	428	0	0	0	0	(428)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(40,766)	(2,516)	0	0	0	43,282
Employer's pensions contributions and direct payments to pensioners payable in the year	27,177	1,688	0	0	0	(28,865)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	1,548	4	0	0	0	(1,552)
Other Adjustments	58	(45)	0	0	0	(13)
Total Adjustments	**5,631**	**(79,839)**	**31,637**	**0**	**0**	**42,571**

2016/17	**Usable Reserves**					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Statutory & Other Reserves £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Movement in Unusable Reserves £'000**
Adjustments involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets	(40,417)	(27,922)	0	0	0	68,339
Revaluation losses on Property, Plant and Equipment	(25,056)	(32,373)	0	0	0	57,429
Capital grants and contributions applied	36,663	6,736	0	0	0	(43,399)
Write off carrying amount of non current assets sold	(510)	(7,474)	0	0	0	7,984
Write off carrying amount of non current assets scrapped	(2,015)	0	0	0	0	2,015
Statutory provision for the financing of Capital spend (3R's)	2,478	0	0	0	0	(2,478)
Movement in the fair value of Investment Properties	(57)	0	0	0	0	57
Amortisation of Intangible Assets	(31)	0	0	0	0	31
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
Other adjustments	0		0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Loan principal repayments during the year	10,599	6,001	0	0	0	(16,600)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	3,580	22,913		0	0	(26,493)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	250	11,289	0	(11,539)
Proceeds from sale of non current assets	860	11,079	0	(11,939)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(630)	(20)	0	650	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	426	0	0	0	0	(426)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(40,405)	(1,444)	0	0	0	41,849
Employer's pensions contributions and direct payments to pensioners payable in the year	29,525	1,068	0	0	0	(30,593)
Adjustments involving the Accumulated Absences Account:			0	0		
Adjustments in relation to short term compensated absences	89	11	0	0	0	(100)
Other Adjustments			0	0	0	0
Total Adjustments	**(24,901)**	**(21,425)**	**250**	**0**	**0**	**46,076**

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 2015 £'000	Transfers in 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund:								
Strategic Infrastructure Plan	(357)	(21)	378	0	0	0	0	Continued investment towards the delivery of the plan
ICT Projects -	(2,249)	(804)	1,447	(1,606)	0	790	(816)	Continued investment in ICT projects
Business Plan Service Option	(2,275)	0	1,766	(509)	0	285	(224)	Continued investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(25)	(21)	21	(25)	(19)	19	(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	(23)	0	(23)	0	23	0	To fund an events review, and development of a 3 - 5 year strategy
Employee Benefit Scheme	(113)	0	36	(77)	0	0	(77)	For marketing the Employee Benefit Scheme
H&S Training Programme for Managers	0	(25)	0	(25)	0	25	0	Health & Safety Training Programme for Managers
Xerox Print Contract	0	0	0	0	(317)	0	(317)	2016/17 rebate from Xerox to fund various Data projects
Events - Silver City Stories	0	0	0	0	(8)	0	(8)	Marketing for Silver City Stories Income received by Events Team during 2016/17
City Deal	(300)	0	0	(300)	0	81	(219)	Funding to support the city deal scheme
Shopmobility	(91)	0	91	0	0	0	0	Unspent funding to be utilised on the development of the scheme
Fairer Aberdeen	(36)	0	0	(36)	0	36	0	Unspent funding to be utilised for Community Planning Aberdeen
Energy Efficiency Fund	(1,184)	(386)	346	(1,224)	0	489	(735)	Pump-prime funding for energy saving schemes
Road Repairs/Projects	(162)	0	37	(125)	0	125	0	Road repair and maintenance
"The Green" Townscape Project	(50)	0	50	0	0	0	0	Match funding in relation to the Heritage Lottery Funding awarded for works at "the Green"
South of the City Regeneration	(1,337)	0	1,337	0	0	0	0	Fully committed to the Aberdeen City Hydrogen Energy Storage (ACHES) project
Sub Total	**(8,179)**	**(1,280)**	**5,509**	**(3,950)**	**(344)**	**1,873**	**(2,421)**	

	Balance at 1 April 2015 £'000	Transfers in 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund cont'd:	**(8,179)**	**(1,280)**	**5,509**	**(3,950)**	**(344)**	**1,873**	**(2,421)**	
Windfarm setup	(93)	0	93	0	0	0	0	Professional fees for legal advice, business case consultancy and client advisor services
Bus Lane Enforcement	(1,265)	(535)	510	(1,290)	(1,087)	1,788	(589)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfer	(155)	0	0	(155)	0	3	(152)	Funding in relation to the transfer of Thomas Blake Glover House to the Council
Zero Waste Funding	(350)	0	350	0	0	0	0	Unspent Zero Waste Fund monies
Mobile Working	(97)	0	97	0	0	0	0	Implementation of mobile working for field staff in Trading Standards & Environmental Health
Second/Long Term Empty Homes	(5,370)	(1,528)	0	(6,898)	(1,872)	1,969	(6,801)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing.
Replacement of Handheld Devices	(148)	0	148	0	0	0	0	To fund the replacement of handheld devices used by Trades Operatives
Park Improvement Schemes	(173)	0	67	(106)	0	106	0	Various Park Improvements
Hazlehead Pets Corner	(100)	0	0	(100)	0	100	0	Renovation and expansion of Hazlehead Pets Corner
Duthie Park, Winter Gardens Education Room	(40)	0	1	(39)	0	39	0	Work on David Welch Winter Gardens Education Room at Duthie Park
Mens Shed	(10)	0	3	(7)	0	2	(5)	Contribution to Men's Shed social club, Dyce
Balnagask Community Centre	(7)	0	2	(5)	0	5	0	Internal improvement scheme
Community Planning	0	(24)	0	(24)	0	15	(9)	Community Planning Participatory Budgeting
Devolved Education Management (Community Centres)	(924)	0	54	(870)	0	272	(598)	Community Education Centres c/forward
Devolved Education Management (School Funds)	(2,933)	(8)	181	(2,760)	0	1,903	(857)	School funds c/forward
Sub Total	**(19,844)**	**(3,375)**	**7,015**	**(16,204)**	**(3,303)**	**8,075**	**(11,432)**	

	Balance at 1 April 2015 £'000	Transfers in 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund cont'd:	**(19,844)**	**(3,375)**	**7,015**	**(16,204)**	**(3,303)**	**8,075**	**(11,432)**	
City of Culture	(592)	0	592	0	0	0	0	To develop culture within the City.
Transition extreme	(100)	0	100	0	0	0	0	Contribution
Youth Work and Under 12's Club	(100)	0	100	0	0	0	0	To support work with children and young people in regeneration areas and Mastrick
Sea Cadets	(10)	0	10	0	0	0	0	Contribution to Aberdeen's two sea cadet groups
Music Hall Redevelopment	(1,000)	0	200	(800)	0	0	(800)	To contribute towards the redevelopment of the Music Hall
HMT Roof Works	0	(288)	0	(288)	0	0	(288)	HMT Roof Works
Reclaiming Social Work	(3,267)	0	0	(3,267)	0	1,837	(1,430)	Contribution
Hilton Outdoor Centre	(25)	0	0	(25)	0	25	0	Improvements to outdoor area
Developing Young Workforce	0	(300)	0	(300)	0	239	(61)	To prepare young adults for the transition from education to the workplace
School Drive/Abbotswell	0	(29)	0	(29)	0	29	0	For adaptations to the school drive service.
De-risk the Council	(2,872)	0	0	(2,872)	0	217	(2,655)	Cash backing for Council guarantees to external organisations
Welfare Reform	(2,000)	0	0	(2,000)	0	2,000	0	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
Financial Risk Fund	(5,541)	(2,837)	0	(8,378)	0	0	(8,378)	Provide funding to support the cost pressure risks associated with Priority Based Budgeting
Scottish Welfare Fund	(40)	0	5	(35)	0	35	0	Unspent funding to be utilised in 2016/17 as per advice from the Scottish Government
Investment Strategy (Digital Strategy)	(1,350)	0	0	(1,350)	0	684	(666)	ICT Digital Strategy
Investment Strategy	(14,632)	0	4,701	(9,931)		3,331	(6,600)	Funding set aside towards the future investment strategy of the Council
Change Fund	0	0	0	0	(5,976)	0	(5,976)	Support Change prtogramme
Sub Total	**(51,373)**	**(6,829)**	**12,723**	**(45,479)**	**(9,279)**	**16,472**	**(38,286)**	

	Balance at 1 April 2015 £'000	Transfers in 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17	Balance at 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund cont'd:	**(51,373)**	**(6,829)**	**12,723**	**(45,479)**	**(9,279)**	**16,472**	**(38,286)**	
Revenue Grants Unspent	(2,164)	(338)	1,122	(1,380)	(530)	1,447	(463)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Big Belly Bins	0	(105)	0	(105)	0	105	0	To finance the next phase of city centre bin investment in partnership with Aberdeen Inspired
Building Services IT Upgrade	0	0	0	0	(148)	0	(148)	Equipment identified as having the specifications that are required for business/service needs, and to help drive forward productivity and efficiencies with in mobile working
Various Projects	0	(601)	0	(601)	0	313	(288)	Provide funding to support a variety of projects
Total General Fund	**(53,537)**	**(7,873)**	**13,845**	**(47,565)**	**(9,957)**	**18,337**	**(39,185)**	

Housing Revenue Account (HRA):								
Housing repairs	(1,207)	(1,193)	1,207	(1,193)	(1,326)	1,193	(1,326)	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	305	0	0	0	0	Recognition of value of land to be transferred to housing account from general fund
Central Heating	(645)	0	645	0	0	0	0	Finance lease liability in relation to a long-term lease agreement
Total HRA	**(2,402)**	**(1,193)**	**2,157**	**(1,438)**	**(1,326)**	**1,193**	**(1,571)**	
Total Earmarked Reserves	**(55,939)**	**(9,066)**	**16,002**	**(49,003)**	**(11,283)**	**19,530**	**(40,756)**	

2015/16	General Fund £'000	HRA £'000
Total Transfers in during the year	(7,873)	(1,193)
Total Transfers out during the year	13,845	2,157
Net Movement in Earmarked Reserves in 2015/16	**5,972**	**964**

2016/17	General Fund £'000	HRA £'000
Total Transfers in during the year	(9,957)	(1,326)
Total Transfers out during the year	18,337	1,193
Net Movement in Earmarked Reserves in 2016/17	**8,380**	**(133)**

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 2015 £'000	Transfers in 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Purpose of the Earmarked Reserve
Capital	(50,388)	(9,564)	32,000	(27,952)	(1,215)	1,651	(27,516)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,907)	(748)	853	(1,802)	(207)	451	(1,558)	To meet the cost of uninsured claims
City Improvement	(344)	(3)	4	(343)	(3)	6	(340)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)	0	0	(5)	To meet the costs of maintaining Lord Byron's statue
Total Statutory and Other Funds	**(52,644)**	**(10,315)**	**32,857**	**(30,102)**	**(1,425)**	**2,108**	**(29,419)**	

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

2015/16 £'000		2016/17 £'000
(3,264)	(Gains)/losses on the disposal on non current assets	(2,831)
(3,264)	**Total**	**(2,831)**

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

2015/16 £'000	*		2016/17 £'000
31,091		Interest payable and similar charges	30,737
8,760		Pensions interest cost and expected return on pensions assets	8,224
(1,167)		Interest receivable and similar income	(771)
(6,064)		Income and Expenditure in relation to investment properties and changes in their fair value	(5,900)
(6,045)		Other Investment income	(3,968)
26,575		**Total**	**28,322**

* 15/16 figures restated due to CIPFA reporting requirements being amended from SERCOP based to Council Service based in 16/17

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

2015/16 £'000			2016/17 £'000	
(106,170)		Council Tax Income	(104,192)	
(210,538)	*	Non domestic rates	(218,397)	*
(130,618)		Non ring-fenced government grants	(115,384)	
(31,307)		Capital grants and contributions	(43,398)	
(478,633)		**Total**	**(481,371)**	

* During 2016/17, notification was received that £3.4m of 2015/16 income was eligible to be retained and this has been reflected in the 2016/17 figures. No account has been taken of any excess to be retained in relation to exceeding the 2016/17 target.

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

There are no material items for 2016/17

11. Balance Sheet – Usable Reserves

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

12. Balance Sheet – Unusable Reserves

31 March 2016 £'000		31 March 2017 £'000
(1,015,671)	Revaluation Reserve	(1,006,602)
(264)	Available for Sale Financial Instruments Reserve	(5,068)
(681,994)	Capital Adjustment Account	(670,290)
16,309	Financial Instruments Adjustment Account	15,882
251,118	Pensions Reserve	249,767
5,618	Accumulated Absences Account	5,515
(1,424,884)	**Total Unusable Reserves**	**(1,410,796)**

<u>Revaluation Reserve</u>

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.

2015/16			2016/17	
£'000	£'000		£'000	£'000
	(670,990)	**Balance at 1 April**		**(1,015,671)**
(360,635)		Upward revaluation of assets	(38,544)	
9,001		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	23,969	
	(351,634)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(14,575)
6,615		Difference between fair value depreciation and historical cost depreciation	23,597	
338		Accumulated gains on assets sold or scrapped	97	
	6,953			23,694
	0	Amount written off to the Capital Adjustment Account		(50)
	(1,015,671)	**Balance at 31 March**		**(1,006,602)**

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.

2015/16					2016/17	
£'000	**£'000**				**£'000**	**£'000**
	(306)		**Balance at 1 April**			**(264)**
0			Upward revaluation of investments		(5,209)	
42			Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		405	
	42					(4,804)
	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
	(264)		**Balance at 31 March**			**(5,068)**

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.

2015/16			2016/17	
£'000			**£'000**	**£'000**
(704,865)	**Balance at 1 April**			**(681,994)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
69,611	Charges for depreciation and impairment on non current assets		68,339	
82,216	Revaluation losses on Property, Plant and Equipment		57,359	
49	Amortisation of intangible assets		31	
0	Revenue expenditure funded from capital under statute		0	
0	Carrying amount of non current assets scrapped		0	
6,161	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		10,333	
158,037			136,062	
(6,953)	Adjusting amounts written out of the Revaluation Reserve		(23,643)	
151,084	Net written out amount of the cost of non current assets consumed in the year			112,419
	Capital financing applied in the year:			
(9,047)	Use of the Capital Receipts Reserve to finance new capital expenditure		(11,539)	
(32,000)	Use of the Capital Fund to finance new capital expenditure		0	
(31,307)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		(43,398)	
(16,765)	Loans Fund principal repayments		(16,600)	
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	
(35,490)	Capital expenditure charged against the General Fund and HRA balances		(26,492)	
(1,773)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		(2,478)	
(126,382)				(100,507)
(320)	Deferred Capital Receipt			(332)
(647)	Central Heating Lease Reversal			0
(864)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement			124
0	Movement in the market value of Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement			0
(681,994)	**Balance at 31 March**		**0**	**(670,290)**

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.

2015/16		2016/17	
£'000		£'000	£'000
16,734	**Balance at 1 April**		**16,308**
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(28)	Long Term Borrowing – Stepped Loans	(29)	
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		
(398)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(426)	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)
16,308	**Balance at 31 March**		**15,882**

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.

2015/16			2016/17
£'000			£'000
289,155	**Balance at 1 April**		**251,118**
(52,454)	Remeasurements of the net defined benefit liability/(asset)		(12,607)
43,282	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		41,849
(28,865)	Employer’s pensions contributions and direct payments to pensioners payable in the year		(30,593)
251,118	**Balance at 31 March**		**249,767**

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.

2015/16		2016/17	
£'000		£'000	£'000
7,170	**Balance at 1 April**		**5,618**
(7,170)	Settlement or cancellation of accrual made at the end of the preceding year	(5,618)	
5,618	Amounts accrued at the end of the current year	5,515	
(1,552)	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		(103)
5,618	**Balance at 31 March**		**5,515**

13. **Cash Flow Statement – Operating Activities**

2015/16		2016/17
£'000		**£'000**
(70,339)	Net surplus or (deficit) on the provision of services ^	(54,784)
(70,339)		**(54,784)**
	Adjustment to surplus or deficit on the provision of services for noncash movements:	
69,611	Depreciation	68,339
82,216	Impairment, downward revaluations & non sale derecognitions	57,429
(169)	(Increase)/Decrease in Stock	30
(3,107)	(Increase)/Decrease in Debtors	(6,142)
0	Increase/(Decrease) in impairment provision for bad debts	0
4,638	Increase/(Decrease) in Creditors	754
14,417	Payments to Pension fund	11,256
6,161	Carrying amount of non current assets sold	10,332
3,673	Contributions to Other Reserves/Provisions	(3,599)
0	Assets held for sale movement	0
0	Capital Grants unapplied transactions	0
49	Amortisation of Intangible Assets	31
(864)	Movement in value of investment properties	57
176,625		**138,487**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
0	Proceeds from short term and long term investments	0
(31,307)	Receipt of Capital Grants and Contributions	(43,398)
(9,410)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(11,148)
(40,717)		**(54,546)**
65,569	**Net cash flows from operating activities**	**29,157**

^ includes the following:

2015/16 *		2016/17
£'000		**£'000**
1,167	Interest received	771
(31,091)	Interest paid	(30,737)

* 15/16 figures restated due to CIPFA reporting requirements being amended from SERCOP based to Council Service based in 16/17

14. Cash Flow Statement – Investing Activities

2015/16				2016/17
£'000				£'000
(136,871)		Purchase of property, plant and equipment, investment property and intangible assets		(217,933)
621		Purchase of short term and long term investments		(110,108)
0		Other payments for investing activities		0
10,268		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		11,798
(858)		Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals		(650)
0		Proceeds from short term and long term investments		0
31,307		Capital grants and contributions received		43,398
0		Other receipts from investing activities		0
(95,533)		**Net cash flows from investing activities**		**(273,495)**

15. Cash Flow Statement – Financing Activities

2015/16				2016/17
£'000				£'000
0		Cash receipts of short term and long term borrowing		0
(29)		Other receipts from financing activities		(29)
(1,773)		Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts		(2,478)
15,962		Repayments of short term and long term borrowing		399,615
0		Other payments for financing activities		0
14,160		**Net cash flows from financing activities**		**397,108**

16. Cash Flow Statement – Cash and Cash Equivalents

31 March 2016				31 March 2017
£'000				£'000
35		Cash held by the Authority		38
28,340		Bank current accounts		181,107
0		Short term deposits with building societies		0
28,375		**Total cash and cash equivalents**		**181,145**

17. 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:

		2014/15		2015/16		2016/17	
		£'000	£'000	£'000	£'000	£'000	£'000
Building and Maintenance	Turnover	(31,743)		(31,476)		(30,601)	
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: £5.679 million.	Expenditure	28,155		29,105		29,945	
	Exceptional Items	0		0		0	
	Interest	(3)		(3)		(2)	
	Net (Surplus)/Deficit		(3,591)		(2,374)		(658)
	Refunds/(Charges)		178		0		0
	Net (Surplus)/Deficit		(3,413)		(2,374)		(658)
Provision and Management of Car Parking Facilities	Turnover	(8,730)		(8,444)		(8,040)	
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: £11.253 million.	Expenditure	4,221		4,877		4,821	
	Exceptional Items	0		0		0	
	Interest	(109)		(104)		(91)	
	Net (Surplus)/Deficit		(4,618)		(3,671)		(3,310)
	Refunds/(Charges)		0		0		0
	Net (Surplus)/Deficit		(4,618)		(3,671)		(3,310)
Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)			**(8,031)**		**(6,045)**		**(3,968)**
Letting of Industrial, Commercial and Other Properties	Turnover	(6,747)		(6,425)		(7,122)	
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: £17.945 million.	Expenditure	2,839		1,934		1,763	
	Exceptional Items	(3,069)		(864)		57	
	Interest	(741)		(709)		(598)	
	Net (Surplus)/Deficit		**(7,718)**		**(6,064)**		**(5,900)**
Net (Surplus)/Deficit on Trading Operations			**(15,749)**		**(12,109)**		**(9,868)**

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.

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Net (Surplus)/Deficit on trading operations	(15,749)	(12,109)	(9,868)
Investment Properties	(7,718)	(6,064)	(5,900)
Other Trading Operations	(8,031)	(6,045)	(3,968)
Net Surplus credited to Financing and Investment Income and Expenditure (note 8)	**(15,749)**	**(12,109)**	**(9,868)**

* 15/16 figures restated due to CIPFA reporting requirements being amended from SERCOP based to Council Service based in 16/17

18. **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	**2015/16 £'000**	**2016/17 £'000**	**Agency Income**	**2015/16 £'000**	**2016/17 £'000**
Payments to voluntary organisations for the provision of care home places	16,899	16,223	Income from other local authorities in respect of the provision of public analyst services	477	492
Payments to voluntary organisations for the provision of day care	2,950	3,088	Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	214	187
Payments to voluntary organisations for the provision of community based care	19,010	18,170	Net receipts from partners in respect of trunk roads (including administration) – AWPR *	9,054	6,291
Payments to residential schools	9,456	10,657	Receipts from other bodies for administrative services:		
Payments to other public authorities for the provision of care home places	398	362	Scottish Water	761	761
Payments to other public authorities for the provision of community based care	724	683	Scottish Police Authority	67	67
Payments to other public authorities for the provision of day care	3	1	Moray Council	73	77
Payment to private organisations for the provision of care home places	28,922	30,725	Highland Council	9	141
Payments to private organisations for the provision of day care	767	772	Perth Council	0	3
Payments to private organisations for the provision of community based care	14,789	18,279	Shetland Council	70	0
Payment to other public authorities for the provision of mortuary services	15	16	Receipts from Aberdeenshire Council for goods supplied	1,165	1,472
Payment to Aberdeenshire Council for Aberdeen City and Shire Economic Forum	13	21			
Payment to Bon Accord Support Services	26,146	26,435			
	120,092	**125,432**		**11,890**	**9,491**

* 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 2016/17 expenditure on the project amounted to £19.8 million. The council incurred expenditure of £14.1 million including £0.8 million requisitioned by Transport Scotland and received income of £7.0 million from Aberdeenshire Council thus making a net contribution of £7.0 million to the project in the year.

19. 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

	2015/16 £'000	2016/17 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	456	421
Recharge to Trust Funds	(9)	(10)
Recharge to Pension Fund (from 2016/17 this is now billed directly to NESPF)	(46)	0
Total	**401**	**411**

20. 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 2016, the Council's own contributions equate to approximately 2.7%.

In 2016/17, the council paid £10.890 million to the Scottish Government in respect of teachers' pension costs, which represents 17.2% of teachers' pensionable pay. The figure for 2015/16 was £10.223 million representing 16.2% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 21. The Council is not liable to the scheme for any other entities obligations under the plan.

21. 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 or on request from the Head of Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB

Participation in pension schemes

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

The Council participates in two post employment schemes:

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

Discretionary post retirement Benefits

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

Transactions relating to post employment benefits

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

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
Comprehensive Income and Expenditure Statement	**2015/16**	**2016/17**	**2015/16**	**2016/17**
Cost of Services:				
Service cost comprising:				
• current service cost	33,749	32,595	0	0
• administration expenses	509	537	0	0
• past service costs	57	135	0	0
• (gain)/loss from settlements	207	358	0	0
Financing and Investment Income and Expenditure				
• net interest expense	7,819	7,255	941	969
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**42,341**	**40,880**	**941**	**969**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	11,829	(178,631)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	0	(20,666)	0	0
• actuarial gains and losses arising on changes in financial assumptions	(63,234)	223,491	(1,049)	4,037
• other	0	(39,220)	0	(1,618)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(9,064)**	**25,854**	**(108)**	**3,388**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(42,341)	(40,880)	(941)	(969)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	24,663	26,455	0	0
• retirement benefits payable to pensioners	2,439	2,402	1,763	1,736

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		
	2014/15	**2015/16**	**2016/17**	**2014/15**	**2015/16**	**2016/17**
Present value of the defined benefit obligation	(1,245,520)	(1,225,962)	(1,434,039)	(43,807)	(41,382)	(45,082)
Fair value of plan assets	987,605	1,004,213	1,215,293	0	0	
Sub total	(257,915)	(221,749)	(218,746)	(43,807)	(41,382)	(45,082)
Scottish Teachers Superannuation Scheme	(31,240)	(29,369)	(31,021)	0	0	0
Net liability arising from defined benefit obligation	**(289,155)**	**(251,118)**	**(249,767)**	**(43,807)**	**(41,382)**	**(45,082)**

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £249.767 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 2018 is £29.0 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2018 are £4.2 million.

Assets and liabilities in relation to post employment benefits

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

	Total Assets: Local Government Pension Scheme £'000		Includes: Discretionary Benefits Arrangements £'000	
	2015/16	**2016/17**	**2015/16**	**2016/17**
Opening fair value of scheme assets	**987,605**	**1,004,213**	**0**	**0**
Interest income	31,562	35,110	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(11,829)	178,631	0	0
• Other	(509)	(537)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	27,102	28,857	2,358	2,832
Contributions from employees into the scheme	7,746	8,205	0	0
Benefits paid	(37,464)	(39,186)	(2,358)	(2,832)
Other			0	0
Closing fair value of scheme assets	**1,004,213**	**1,215,293**	**0**	**0**

	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2015/16	**2016/17**
Opening fair value of scheme assets	**0**	**0**
Contributions from employer	1,763	1,736
Benefits paid	(1,763)	(1,736)
Closing fair value of scheme assets	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £213.741 million (2015/16: £19.732m).

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

	Total Liabilities: Local Government Pension Scheme £'000		**Includes: Discretionary Benefits £'000**	
	2015/16	**2016/17**	**2015/16**	**2016/17**
Opening balance at 1 April	**(1,245,520)**	**(1,225,962)**	**(43,807)**	**(41,382)**
Current service cost	(33,749)	(32,595)	0	0
Interest cost	(39,381)	(42,365)	(1,364)	(1,398)
Contributions from scheme participants	(7,746)	(8,205)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	20,666	0	598
• Actuarial gains/losses arising from changes in financial assumptions	63,234	(223,491)	1,431	(5,732)
• Other	0	39,220	0	0
Past service cost	(57)	(135)	0	0
Losses/(gains) on curtailment	(207)	(358)	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	37,464	39,186	2,358	2,832
Liabilities extinguished on settlements	0		0	0
Closing balance at 31 March	**(1,225,962)**	**(1,434,039)**	**(41,382)**	**(45,082)**

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2015/16	**2016/17**
Opening balance at 1 April	**(31,240)**	**(29,369)**
Interest cost	(941)	(969)
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	0	0
• Actuarial gains/losses arising from changes in financial assumptions	1,049	(4,037)
• Other	0	1,618
Benefits paid	1,763	1,736
Closing balance at 31 March	**(29,369)**	**(31,021)**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2015/16 £'000	%	Fair value of scheme assets 2016/17 £'000	%
Cash and cash equivalents	7,029	0.7%	19,444	1.6%
Equity instruments:				
• UK quoted and unquoted	197,832		236,371	
• Global quoted and unquoted	234,986		222,156	
• Global Frontier Fund	11,046		0	
• Pooled UK & Global	292,226		368,234	
Sub total equity	736,090	73.3%	826,761	68.0%
Bonds:				
• Corporate	23,095		19,445	
• Government	110,464		134,898	
Sub total bonds	133,559	13.3%	154,343	12.7%
Property:				
• UK Direct	76,320		82,640	
• Property funds - Global	9,038		0	
• Property funds - UK	0		2,431	
Sub total property	85,358	8.5%	85,071	7.0%
Private equity:				
• European	12,051		15,799	
• UK	0		2,431	
• Diversified	0		65,626	
• Global	27,114		42,536	
Sub total private equity	39,165	3.9%	126,392	10.4%
Other investment funds:				
• Infrastructure	2,008		2,431	
• Property	1,004		851	
Sub total other investment funds	3,012	0.3%	3,282	0.3%
Derivatives:				
• Forward foreign exchange contracts	0	0.0%	0	
Total assets	**1,004,213**	**100.0%**	**1,215,293**	**100.0%**

Basis for estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2015/16	**2016/17**	**2015/16**	**2016/17**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	21.9	22.2	24.6
Women	24.8	24.1	24.8	25.7
Longevity at 65 for future pensioners:				
Men	24.4	23.5	-	-
Women	27.6	26.3	-	-
Rate of inflation	2.0%	2.2%	2.0%	2.2%
Rate of increase in salaries	3.5%	3.2%	3.5%	3.2%
Rate of increase in pensions	2.0%	2.2%	2.0%	2.2%
Rate for discounting scheme liabilities	3.5%	2.5%	3.4%	2.5%

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

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Assumption £'000
Longevity (increase by 1 year in life expectancy)	29,692
Rate of inflation (increase by 0.1%)	24,249
Rate of increase in salaries (increase by 0.1%)	5,172
Rate for discounting scheme liabilities (increase by 0.1%)	(23,845)

22. Events after the Balance Sheet Date

The unaudited Annual Accounts was authorised for issue by the Head of Finance on 27 June 2017. 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 2017, 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.

23. 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.

<u>Central Government</u>

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).

<u>Members</u>

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 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 2016/17 payments to 38 organisations, amounting to £46.9 million (2015/16, 41 organisations, £32.0 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

<u>Other Public Bodies</u>

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.274 million for this service in 2016/17 (2015/16, £1.193 million).

For 2016/17 the Council paid £32.221 million to the Pension Fund representing its employer contributions in respect of current and former employees (2015/16, £28.865 million).

Entities Controlled or Significantly Influenced by the Council

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

	2015/16			2016/17	
	Receipts £'000	**Payments £'000**		**Receipts £'000**	**Payments £'000**
Joint Boards					
Grampian Joint Valuation Board	0	1,401		0	1,558
AECC/Mountwest Ltd	4	1,329		0	1,140
Common Good	2,060	67		1,900	48
Trust Funds	47	35		297	27
Aberdeen Sports Village	21	1,546		31	1,195
Sport Aberdeen	688	9,264		486	5,936
Aberdeen Heat & Power	15	6,735		15	3,097
NESTRANS	5,405	561		1,139	799
SDPA	0	49		0	84
Scotland Excel	0	129		0	141
Bon Accord Care	41	110		30	45
Bon Accord Support Services	6,315	33,464		1,651	27,202

The majority of these bodies form part of the Council's group accounts which are set out on pages 143 to 161.

24. **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:

	31 March 2016 £'000	*	31 March 2017 £'000
Not later than one year	1,105		1,358
Later than one year and not later than five years	1,887		1,891
Later than five years	5,020		4,768
	8,012		**8,017**

* 2015/16 figures restated to reflect updated information

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

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

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	344	373
Later than one year and not later than five years	1,005	1,118
Later than five years	0	0
	1,349	**1,491**

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 2016 £'000		**31 March 2017 £'000**		**31 March 2016 £'000**	**31 March 2017 £'000**
Not later than one year	6,644	*	6,833		80	80
Later than one year and not later than five years	17,458	*	15,754		193	112
Later than five years	146,930		155,790		0	0
	171,032		**178,377**		**273**	**192**

* 2015/16 figures restated to reflect updated information

25. **Investment Properties**

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

	31 March 2016 £'000	*	**31 March 2017 £'000**
Rental and interest income from investment property	(7,134)		(7,720)
Expenses arising from investment property	1,934		1,763
Revaluation (gains)/losses	(864)		57
Net (gain)/loss	**(6,064)**		**(5,900)**

* 15/16 figures restated due to CIPFA reporting requirements being amended from SERCOP based to Council Service based in 16/17

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:

	2015/16 £'000	2016/17 £'000
Balance at start of the year	**84,870**	**85,937**
Additions:		
• Purchases	203	0
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	0	(125)
Net gains/losses from fair value adjustments	864	(48)
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	(430)
Other changes	0	0
Balance at end of the year	**85,937**	**85,334**

26. 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 2017 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 2016/17, £0.031 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:

	2015/16 Software Licences £'000	**2016/17 Software Licences £'000**
Balance at start of year:		
• Gross carrying amounts	536	242
• Accumulated amortisation	(456)	(211)
Net carrying amount at start of year	80	31
Additions	0	0
Other disposals	0	0
Amortisation for the period	(49)	(31)
Other changes	0	0
Net carrying amount at end of year	31	0
Comprising:		
• Gross carrying amounts	242	157
• Accumulated amortisation	(211)	(157)
	31	**0**

27. **Heritage Assets**

i Reconciliation of the Carrying Value of Heritage Assets Held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or valuation							
At 1 April 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
At 31 March 2016	**608**	**1,995**	**17**	**10**	**169,162**	**300**	**172,092**
Cost or valuation							
At 1 April 2016	608	1,995	17	10	169,162	300	172,092
Additions	0		0	0	18	0	18
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	754	0	754
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	(108)	0	0	0	0	(108)
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
At 31 March 2017	**608**	**1,887**	**17**	**10**	**169,934**	**300**	**172,756**

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 includes a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection includes a Rawlins of London Carriage dated 1817 which was valued in 2001.

Art Collection

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

Civic Insignia

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

Additions of Heritage Assets

The following items were added during the year:

	£'000
Film of dust on ruins, 2016 by Sara Barker	18
Net carrying amount at end of year	**18**

There were no disposals made in the financial year.

ii Heritage Assets: Five Year Summary of Transactions

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

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

City Monuments

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

Maritime & Social History

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

Numismatics

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

Science, technology and industry

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

Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both valued and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which has been valued by the curator at £40 million.

Applied and Decorative Art

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

Civic Insignia

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

Archaeology

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

Library & Information Services

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

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

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

Preservation and Management

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

28. 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 Propert, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2015	**825,231**	**908,874**	**65,053**	**210,743**	**23,305**	**20,761**	**54,514**	**2,108,481**	**186,945**
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	325,027	32	0	0	0	502	0	**325,561**	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
At 31 March 2016	**957,477**	**947,465**	**60,028**	**237,213**	**24,437**	**22,164**	**71,256**	**2,320,040**	**178,886**
Accumulated Depreciation and Impairment									
At 1 April 2015	**(135,576)**	**(41,773)**	**(35,264)**	**(79,364)**	**0**	**(191)**	**0**	**(292,168)**	**(8,059)**
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
At 31 March 2016	**(636)**	**(66,184)**	**(27,135)**	**(86,471)**	**0**	**0**	**0**	**(180,426)**	**(3,081)**
Net Book Value									
At 31 March 2016	**956,841**	**881,281**	**32,893**	**150,742**	**24,437**	**22,164**	**71,256**	**2,139,614**	**175,805**
At 31 March 2015	**689,655**	**867,101**	**29,789**	**131,379**	**23,305**	**20,570**	**54,514**	**1,816,313**	**178,886**

Property, Plant and Equipment

Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Propert, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2016	**957,477**	**947,465**	**60,028**	**237,213**	**24,437**	**22,164**	**71,256**	**2,320,040**	**178,886**
Additions	41,833	21,974	7,370	22,187	1,643	17	126,694	**221,718**	20
Donations	0	0	0	0	0	0	0	**0**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,322	(10,933)	0	0	0	(360)	0	**(7,971)**	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(29,373)	(42,721)	0	0	0	(3,356)	0	**(75,450)**	0
Derecognition – Disposals	(6,733)	(155)	(3,428)	0	0	(39)	0	**(10,355)**	
Derecognition – Other		(2,073)	(1,261)	0	0	(241)	0	**(3,575)**	0
Reclassifications and Transfers	(1,789)	1,312	0	0	0	(1,897)	0	**(2,374)**	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**	0
At 31 March 2017	**964,737**	**914,869**	**62,709**	**259,400**	**26,080**	**16,288**	**197,950**	**2,442,033**	**178,906**
Accumulated Depreciation and Impairment									
At 1 April 2016	**(636)**	**(66,184)**	**(27,135)**	**(86,471)**	**0**	**0**	**0**	**(180,426)**	**(3,081)**
Depreciation charge	(27,922)	(26,212)	(6,236)	(7,968)	0	0	0	**(68,338)**	**(3,081)**
Depreciation written out to the Revaluation Reserve	353	21,949	0	0	0	0	0	**22,302**	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	79	18,012	0	0	0	0	0	**18,091**	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	179	16	2,832	0	0	0	0	**3,027**	
Derecognition – Other	0	354	1,262	0	0	0	0	**1,616**	0
Reclassifications and Transfers	0	0	0	0	0	0	0	**0**	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	**0**	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2017	**(27,947)**	**(52,065)**	**(29,277)**	**(94,439)**	**0**	**0**	**0**	**(203,728)**	**(6,162)**
Net Book Value									
At 31 March 2017	**936,790**	**862,804**	**33,432**	**164,961**	**26,080**	**16,288**	**197,950**	**2,238,305**	**172,744**
At 31 March 2016	**956,841**	**881,281**	**32,893**	**150,742**	**24,437**	**22,164**	**71,256**	**2,139,614**	**175,805**

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 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £46.419 million in future years. Similar commitments as at 31 March 2016 were £65.080 million. The major commitments are:

- Housing – New build housing Manor Walk - £11.902 million
- Housing – New build housing Smithfield - £6.898 million
- Housing – Upgrade of flat roofs - £0.381 million
- Housing – Structural repairs to multi storey flats at Seaton - £9.835 million
- Housing – Froghall fabric repairs & thermal improvements - £1.172 million
- Housing – Multi storey fabric repairs - £0.920 million
-
- Non Housing – Art Gallery - £1.169 million
- Non Housing – Pets corner refurbishment - £0.615 million
- Non Housing – Tullos Primary School roof & concrete repairs - £0.275 million
- Non Housing – Cornhill Primary School kitchen refurbishment - £0.322 million
- Non Housing – Stoneywood Primary School - £11.515 million
- Non Housing – Broomhill Primary School roofing & windows - £0.371 million
- Non Housing – Berryden Corridor demolitions - £0.439 million
- Non Housing – Asbestos Removal - £0.605 million

Effects of Changes in Estimates

In 2016/17, 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 Debbie Wyllie, BSc MRICS and Neil Strachan, BLE MRICS who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2017	9,562	205,166	0	0	0	9,852	0	224,580
31 March 2016	966,184	26,120	0	0	0	980	0	993,284
31 March 2015	0	224,020	0	0	0	0	0	224,020
31 March 2014	0	186,933	0	0	0	0	0	186,933
31 March 2013	1,484	394,425	0	0	0	6,073	0	401,982
31 March 2012	6,218	271,190	0	0	0	4,440	0	281,848
31 March 2011	766,904	43,840	0	0	0	0	0	810,744
31 March 2010	0	135,062	0	0	0	9,385	0	144,447
Total cost or valuation	**1,804,758**	**1,407,967**	**68,484**	**191,110**	**21,359**	**49,306**	**16,161**	**3,559,145**

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

29. **Capital Expenditure and Capital Financing**

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

	HRA 2015/16 £'000	**General Fund 2015/16 £'000**	**Total 2015/16 £'000**	**HRA 2016/17 £'000**	**General Fund 2016/17 £'000**	**Total 2016/17 £'000**
Opening Capital Financing Requirement	**238,232**	**484,777**	**723,009**	**234,682**	**498,815**	**733,497**
Capital investment						
Property, Plant and Equipment	34,278	96,657	130,935	42,134	181,631	223,765
Investment Properties	0	203	203	0	0	0
Heritage Assets	0	11	11	0	18	18
Loan for National Housing Trust Initiative	0	5,722	5,722	0	(3,804)	(3,804)
Sources of finance						
Capital receipts	(9,087)	(153)	(9,240)	(11,079)	(480)	(11,559)
Government grants and other contributions	(1,325)	(29,982)	(31,307)	(6,736)	(36,663)	(43,398)
Other contributions	0	(32,000)	(32,000)	0	0	0
Sums set aside from revenue:						
• Direct revenue contributions	192	0	192	20	0	20
• Capital for Current Revenue (CFCR)	(21,995)	(13,495)	(35,490)	(22,913)	(3,580)	(26,492)
• Loans fund principal	(5,613)	(11,152)	(16,765)	(6,001)	(10,599)	(16,600)
• PPP liability repayments	0	(1,773)	(1,773)	0	(2,478)	(2,478)
Closing Capital Financing Requirement	**234,682**	**498,815**	**733,497**	**230,108**	**622,860**	**852,968**
Explanation of movements in year						
Increase/(Decrease) in underlying need to borrow	(2,983)	15,245	12,262	(4,574)	123,953	119,379
Assets acquired under finance leases	0	0	0	0	0	0
Assets acquired under PFI/PPP contracts	0	(1,773)	(1,773)	0	(2,478)	(2,478)
Increase/(decrease) in Capital Financing Requirement	**(2,983)**	**13,472**	**10,489**	**(4,574)**	**121,475**	**116,901**

30. Public Private Partnerships (PPP) and Similar Contracts

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

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

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 28.

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 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2017/18	5,193	2,611	6,952	14,756
Payable within two to five years	23,538	11,388	26,729	61,655
Payable within six to ten years	38,270	15,473	30,319	84,062
Payable within eleven to fifteen years	42,193	22,496	26,542	91,231
Payable within sixteen to twenty years	43,646	33,402	21,651	98,699
Payable within twenty one to twenty five years	17,860	18,213	7,561	43,634
Payable within twenty six to thirty years	0	0	0	0
Total	**170,700**	**103,583**	**119,754**	**394,037**

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:

	2015/16 £'000	**2016/17 £'000**
Balance outstanding at start of year	**107,836**	**106,063**
Payments during year	(1,773)	(2,478)
Capital expenditure incurred in the year	0	0
Other Movements	0	0
Balance outstanding at end of year	**106,063**	**103,585**

31. **Assets Held for Sale**

	2015/16 £'000	**2016/17 £'000**
Balance Outstanding at start of year	**3,412**	**3,979**
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,407	2,804
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Revaluation losses	0	(480)
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	(840)	(922)
Transfers from non current to current	0	0
Balance outstanding at end of year	**3,979**	**5,381**

32. **Inventories**

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	**1,425**	**1,627**	**49**	**16**	**31**	**31**	**1,505**	**1,674**
Purchases	15,755	13,777	25,840	24,824	43	50	41,638	38,651
Recognised as an expense in the year	(15,553)	(13,803)	(25,873)	(24,824)	(43)	(53)	(41,469)	(38,680)
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
Balance outstanding at end of year	**1,627**	**1,601**	**16**	**16**	**31**	**28**	**1,674**	**1,645**

33. **Short Term Debtors**

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	14,978	14,043
Other local authorities	3,567	2,639
NHS bodies	390	5,338
Public corporations and trading funds	891	317
Other entities and individuals	92,438	101,362
Gross Total	**112,264**	**123,699**
Deduct: Provision for Impairment	(52,184)	(54,457)
Net Total	**60,080**	**69,242**

34. **Short Term Creditors**

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	(11,052)	(8,747)
Other local authorities	(13,491)	(675)
NHS bodies	(934)	(4,900)
Public corporations and trading funds	(4,437)	(5,051)
Other entities and individuals	(57,758)	(71,023)
Total	**(87,672)**	**(90,396)**

35. **Provisions**

	Note 1	Note 2	Note 3	Note 4	
2016/17	**Compensation Payments - Equal Pay**	**Property - Asset Management**	**Housing Benefit Subsidy**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2016	**(921)**	**(749)**	**(100)**	**(3,349)**	**(5,119)**
Additional provisions made in 2016/17	0	(185)	0	(867)	(1,052)
Amounts used in 2016/17	535	255	0	54	844
Unused amounts reversed in 2016/17	186	0	0	229	415
Unwinding of discounting in 2016/17	0	0	0	0	0
Balance at 31 March 2017	**(200)**	**(679)**	**(100)**	**(3,933)**	**(4,912)**
Represented by:					
Current provisions	(200)	0	(100)	(3,933)	**(4,233)**
Long term provisions	0	(679)	0	0	**(679)**

Notes on Provisions –

1. **Compensation Payments-Equal Pay - £ 0.200 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 - £0.679 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 2017 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 2017/18.

4. **Other**

- **General Fund - £1.428 million**

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

- **Holiday Pay - £0.826 million**

  This is a provision for arrears of Holiday Pay due based on the decision in the case of Lock v British Gas Trading Ltd which reviewed the basis of calculation for holiday pay. The full liability could be paid out in 2017/18.

- **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 could be released in 2017/18.

* **HRA - £1.025 million**

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

* **HMRC liability - £0.104 million**

  This provision relates to a potential liability from HMRC regading VAT payments due to be agreed and settled.

* **Referendum Grant overpayment - £0.080 million**

  This provision is to allow for repayment of a grant for the 2016 Referendum, as expenditure incurred is below the advance payment received from the Government.

36. Contingent Liabilities

At 31 March 2017 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 £128,923 in support of an overdraft facility and card transactions until 31 March 2018.

* **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a loan of £37,139 and a maximum overdraft facility of £250,000 as well as a guarantee of £237,215 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2025.

* **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 International Youth Festival, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

* **Sport Aberdeen**

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

* **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.

* **Scottish Child Abuse Enquiry**

The Scottish Child Abuse Enquiry is a national enquiry which was set up on 1 October 2015. The Council recognises a potential liability in respect of claims from this enquiry, but is not aware of any specific claims at this time.

37. Grant Income

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

		2015/16 £'000		2016/17 £'000
Credited to Taxation and Non Specific Grant Income				
Total Revenue Funding Grant		341,155		333,781
Total		**341,155**		**333,781**
Credited to Services				
Department of Work and Pensions				
	Housing Benefit Grant	54,912		56,561
	Housing Benefit Admin Grant	900		762
	Discretionary Housing Payment	289		341
	Other	133		172
Grampian Health Board				
	Resource Transfer	19,133		19,124
	Integrated Care Funding	581		5,809
Other Local Authorities				
	Western Peripheral Route Works	11,276		7,042
	Other	352		88
Scottish Government				
	S27 Community Justice Grant	4,325		4,430
	Home Insulation	1,113		1,073
	Zero Waste Scotland	111		0
	Education Maintenance	287		321
	Attainment Challenge	11	*	215
	Other	1,343	*	1,394
Department for Culture, Medial and Sport				
	Accelerate Aberdeen	121		50
European Funding				
	Hydrogen Bus Project	482		640
	Other	107		99
Home Office				
	Syrian Refugee Resettlement Programme	42	*	219
	Other	50	*	44
Sport Scotland		406		458
Scottish Legal Aid Board		271		135
Creative Scotland		438		338
Heritage Lottery Fund		181		187
Transport Scotland		254		264
Other		206		267
Total		**97,324**		**100,033**

* 2015/16 figures have been updated to show the Attainment Grant and Syrian Refugee Resettlement Programme grant separately. These were previously part of 'other'.

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:

		2015/16 £'000	2016/17 £'000
Revenue Grants - Receipts in Advance			
Social Care & Wellbeing (Telecare,Kinship Care,Luggage)		95	11
Self Directed Support / Caledonian Funding		304	0
Bequest / Europe Direct for Libraries		21	50
Creative Scotland – Various Projects		17	232
Education Scotland		84	15
Scottish Government		0	78
Home Office Refugee Funding		0	79
Community Safety Hub Funding		0	9
Total		**521**	**474**
Capital Grants - Receipts in Advance			
Gypsy Traveller Grant		103	103
Public Wireless Programme Grant		0	7
Sport Scotland Grant		200	0
Mental Health Grant		97	0
Henry Rae Community Centre Regeneration Grant		1,414	0
Scottish Government Flood Grant		407	407
Total		**2,221**	**517**

38. Financial Instruments

Categories of Financial Instruments

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

Financial Instruments Balances	**Long term**		**Current**	
	31 March 2016 £'000	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**
Investments				
Loans and receivables	0	0	31,119	141,227
Available for sale financial assets	19,061	23,865	0	0
Total investments	**19,061**	**23,865**	**31,119**	**141,227**
Debtors				
Loans and receivables	19,577	16,225	0	0
Financial assets carried at contract amount	0	0	60,080	69,242
Total debtors	**19,577**	**16,225**	**60,080**	**69,242**
Borrowings				
Financial liabilities at amortised cost	(464,892)	(896,504)	(113,348)	(81,351)
Overdraft	0	0	0	0
Total borrowings	**(464,892)**	**(896,504)**	**(113,348)**	**(81,351)**
Other Long term Liabilities				
PPP liabilities	(103,584)	(100,973)	(2,478)	(2,611)
Finance lease liabilities (Creditors)	0	0	0	0
Total other long term liabilities	**(103,584)**	**(100,973)**	**(2,478)**	**(2,611)**
Creditors				
Financial liabilities carried at contract amount	(223)	(108)	(87,672)	(90,396)
Total creditors	**(223)**	**(108)**	**(87,672)**	**(90,396)**

Notes:

The Council undertook a £370 million Bond Issuance during the year, receiving a premium of £44 million. This is reflected in the table above within “Borrowings, Financial Liabilities at Amortised Cost”

Lenders Option/Borrowers Option (LOBO’s) of £25.9m have been included in long term borrowing but have a call date in the next 12 months

Reclassifications

Income, Expense, Gains and Losses

Financial Instruments Gains/(Losses)	2015/16			*	2016/17		
	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	(31,091)	0	**(31,091)**		(30,737)	0	**(30,737)**
Total expense in Surplus or (Deficit) on the Provision of Services	**(31,091)**	**0**	**(31,091)**		**(30,737)**	**0**	**(30,737)**
Interest income	0	1,167	**1,167**		0	771	**771**
Total income in Surplus or (Deficit) on the Provision of Services	**0**	**1,167**	**1,167**		**0**	**771**	**771**
Net gain/(loss) for the year	**(31,091)**	**1,167**	**(29,924)**		**(30,737)**	**771**	**(29,966)**

** 15/16 figures restated*

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 2017 of 2.95% to 11.00% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis at that date;
- no early repayment 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 2016**					**31 March 2017**				
	Principal Outstanding £'000	**Accrued Interest £'000**	**Carrying Amount £'000**	**Fair Value (Premature Repayment) £'000**	**Fair Value (New Loan Rates) £'000**	**Principal Outstanding £'000**	**Accrued Interest £'000**	**Carrying Amount £'000**	**Fair Value (Premature Repayment) £'000**	**Fair Value (New Loan Rates) £'000**
PWLB – maturity	(393,465)	(6,701)	(400,165)	(639,686)	(538,953)	(398,880)	(6,771)	(405,651)	(724,959)	(598,474)
PWLB – annuity	0	0	0	0	0	0	0	0	0	0
PWLB – EIP	(196)	(8)	(204)	(207)	(207)	0	0	0	0	0
LOBOs	(93,893)	(665)	(94,560)	(160,613)	(127,076)	(93,893)	(666)	(94,560)	(183,473)	(148,361)
Bond Issue	0	0	0	0	0	(369,529)	(32)	(369,561)	(284,243)	(244,619)
Bond Premium	0	0	0	0	0	(42,113)	0	(42,113)	(42,113)	(42,113)
Transfer Interest to Short Term in line with Code requirements	0	7,374	7,374	0	0	0	7,469	7,469	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	24,781	0	0	0	0	10,000	0	0
Financial Instrument Adjustments	0	0	(2,118)	0	0	0	0	(2,088)	0	0
Total Long Term Borrowing	**(487,554)**	**0**	**(464,892)**	**(800,506)**	**(666,236)**	**(904,415)**	**0**	**(896,504)**	**(1,234,788)**	**(1,033,567)**
Short term borrowing	(81,125)	(69)	(81,194)	(81,194)	(81,194)	(63,836)	(46)	(63,883)	(63,883)	(63,883)
Transfer Interest from Long Term in line with Code requirements	0	(7,374)	(7,374)	0	0	0	(7,469)	(7,469)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(24,781)	0	0	0	0	(10,000)	0	0
Total Short Term Borrowing	**(81,125)**	**(7,443)**	**(113,349)**	**(81,194)**	**(81,194)**	**(63,836)**	**(7,515)**	**(81,352)**	**(63,883)**	**(63,883)**

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 2017) arising from a commitment to pay interest to lenders above current market rates. From 2015/16, the Fair Value of borrowings is shown at both Premature Repayment rates and New Loan rates. In prior years, the Fair Value of borrowings had been shown only on a New Loans rates basis.

Fair Value of Assets	**31 March 2016**				**31 March 2017**			
	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	46,627	99	46,726	46,740	309,374	207	309,581	309,638

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

39. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £50 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £309.4m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 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 2016 £'000		Amount at 31 March 2017 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £'000
		A	B	C	(A x C)
0	Deposits with banks and building societies	309,581	0	0	0
1,056	Customers	28,988	4.20%	4.20%	1,217
1,056					**1,217**

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 £29.0m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2016 £'000	31 March 2017 £'000
Less than three months	7,737	11,390
Three to six months	1,575	1,398
Six months to one year	2,337	1,685
More than one year	14,822	14,515
	26,471	**28,988**

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2016 £'000	31 March 2017 £'000
Less than one year	115,466	83,372
Between one and two years	10,000	23,447
Between two and five years	38,447	25,000
Between five and ten years	11,000	1,000
More than ten years	403,328	805,458
	578,241	**938,277**

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

Market risk

Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council’s cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2017, if discount rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	259
Increase in interest receivable on variable rate investments	(1,091)
Impact on Surplus or Deficit on the Provision of Services	**(832)**
Share of overall impact debited to the HRA	**(210)**
Decrease in fair value of fixed rate investment assets	**0**
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**164,727**
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	297

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

<u>Foreign exchange risk</u>

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 2016/17, the average interest rates were 3.46% for capital (2015/16, 3.84%), 0.27% for revenue advances (2015/16, 0.40%) and 0.02% for expenses (2015/16 0.02%) on raising loans.

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

Amounts Borrowed from the Loans Fund

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
General Fund	373,161	408,526	402,839	397,654	396,557	397,314	413,355	538,587
Trading Operations	24,911	23,257	22,678	24,282	23,083	21,283	20,486	19,207
Housing Revenue Account	163,850	185,923	193,225	196,880	196,665	196,675	193,692	189,118
Total	**561,922**	**617,706**	**618,742**	**618,816**	**616,305**	**615,272**	**627,533**	**746,912**

Loans Fund
Revenue Account

2015/16 £'000		2016/17 £'000
	Expenditure	
24,050	Interest paid to External Bodies	24,257
1,042	Interest paid to Other Council Accounts	516
139	General Expenses	134
25,231		**24,907**
	Income	
	Interest & Expenses charged to Aberdeen City Council	
(15,945)	General Fund	(16,649)
(7,965)	Housing Revenue Account	(6,911)
(816)	Trading Operations	(693)
(505)	From Temporary Investments	(654)
(25,231)		**(24,907)**

Loans Fund
Balance Sheet as at 31 March

2016 £'000		2017 £'000
	Assets	
	Advances to:	
627,534	Aberdeen City Council for Capital Expenditure	746,913
2	Other Bodies	2
14,010	Rescheduled Premiums	13,613
641,546		760,528
	Current Assets	
46,600	Temporary Investments	309,350
125	Sundry Debtors	230
2,371	Bank	(624)
690,642		1,069,484
	Less: Current Liabilities	
128,019	Temporary Advances from Council Services	111,930
7,443	Sundry Creditors	7,515
135,462		119,445
555,180	**Net Assets**	**950,039**
	Financed by:	
(393,661)	Public Works Loan Board	(398,880)
(93,893)	Market Loans	(93,893)
0	Negotiable Bonds	(369,529)
(2)	Bond Premium	(42,114)
(2)	Stock Issue & Gas Annuities	(2)
(67,624)	Temporary Loans	(45,621)
(555,182)		**(950,039)**

Steven Whyte, CPFA
Head of Finance

27 June 2017

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

2015/16		2016/17	
£'000		£'000	£'000
	Income		
(81,142)	Dwelling Rents	(81,866)	
(3,892)	Non dwelling Rents	(3,605)	
0	Hostel Grant	0	
(1,021)	Other Income	(944)	
(86,055)			**(86,415)**
	Expenditure		
841	Staff Costs	572	
841			**572**
	Premises Costs:		
25,317	Repairs and Maintenance	26,046	
3,067	Maintenance of amenity areas	3,079	
2,166	Bad debts written off/provisions	2,811	
1,790	Loss of rent vacant periods	1,226	
1,855	Other costs	2,149	
34,195			**35,311**
	Administration Costs:		
8,418	Management and Administration	8,162	
964	Other costs	1,004	
9,382			**9,166**
	Supplies and Services:		
3,698	Communal Lighting and Heating, etc.	3,678	
196	Information Technology	160	
157	Other Costs	166	
4,051			**4,004**

2015/16		2016/17	
£'000		**£'000**	**£'000**
	Agencies:		
194	Contributions	215	
305	Supporting People Contribution	102	
689	Tenant's Participation/Helplines	662	
1,188			**979**
	Capital Charges:		
32,299	Depreciation	27,922	
79,320	Impairment of Non Current Assets	32,373	
111,619			**60,295**
161,276	**Gross Expenditure**		**110,327**
75,221	**Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement**		23,912
144	Corporate and Democratic Core	157	
			157
75,365	**Net Cost of HRA Services**		**24,069**
(3,071)	(Gain) / Loss on Sale of HRA Non Current Assets	(7,474)	
7,965	Interest payable and similar charges	6,911	
(147)	Interest and investment income	(80)	
512	Pensions interest and return on assets	286	
(1,325)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(6,736)	
79,299	**(Surplus)/deficit for the year on HRA Services**		**16,976**

Movement on the Housing Revenue Account Statement

2015/16 £'000		Notes	2016/17 £'000
(10,455)	Balance on the HRA at start of Year		(10,808)
79,299	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		16,976
(79,839)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(17,476)
(540)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(500)
187	Transfers to or (from) Reserves	2	0
(353)	(Increase) or Decrease in Year on the HRA		(500)
(10,808)	**Balance on the HRA at end of Year**		**(11,308)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2015/16 £'000		2016/17 £'000
3,071	Gain or (loss) on sale of HRA non-current assets	7,474
21,994	Capital expenditure funded by the HRA	22,913
	Transfer to/from the Capital Adjustment Account:	
(111,619)	Depreciation and Impairment	(60,295)
1,325	Capital Grants and Contributions	6,736
5,613	Repayment of Debt	6,001
(828)	HRA share of contributions to or from the Pensions Reserve	(318)
4	Adjustment involving the Accumulated Absences Account	13
601	Other Adjustments	0
(79,839)		**(17,476)**

2. Transfers (to) or from Reserves

2015/16 £'000		2016/17 £'000
187	Transfer to/(from) the General Fund	0
187	**Total**	**0**

3. Housing Stock

The Council's housing stock at 31 March 2017 was 22,295 (22,435 at 31 March 2016) in the following categories:

	Type of Property	
2,065	Sheltered Property	2,049
0	Wardens Property	0
4,386	Cottage	4,273
8,733	Flat	8,664
2,157	Four in Block	2,137
552	Maisonette	547
2,110	Multi Storey Flat	2,167
120	Split Level Flat	122
436	Multi Storey Maisonette	431
1,198	Amenity	1,264
358	Homeless	414
22,115	**Sub Total**	**22,068**
320	Properties off the charge	227
22,435	**HRA Total**	**22,295**
	Other Assets	
1	Hostel	1
245	Garages Sites	241
2,053	Lock Up Garages	2,042
916	Parking Spaces	911
17	Travelling Peoples Sites	17
3,232		**3,212**

4. Rent Arrears

2015/16 £'000		2016/17 £'000
4,043	Current Tenant Arrears	3,257
2,704	Former Tenant Arrears	1,280
6,747	**Total Rent Arrears**	**4,537**

5. Impairment of Debtors

In 2016/17 an impairment of £3,857,000 has been provided in the Balance Sheet for irrecoverable rents, a decrease of £1,300,000 from the provision in 2015/16.

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 2016/17, which is set annually by the Scottish Ministers, is 48.4 pence. There is also a small supplement on the poundage rate of 2.6 pence for subjects with a rateable value greater than £35,000 to cover the additional costs of the Small Business Bonus Scheme. In 2015/16, the NDR poundage rate was set at 48.0 pence and the supplement was 1.3 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.

2015/16			**2016/17**	
£'000			**£'000**	**£'000**
(230,006)		**Gross Rates Levied and Contributions in Lieu**		**(243,859)**
		Deduct:		
26,805		Reliefs, remissions, etc.	28,961	
		Payment of Interest		
2,208		Write off of uncollectable debts and allowances for impairment	3,058	32,019
(200,993)		**Net Non Domestic Rate Income**		**(211,840)**
2,126		Adjustment to previous years' National Non Domestic Rates		1,339
(198,867)		**Contribution to Non Domestic Rate Pool**		**(210,501)**
(210,116)		**Distribution from Non Domestic Rate Pool**		**(215,586)**
		Add:		
(267)		Adjustment for Statutory Additions		(310)
0	*	BRIS Income Retained	0	
(267)				0
		Less:		
380		Charity Relief adjustment		342
(210,003)		**Income credited to the Comprehensive Income and Expenditure Statement ***		**(215,554)**

* The figure for 2016/17 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2016/17.

Category	Number of Subjects	Rateable Value at 1 April 2017 £'000
Shops	2,196	104,520
Public Houses	164	8,407
Offices	2,540	195,087
Hotels	372	23,863
Industrial Factories, Warehouses, Stores	1,952	146,126
Leisure Entertainment, Caravans and Holiday Sites	315	14,463
Garages and Petrol Stations	213	5,516
Cultural	12	913
Sporting Subjects	24	476
Education & Training	163	34,310
Public Service Subjects	198	17,924
Communications	32	2,380
Quarries, Mines etc.	9	128
Petrochemical	2	792
Religious	135	2,708
Health / Medical	124	15,825
Other	818	10,791
Care Facilities	124	5,868
Advertising	138	571
Undertaking	12	2,028
Total Non Domestic Rates Subjects	**9,543**	**592,696**

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 2016/17, 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

2015/16 £'000		**2016/17 £'000**
(136,714)	Gross Assessments	138,129
(753)	Net band adjustments	1,034
(137,467)	**Council Tax Collectable**	**139,163**
	Deduct:	
9,897	Exemptions	(11,058)
62	Disabled Relief	(62)
12,095	Discounts	(12,514)
2,725	Provision for non collection	(3,142)
9,051	Council Tax Reduction	(9,340)
102	Other	(260)
(103,536)		**102,787**
	Add:	
(1,162)	Statutory Additions	1,159
(1,469)	Prior Year Adjustments	238
(2)	Write Ons	7
(106,169)	**Net Council Tax income for the Year**	**104,191**
(1)	Arrears of Community Charge (Poll Tax) recovered during the year	
(106,170)	**Net Council Tax income transferred to General Fund**	**104,191**

The calculation of the Council Tax Base 2016/17:

	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	22,876	(3,450)	23	(3,085)	(358)	16,006	6/9	10,671
Band B	28,132	(2,349)	8	(3,272)	(340)	22,179	7/9	17,250
Band C	18,878	(1,553)	(12)	(1,647)	(220)	15,446	8/9	13,731
Band D	15,085	(2,197)	12	(1,257)	(206)	11,437	9/9	11,438
Band E	14,320	(648)	(3)	(1,045)	(146)	12,478	11/9	15,251
Band F	8,423	(221)	(1)	(486)	(67)	7,648	13/9	11,049
Band G	7,496	(138)	(30)	(305)	(66)	6,957	15/9	11,597
Band H	963	(22)	(3)	(24)	(19)	895	18/9	1,792
							Total	92,782
							Council Tax Reduction	(9,262)
							Contributions in Lieu	6
							Provision for Bad Debts (2.4%)	(2,227)
							Council Tax Base	81,299

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 2016/17 was £1,230.39 (2015/16 £1,230.39)

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

Common Good

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

Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
Balance at 1 April 2015	**(105,666)**	**(68)**	**(105,734)**
Movement in Reserves during 2015/16			
(Surplus) or Deficit on provision of services	(6,758)	0	(6,758)
Total Comprehensive Expenditure and Income	**(6,758)**	**0**	**(6,758)**
Balance at 31 March 2016 carried forward	**(112,424)**	**(68)**	**(112,492)**
Movement in Reserves during 2016/17			
(Surplus) or Deficit on provision of services	1,317	0	1,317
Total Comprehensive Expenditure and Income	**1,317**	**0**	**1,317**
Balance at 31 March 2017	**(111,107)**	**(68)**	**(111,175)**

Comprehensive Income and Expenditure Statement

2015/16		2016/17		
Net (Income) Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
14	Official Catering	10	0	10
63	Administration Costs	68	0	68
1,355	Donations, Grants, Contributions etc.	1,397	0	1,397
325	Civic Hospitality	185	0	185
113	Funding of International Budget	102	0	102
106	Christmas Illuminations & Festivities	113	0	113
201	Civic Administration Unit	197	0	197
81	Other Projects	78	0	78
479	Miscellaneous Expenditure	386	0	386
64	Greenfern Master plan	9	0	9
122	Duthie Park HLF	127	0	127
2,923	**Cost Of Services**	**2,672**	**0**	**2,672**
	Other Operating Expenditure:			
(1,764)	Gains/losses on the disposal of non current assets			(4,382)
	Financing and Investment Income and Expenditure:			
(2,734)	Investment property income & expenditure			(2,960)
(283)	Interest receivable and other investment income			(192)
(1,858)	**(Surplus) or Deficit on Provision of Services**			**(4,862)**
(4,898)	(Surplus) or Deficit on revaluation of investment property			6,179
(6,756)	**Total Comprehensive Income and Expenditure**			**1,317**

Balance Sheet

31 March 2016 £'000			31 March 2017 £'000
95,531		Investment Property	89,046
95,531		**Long Term Assets**	**89,046**
16,881		Investments in Aberdeen City Council Loans Fund	21,918
61		Investment Property Held for Sale	61
470		Short Term Debtors	472
17,412		**Current Assets**	**22,451**
(451)		Short Term Creditors	(322)
(451)		**Current Liabilities**	**(322)**
112,492		**Net Assets**	**111,175**
(112,424)		Common Good Fund	(111,107)
(68)		Reserve Fund	(68)
(112,492)		**Total Reserves**	**(111,175)**

Steven Whyte, CPFA
Head of Finance

27 June 2017

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

Trust Funds and Endowments

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

This section gives summary details of the income and disbursements relating t o these trusts, together with a summary of the balances of the trusts at 31 March 2017 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 2016 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2017 £'000
EEIF	(169)	0	(20)	(3)	9	(183)
Guildry	(2,670)	0	(40)	(15)	23	(2,702)
Bridge of Don	(1,369)	0	(30)	(5)	153	(1,251)
Bridge of Dee	(34)	0	0	0	1	(33)
Alexander MacDonald	(32)	0	0	0	0	(32)
Aberdeen Art Gallery Trust	(45)	0	0	0	19	(26)
Lands of Skene	(1,127)	0	(30)	(44)	44	(1,157)
Lands of Torry	(1,358)	0	505	(128)	128	(853)
McBey Trust	(755)	0	0	(6)	263	(498)
Total - Charitable Trusts	**(7,560)**	**0**	**385**	**(201)**	**640**	**(6,736)**
Non Charity	**Balance as at 31 March 2016 £'000**	**Transfer between Funds £'000**	**Revaluation of Investments £'000**	**Income £'000**	**Expenditure £'000**	**Balance as at 31 March 2017 £'000**
Educational Trusts	(1,325)	0	485	(62)	61	(841)
Endowment Funds						
- Educational	(735)	0	(85)	(21)	0	(841)
- Social Work	(313)	0	(36)	(5)	0	(354)
Guildry	(1)	0	0	0	1	0
Arts & Heritage	(74)	0	0	0	0	(74)
Graveyards	(24)	0	0	0	2	(22)
Monuments	(7)	0	0	0	0	(7)
John Rickart	(55)	0	0	(1)	1	(55)
Lands of Elsick	(3)	0	0	0	3	0
McBey Trust	(71)	0	0	(1)	1	(71)
Glover House Ltd	(1)	0	0	(33)	33	(1)
Aberdeen Japan Trusts	(525)	0	0	0	8	(517)
Total - Non Charitable Trusts	**(3,134)**	**0**	**364**	**(123)**	**110**	**(2,783)**
Total	**(10,694)**	**0**	**749**	**(324)**	**750**	**(9,519)**

Investment of Funds

Charitable Trusts 2015/16 £'000	Non Charitable Trusts 2015/16 £'000	Total 2015/16 £'000		Charitable Trusts 2016/17 £'000	Non Charitable Trusts 2016/17 £'000	Total 2016/17 £'000
			Invested in:			
4,256	525	4,781	Land & Buildings	3,366	517	3,883
109	805	914	Equities – Listed	128	928	1,056
5	39	44	Gilt Edged Securities	8	36	44
0	1	1	Bank	0	233	233
2,783	1,831	4,614	Council Loans Fund	2,836	1,136	3,972
400	0	400	Other Investments	400	0	400
52	0	52	Debtors	50	0	50
(45)	(67)	(112)	Creditors	(52)	(67)	(119)
7,560	**3,134**	**10,694**		**6,736**	**2,783**	**9,519**
0	(1)	(1)	Share Capital	0	(1)	(1)
(4,961)	(2,585)	(7,546)	Unrestricted Funds	(4,590)	(2,104)	(6,694)
(114)	(545)	(659)	Endowment Funds	(135)	(675)	(810)
(2,485)	(1)	(2,486)	Designated Funds – Common Good Fund	(2,011)	(1)	(2,012)
0	(2)	(2)	Designated Funds – Grampian Health Board	0	(2)	(2)
(7,560)	**(3,134)**	**(10,694)**		**(6,736)**	**(2,783)**	**(9,519)**

Steven Whyte, CPFA
Head of Finance

27 June 2017

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Group Accounts

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

Group Movement in Reserves Statement

	Total Usable Reserves (Page 53) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
Balance at 31 March 2015	**(128,026)**	**(1,063,100)**	**(1,191,127)**	**(101,093)**	**(1,292,220)**
Movement in Reserves during 2015/16					0
(Surplus) or deficit on provision of services *	70,339	0	70,339	(201)	70,138
Other Comprehensive Income and Expenditure *	0	(403,961)	(403,961)	(10,037)	(413,998)
Total Comprehensive Income and Expenditure	**70,339**	**(403,961)**	**(333,622)**	**(10,238)**	**(343,860)**
Adjustments between Group and Council accounts	0	0	0	0	0
Net Increase /Decrease before Transfers	**70,339**	**(403,961)**	**(333,622)**	**(10,238)**	**(343,860)**
Adjustments between accounting basis & funding basis under regulations	(39,252)	39,253	1	6	7
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	**31,087**	**(364,708)**	**(333,621)**	**(10,232)**	**(343,853)**
Transfers to/from Earmarked Reserves & Statutory Reserves	(2,924)	2,924	0	0	0
Increase/Decrease in Year	**28,163**	**(361,784)**	**(333,621)**	**(10,232)**	**(343,853)**
Balance at 31 March 2016 carried forward	**(99,863)**	**(1,424,884)**	**(1,524,747)**	**(111,325)**	**(1,636,072)**
Movement in Reserves during 2016/17					0
(Surplus) or deficit on provision of services	54,784	0	54,784	(6,296)	48,488
Other Comprehensive Income and Expenditure	97	(32,132)	(32,035)	15,193	(16,842)
Total Comprehensive Income and Expenditure	**54,881**	**(32,132)**	**22,749**	**8,897**	**31,646**
Adjustments between Group & Council accounts	(46,075)	46,075	0	(8)	(8)
Net Increase/Decrease before Transfers	**8,806**	**13,943**	**22,749**	**8,889**	**31,638**
Adjustments between accounting basis & funding basis under regulations					0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	**8,806**	**13,943**	**22,749**	**8,889**	**31,638**
Transfers to/from Earmarked Reserves & Statutory Reserves	(146)	146	0	0	0
Increase/Decrease in Year	**8,660**	**14,089**	**22,749**	**8,889**	**31,638**
Balance at 31 March 2017	**(91,204)**	**(1,410,796)**	**(1,501,998)**	**(102,438)**	**(1,604,436)**

Group Comprehensive Income and Expenditure Statement

2015/16 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		2016/17 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continued Operation			
233,625	(17,598)	216,027	Education and Childrens Services	244,961	(14,873)	230,088
171,954	(82,276)	89,679	Communities,Housing and Infrastructure	179,883	(72,596)	107,287
117,473	(34,862)	82,611	Integrated Joint Board/Social Work	129,903	(40,234)	89,669
56,671	(55,630)	1,041	Housing Benefits	58,044	(57,408)	636
39,901	(939)	38,962	Corporate and Miscellaneous	40,807	(7,308)	33,499
37,279	(9,034)	28,245	Corporate Governance	37,814	(11,396)	26,419
4,679	(1,843)	2,836	Office of the Chief Executive	6,059	(2,443)	3,616
171,738	(96,498)	75,240	HRA	120,813	(96,686)	24,127
833,321	**(298,679)**	**534,641**	**Cost of Services**	**818,284**	**(302,942)**	**515,342**
0	(4,731)	(4,731)	Other Operating Expenditure	0	(7,214)	(7,214)
66,103	(47,508)	18,595	Financing and Investment Income and Expenditure	71,746	(46,534)	25,212
0	(478,633)	(478,633)	Taxation and Non Specific Grant Income	0	(481,371)	(481,371)
899,423	**(829,551)**	**69,872**	**(Surplus) or Deficit on Provision of Services**	**890,030**	**(838,061)**	**51,969**
		196	Share of (surplus) or deficit on the provision of services of Associates and JV			(4,700)
		70,068	**Group (Surplus)/Deficit**			**47,269**
		(357,134)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(8,123)
		0	Impairment losses on non current assets charged to the Revaluation Reserve			0
		41	(Surplus)/deficit on revaluation of available for sale financial assets			(4,804)
		(56,509)	Actuarial (gains)/losses on pension assets/liabilities			(9,616)
		(481)	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			5,749
		86	Other (gains)/losses			(49)
		(413,997)	Other Comprehensive Income and Expenditure			(16,842)
		(343,929)	**Comprehensive Income and Expenditure from Continued Operation**			**30,427**

Group Balance Sheet

31 March 2016 £'000			31 March 2017 £'000
2,140,010		Property, Plant and Equipment (note xi)	2,239,668
183,894		Investment Property (note xii)	176,390
31		Intangible Assets	0
28,589		Long Term Investments and/or Investments in Associates and Joint Ventures	33,469
172,092		Heritage Assets	172,756
19,578		Long Term Debtors	16,225
2,544,194		Long Term Assets From Continued Operation	**2,638,508**
714		LT Assets Associated with Discontinued Operation *	0
2,544,907		**Long Term Assets**	**2,638,508**
31,119		Short Term Investments	141,227
2,025		Inventories	2,016
53,538		Short Term Debtors	64,656
31,903		Cash and Cash Equivalents	185,081
4,040		Assets held for sale	5,443
122,625		ST Assets From Continued Operation	**398,423**
2,670		ST Assets Associated with Discontinued Operation *	1,453
125,295		**Current Assets**	**399,876**
0		Cash and Cash Equivalents	0
(95,101)		Short Term Borrowing	(61,697)
(88,570)		Short Term Creditors	(91,213)
(3,870)		Provisions	(4,234)
(2,478)		PPP Short Term Liabilities	(2,611)
(2,308)		Capital Grants Receipts in Advance	(598)
(521)		Revenue Grants Receipts in Advance	(473)
(5,618)		Other Short Term Liabilities	(5,630)
(198,466)		ST Liabilities From Continued Operation	**(166,456)**
(1,524)		ST Liabilities Associated with Discontinued Operation *	(896)
(199,990)		**Current Liabilities**	**(167,352)**

Group Balance Sheet

31 March 2016 £'000		31 March 2017 £'000
(223)	Long Term Creditors	(108)
(1,248)	Provisions	(679)
(464,892)	Long Term Borrowing	(896,504)
(1,196)	Liabilities in Associates and Joint Ventures	(2,245)
(103,584)	PPP Long Term Liabilities	(100,973)
	Other Long Term Liabilities	
(262,715)	Pension Liabilities	(265,893)
(833,858)	LT liabilities From Continued Operation	(1,266,402)
(281)	LT Liabilities Associated with Discontinued Operation *	(196)
(834,139)	**Long Term Liabilities**	**(1,266,598)**
1,636,072	**Net Assets**	**1,604,436**
(99,863)	Usable Reserves	(91,204)
(1,424,885)	Unusable Reserves	(1,410,794)
32,560	Group - Usable Reserves	33,361
(142,305)	Group - Unusable Reserves	(135,437)
(1,634,493)	Reserves from Continued Operation	**(1,604,075)**
(1,579)	Reserves associated with Discontinued Operation *	(361)
(1,636,072)	**Total Reserves**	**(1,604,436)**

* From 1 April 2017,the operation of AECC transferred to SMG Europe Ltd. AECC Ltd will be wound up during 2017/18 and is therefore reflected in these accounts as a discontinued operation.

Steven Whyte, CPFA
Head of Finance

27 June 2017

Group Cash Flow

31 March 2016 £'000			31 March 2017 £'000
(70,138)	*	Net surplus or (deficit) on the provision of services	(48,486)
178,933		Adjust net surplus or deficit on the provision of services for non cash movements	132,377
(40,717)		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(54,546)
68,078		Net cash flows from Operating Activities (Note vii)	**29,345**
(95,684)		Net cash flows from Investing Activities (note viii)	(273,999)
14,160		Net Cash flows from Financing Activities (note ix)	397,108
(13,446)		Net increase or decrease in cash and cash equivalents	**152,454**
47,576		Cash and cash equivalents at the beginning of the reporting period	34,130
34,130		**Cash and cash equivalents at the end of the reporting period (note x)**	**186,584**

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 2016, 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 2016 to 31 March 2017, 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 2016, 31 July 2016 and 31 March 2017. 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%.

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. From 1 April 2017,the operation of AECC transferred to SMG Europe Ltd. AECC Ltd will be wound up during 2017/18 and is therefore reflected in these accounts as a discontinued operation.

Common Good

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

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

Trust Funds

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

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

Sport Aberdeen

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

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

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

Bon Accord Care and Bon Accord Support Services

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

Joint Ventures

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts. ASV currently has Net Assets of £37.3m in 2016/17 (£38.1m in 15/16).

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

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian. Durring financial year 2016/17, the partners contributed £311,047,000 in funding to the IJB (£26,809,000 in the period 6 February 2016 to 31 March 2016).

Associates

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

Grampian Valuation Joint Board	39%

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

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

Distribution of Reserves

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

Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £102.7million (increase of £111.3 million in 2015/16).

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 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
Subsidiaries						
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
Joint Ventures						
Aberdeen Sports Village Limited	50	50	38,121	(83)		University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates						
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

For the financial year 2016/17	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000		The accounts can be acquired from
Subsidiaries						
Aberdeen Exhibition and Conference Centre	100	100	(1,639)	(1,220)		AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	111,175	(1,317)		Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,507	(701)		Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(4,242)	(3,938)		Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(9,521)	(556)		Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(597)	(116)		Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures						
Aberdeen Sports Village Limited	50	50	37,312	(820)		University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregrated Joint Board	50	50	10,418	10,418		50 Frederick Street, Aberdeen, AB24 5HY
Associates						
Grampian Valuation Joint Board	39	39	5,757	(2,691)		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 2017, AH&P Ltd made a profit of £355,389 (a profit of £665,267 in 2015/16) and the net assets of the company were £2,369,344 (£2,026,355 in 2015/16). Turnover was £3,636,090 (£3,577,829in 2015/16). The accounts for 2016/17 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 2016/17, Aberdeen City Council contributed £ 131,000 (£47,000 in 2015/16) 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 2015/16 show a deficit of £2,000 (surplus of £2,000 2015/16) 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 2016 net assets amounted to £310,155 (£310,815 in 2014/15) with a loss for the year of £660 (loss of £5,580 in 2014/15). The accounts for 2016/17 are being prepared. It is anticipated that there will be no significant changes as at March 2017. 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 2016/17, Aberdeen City Council contributed £84,134.12 (£62,000 in 2015/16) 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 2016/17, Aberdeen City Council contributed £140,607 (£128,501 2015/16) 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

2015/16 £'000		2016/17 £'000
26,095	Interest payable and similar charges	30,749
8,760	Pensions interest cost and expected return on pensions assets	8,504
(1,197)	Interest receivable and similar income	(932)
(6,064)	Income and expenditure in relation to investment properties and changes in their fair value	(8,883)
(8,995)	Other investment income	(4,227)
18,599	**Total**	**25,211**

Note vii Cash Flow Statement – Group Operating Activities

2015/16 £'000		2016/17 £'000
(70,138)	Net surplus or (deficit) on the provision of services	(48,486)
(70,138)		**(48,486)**
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
69,890	Depreciation	68,587
82,216	Impairment, downward revaluations & non sale derecognitions	57,429
227	(Increase)/Decrease in Stock	81
3,381	(Increase)/Decrease in Debtors	(4,402)
0	Increase/(Decrease) in impairment provision for bad debts	0
(1,737)	Increase/(Decrease) in Creditors	201
14,707	Payments to Pension fund	11,256
6,161	Carrying amount of non current assets sold	10,332
0	Carrying amount of written off assets	0
3,673	Contributions to Other Reserves / Provisions	(3,600)
(864)	Movement in value of investment properties	57
	Assets held for sale movement	0
49	Amortisation of intangible assets	31
1,229	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(7,595)
178,933		**132,377**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(31,307)	Receipt of Capital Grants and Contributions	(43,398)
(9,410)	Proceeds from the sale of PP&E, investment property and intangible assets	(11,148)
(40,717)		**(54,546)**
68,078	**Net cash flows from operating activities**	**29,344**

Note viii Cash Flow Statement – Group Investing Activities

2015/16 £'000		2016/17 £'000
(137,020)	Purchase of property, plant and equipment, investment property and intangible assets	(218,960)
621	Purchase of short term and long term investments	(110,108)
	Other payments for investing activities	
10,266	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,321
(858)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(650)
0	Proceeds from short term and long term investments	0
31,307	Capital grants and contributions received	43,398
0	Other receipts from investing activities	
(95,684)	**Net cash flows from investing activities**	**(273,999)**

Note ix Cash Flow Statement – Group Financing Activities

2015/16 £'000		2016/17 £'000
0	Cash receipts of short term and long term borrowing	0
(28)	Other receipts from financing activities	
15,962	Repayments of short term and long term borrowing	399,615
(1,773)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet	(2,478)
0	Other payments for financing activities	(29)
14,160	**Net cash flows from investing activities**	**397,108**

Note x Cash Flow Statement – Group Cash and Cash Equivalents

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

31 March 2016 £'000		31 March 2017 £'000
35	Cash held by officers	38
34,095	Bank current accounts	186,546
34,130	**Total cash and cash equivalents**	**186,584**

Note xi Group Property, Plant and Equipment

Movements on Balances

Comparative Movements in 2015/16:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Aqssets under Construction	Total Property, Plant & Equipment	PP Assets Included in Property, Plant & Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation									
At 1 April 2015	**825,232**	**909,124**	**67,735**	**210,743**	**23,305**	**20,760**	**54,514**	**2,111,413**	**186,944**
Additions	34,278	28,187	8,948	26,470	1,132	1	32,067	**131,083**	1
Revaluations	103,589	(3,221)	0	0	0	472	0	**100,840**	0
Derecognition / Disposals	(4,984)	0	(13,836)	0	0	0	0	**(18,820)**	(8,059)
Transfers	(637)	13,625	0	0	0	930	(15,325)	**(1,407)**	0
At 31 March 2016	**957,478**	**947,715**	**62,847**	**237,213**	**24,437**	**22,163**	**71,256**	**2,323,109**	**178,886**
Accumulated Depreciation and Impairment									
At 1 April 2015	**(135,576)**	**(41,791)**	**(36,939)**	**(79,364)**	**0**	**(190)**	**0**	**(293,860)**	**(8,059)**
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	13,499	0	0	0	0	**13,499**	8,059
Transfers	0	0	0	0	0	0	0	**0**	0
At 31 March 2016	**(636)**	**(66,219)**	**(29,060)**	**(86,471)**	**0**	**1**	**0**	**(182,385)**	**(3,081)**
Net Book Value									
At 31 March 2016	**956,842**	**881,496**	**33,787**	**150,742**	**24,437**	**22,164**	**71,256**	**2,140,724**	**175,805**
At 31 March 2015	**689,656**	**867,333**	**30,796**	**131,379**	**23,305**	**20,570**	**54,514**	**1,817,553**	**178,885**

Movements in 2016/17

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Aqssets under Construction	Total Property, Plant & Equipment	PP Assets Included in Property, Plant & Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation									
At 1 April 2016	**957,478**	**947,715**	**62,846**	**237,213**	**24,437**	**22,163**	**71,256**	**2,323,108**	**178,886**
Additions	41,833	22,967	7,404	22,187	1,643	17	126,694	**222,745**	20
Revaluations	3,322	(10,933)	0	0	0	(3,715)	0	**(11,326)**	0
Derecognition / Disposals	(36,106)	(44,949)	(7,144)	0	0	(2,177)	0	**(90,376)**	0
Transfers	(1,789)	1,312	0	0	0	0	0	**(477)**	0
At 31 March 2017	**964,738**	**916,112**	**63,106**	**259,400**	**26,080**	**16,288**	**197,950**	**2,443,674**	**178,906**
Accumulated Depreciation and Impairment									
At 1 April 2016	**(636)**	**(66,218)**	**(29,060)**	**(86,471)**	**0**	**1**	**0**	**(182,385)**	**(3,081)**
Depreciation Charge	**(27,922)**	(26,229)	(6,468)	(7,969)	0	0	0	**(68,588)**	(3,081)
Depreciation & Impairment written out	432	39,961	0	0	0	0	0	**40,393**	0
Derecognition / Disposals	179	370	6,025	0	0	0	0	**6,574**	0
Transfers	0	0	0	0	0	0	0	**0**	0
At 31 March 2017	**(27,947)**	**(52,116)**	**(29,503)**	**(94,440)**	**0**	**1**	**0**	**(204,006)**	**(6,162)**
Net Book Value									
At 31 March 2017	**936,791**	**863,996**	**33,603**	**164,960**	**26,080**	**16,289**	**197,950**	**2,239,668**	**172,744**
At 31 March 2016	**956,842**	**881,497**	**33,786**	**150,742**	**24,437**	**22,164**	**71,256**	**2,140,724**	**175,805**

Note xii Investment Properties

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

	2015/16 £'000	2016/17 £'000
Rental and interest income from investment property	(10,345)	(10,908)
Expenses arising from investment property	3,366	1,823
Revaluation (gains)/losses	(503)	202
Net (gain)/loss	**(7,482)**	**(8,883)**

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

	2015/16 £'000	2016/17 £'000
Balance at start of the year	178,233	183,896
Additions:		
• Purchases	203	
• Construction		
• Subsequent expenditure		
Disposals	1	(124)
Net gains/losses from fair value adjustments	5,459	(6,950)
Transfers:		
• to/from Inventories		(430)
• to/from Property, Plant and Equipment		
Other changes		
Balance at end of the year	**183,896**	**176,390**

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2016 and 2017 are as follows:

	Loans		Debtors		Creditors	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
AECC	0	0	1	533	(250)	
Bon Accord Care Ltd	0	0	0	65	(12)	(11)
Bon Accord Support Services Ltd	0	0	4,664	2,846	(2,697)	(4,975)
Sport Aberdeen	(2,990)	(1,720)	55		(122)	
Common Good	(8,840)	(13,806)	0	0	0	0
Trust Funds	(4,355)	(4,075)	0	0	0	0
	(16,185)	**(19,601)**	**4,720**	**3,444**	**(3,081)**	**(4,986)**

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

	Share of Operating (surplus)/deficit £'000	Share of Total Assets £'000	Share of Total Liabilities £'000	Share of Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	154	524	(1,720)	(1,196)
Associates Total	**154**	**524**	**(1,720)**	**(1,196)**
Joint Venture				
Aberdeen Sports Village Limited	42	25,807	(6,747)	19,060
Joint Ventures Total	**42**	**25,807**	**(6,747)**	**19,060**
2016/17				
Associates	**Share of Operating (surplus)/deficit £'000**	**Total Assets £'000**	**Total Liabilities £'000**	**Net Assets /Liabilities £'000**
Grampian Valuation Joint Board	99	536	(2,781)	(2,245)
Associates Total	**99**	**536**	**(2,781)**	**(2,245)**
Joint Venture				
Aberdeen Sports Village Limited	410	24,430	(5,774)	18,656
Integrated Joint Board	(5,209)	(5,209)	0	(5,209)
Joint Ventures Total	**(4,799)**	**19,221**	**(5,774)**	**13,447**

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 £164,000 (£183,900 in 2015/16).

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £3,779,000 (£967,000 surplus in 2015/16).

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 2016/17 BAC made a pension loss of £144,000 while BASS realised a surplus of £932,000.

Joint Ventures

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

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

	2015/16 £'000	2016/17 £'000
Grampian Valuation Joint Board	57	50
Total	**57**	**50**

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'.

	2015/16 £'000	2016/17 £'000
ACC	(251,118)	(393,662)
Share of Associates		
Grampian Valuation Joint Board	(1,525)	(2,584)
Total	**(252,643)**	**(396,246)**

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