



**UNAUDITED ANNUAL ACCOUNTS  
FOR THE PERIOD  
1 APRIL 2018 TO 31 MARCH 2019**

**Contents**

Management Commentary	2	<u>Note 14</u> Cash Flow - Operating Activities	76	<u>Note 35</u> Provisions	105
Statement of Responsibilities	12	<u>Note 15</u> Cash Flow - Investing Activities	77	<u>Note 36</u> Contingent Assets and Liabilities	107
Annual Governance Statement	13	<u>Note 16</u> Cash Flow - Financing Activities	77	<u>Note 37</u> Grant Income	109
Remuneration Report	24	<u>Note 17</u> Cash and Cash Equivalents	77	<u>Note 38</u> Financial Instruments	111
Movement in Reserves Statement	36	<u>Note 18</u> Trading Operations	78	<u>Note 39</u> Nature and Extent of Risks Arising from Financial Instruments	115
Comprehensive Income and Expenditure Statement	38	<u>Note 19</u> Agency Services	79	Loans Fund	119
Balance Sheet	39	<u>Note 20</u> External Audit Costs	79	Housing Revenue Account	121
Cash Flow Statement	41	<u>Note 21</u> Pension Schemes Accounted for as Defined Contribution Schemes	80	National Non Domestic Rates	126
<u>Note 1</u> Accounting Policies	42	<u>Note 22</u> Defined Benefit Pension Schemes	80	Council Tax	128
<u>Note 2</u> Accounting Standards Issued, Not Adopted	58	<u>Note 23</u> Events After the Balance Sheet Date	88	Common Good	130
<u>Note 3</u> Critical Judgements in Applying Accounting Policies	58	<u>Note 24</u> Related Parties	88	Trust Funds & Endowments	133
<u>Note 4</u> Assumptions Made about the Future & Other Major Sources of Estimation Uncertainty	59	<u>Note 25</u> Leases	90	Group Accounts	136
<u>Note 5</u> Adjustments between Accounting Basis and Funding Basis under Regulations	62	<u>Note 26</u> Investment Properties	92	Notes to Group Accounts	141
<u>Note 6</u> Transfers to/from Earmarked Reserves and Other Statutory Funds	64	<u>Note 27</u> Heritage Assets	93	Glossary of Terms	155
<u>Note 7</u> Notes to the Expenditure & Funding Analysis	68	<u>Note 28</u> Property, Plant and Equipment	97		
<u>Note 8</u> Other Operating Expenditure	70	<u>Note 29</u> Capital Expenditure & Financing	101		
<u>Note 9</u> Financing and Investment Income and Expenditure	70	<u>Note 30</u> PPP and Similar Contracts	102		
<u>Note 10</u> Taxation & Non-Specific Grant Income	70	<u>Note 31</u> Assets Held for Sale	104		
<u>Note 11</u> Material Items of Income and Expense	71	<u>Note 32</u> Inventories	104		
<u>Note 12</u> Usable Reserves	71	<u>Note 33</u> Short Term Debtors	105		
<u>Note 13</u> Unusable Reserves	71	<u>Note 34</u> Short Term Creditors	105		

## Management Commentary

### Introduction

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2018/19 and understand our financial performance for the year to 31 March 2019. 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.

Our performance reporting and core financial statements for 2018/19 meet the requirements of the Council and of the London Stock Exchange (LSE), and provide financial transparency for citizens of the City and beyond. Lessons learnt from the successful early close (for Annual Accounts 2017/18) have been implemented in developing the robust procedures and deadlines that are needed to ensure the unaudited Annual Accounts can be produced by the end of April 2019 and the audited Annual Accounts by the end of June 2019.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2019, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code). The Code is based on International Financial Reporting Standards (IFRS) and as such the accounts provide a reconciliation between the two reporting methodologies. For the 2018/19 Annual Accounts, the requirements of IFRS 9 for Financial Instruments have been introduced. This standard relates to financial assets and liabilities such as investments or debts and sets out the principles of recognition and measurement, impairment and derecognition.

### Highlights

Aberdeen City Council is the main provider of services to the city's 229,000 residents and those who visit, work and do business in the city encompassing the wider North East population. Our resources are focused on the provision of Education, Social Work, Housing, Environmental and Community Services, as well as supporting investment in the city's infrastructure.

In 2018/19, the Operations Function was our largest spending responsibility, accounting for £225 million of our total £392 million service expenditure. This Function provided Education and Integrated Children's Services to over 36,000 children at a cost of £194 million and Operational and Protective services including roads and waste collection services at a cost of £39 million. £85 million was invested in Social Work services as part of the Integrated Joint Board arrangement with NHS Grampian. £80 million was spent on Council Housing – managing and maintaining 21,974 homes. £34 million was spent on our Customer Function that includes housing support and customer service. The balance of £47 million was spent on the Resources and Commissioning Functions and City Growth, Place Planning and Governance service clusters.

In 2018/19, we received total income of £438 million with this comprising £228 million and £117 million raised locally through non-domestic rates and council tax respectively whilst £94 million was received from government grants, with the balance coming from service related grants, fees, charges and other income.

In setting its 2018/19 General Fund budget, against a backdrop of reducing revenue grant, £18.9 million of budget savings and increased income targets were approved; in addition, the council tax was increased by 3% raising additional revenue of £3.4m. The savings were primarily proposed to be by reducing our staff resource complement through introducing the Target Operating Model of £10.4 million and third party spend savings of £6.8 million. Substantially these savings were achieved, and governance was put in place to track the savings and mitigate and offset risk areas. Demand and the need to meet statutory obligations presented cost pressure during the year, alongside the rising cost of the workforce stimulated by the lifting of the Public Sector Pay Cap that was announced by the Cabinet Secretary for Finance and the Constitution in December 2017.

The final out-turn position was a 1% overspend on the function expenditure budget before funding of £438 million.

The council introduced a revised reserves policy in March 2019. Usable revenue reserves stood at £58 million at 31 March 2019. This is a significant value to provide the financial resilience required into 2019/20.

Significant progress has been achieved on capital projects during 2018/19 with a total investment of £217 million including:

- Construction works are well advanced on The Event Complex Aberdeen (TECA), and the Energy Centre has been handed across to the Council as the first piece of complete infrastructure.
- The City Centre Masterplan continues to invest in Aberdeen; the Art Gallery refurbishment project achieved practical completion in early spring and has moved into the fit out phase; both Marischal Square and Broad Street are now operational; the revitalised Music Hall re-opened after refurbishment just before Christmas 2018.
- The Council's Local Transport Strategy achieved a major milestone in early 2019 with the opening of the final section of the Aberdeen Western Peripheral Route.
- Transport Connectivity continues to be supported by investment in the City Region Deal for the Aberdeen Harbour Extension project at Bay of Nigg and the associated roads infrastructure.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside investment in Intelligent Street Lighting to compliment the investment in Street
- Lighting LED lanterns and replacement of corroded columns.
- The Council's Waste Strategy achieved a major milestone in March 2019 when Council approved the award of contract to the preferred bidder for the joint Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils.
- The new Lochside Academy and Stoneywood Primary both opened to pupils in summer 2019.
- The Council confirmed its commitment to its new school programme in March 2019, and appointments have been made to progress the £100 million investment on 4 new schools.
- Construction is complete on new and refurbished community facilities at Tillydrone Hub and Station House Media Unit.

The annual review of our credit rating was undertaken during the year, with the rating affirmed in November 2018 at Aa3 with a stable outlook.

### **The Council and Our Plans and Performance**

- **Who we are** - We are one of 32 Councils in Scotland. We have 8,831 employees and their commitment, professional approach and expertise is critical to service delivery. The very nature of our services is such that we employ a diverse range of professionals including teachers, social workers, engineers, architects, lawyers, accountants, surveyors and administrators.
- **What we do** - Our governance is overseen by 45 members who are elected every 5 years by the citizens of Aberdeen. Following the Local Government Election on 4 May 2017, a joint Administration was formed by the Conservative, Labour and Independent Alliance.
- **Our goals and plans** - The Council operates across different planning levels from the North East region to individual localities, whilst internally planning from the corporate level to individual members of staff. Our key documents can be found below, and are available to view on the Council's website as detailed.
  - [Council Delivery Plan 2019/20](#)

On 5 March 2019 the Council Delivery Plan 2019/20 was approved. Full details can be viewed at the Council's website in Committee reports for the Council meeting in March 2019. This plan continues to build on the achievement of the council vision:

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

The plan summarises key deliverables under the headings:

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

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

The Delivery Plan is aligned to further key documents below:

- [Regional Economic Plan](#)

Approved in December 2015, providing a twenty-year vision for the well-being of the place and our people through a longer term plan for economic development. Full details can be viewed on the Council's website in Committee Reports for the Council meetings on 16 December 2015. Details of the updated action plan for 2018-2023 can be viewed in Committee Reports for the City Growth and Resources Committee on 19th June 2018.

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

Adopted during 2016/17, establishing improvement outcomes and associated measures for a ten year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPP) Board. The LOIP was refreshed in 2019 and approved by the CPP on 26 February 2019. The LOIP can be viewed on the website of Community Planning Aberdeen.

- [Policy Statement](#)

Approved in August 2017, providing the Administrations vision, Stronger Together – Prosperity for Aberdeen 2017-2022. Full details can be viewed at the Council's website in Committee reports for the Council meeting in August 2017.

- [The Target Operating Model](#)

On 23 August 2017, the Council approved a fundamental change in the way council services are managed and delivered through the implementation of a new Target Operating Model. Further development of the model was approved by Council on 11 December 2017 and a new governance structure aligned to the model was approved on 5 March 2018. The Scheme of Governance was further refreshed on 4 March 2019. The key documents can be found at the Council website in Committee reports for the Council meeting in August and December 2017, March 2018 and March 2019.

Phase 1 of the Council's transformation programme was the agreement and the implementation of the Target Operating Model (TOM) by 2020/21. Phase 1 has been successfully implemented and Phase 2 commenced during 2018/19. Phases 2 to 4 are characterised by a deliberate plan to translate the strategy of the TOM, incorporating the digital strategy, into the everyday of the organisation. The transformation programme will be key to delivering the extremely challenging financial targets for the council for 2019/20 and beyond.

Phases 2 to 4 of the transformation will be achieved through the delivery of seven capabilities, with digital as a key enabler to support their delivery. The capabilities flow from the design principles of the TOM and are articulated below:

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

The capabilities will be delivered through seven programmes of work, one for each capability and a digital programme, incorporating a suite of transformational projects designed to deliver the capabilities and associated benefits, both financial and non-financial.

Delivery of the projects, and ultimately the capabilities, are managed by eight Programme Groups. The Programme Groups will ensure the delivery of the projects on time, on budget and to the agreed quality. Each of the Programme Groups is chaired by a Senior Responsible Officer (SRO).

The Programme Groups are accountable to the Transformation Management Group (TMG). The TMG will govern and provide strategic direction to the transformation portfolio and monitor the return on investment, ensuring achievement of the capabilities and subsequent delivery of benefits, both financial and nonfinancial.

- [Legislative duties](#)

The Council Delivery Plan details new legislation that may impact the Council directly during 2019/20.

PEOPLE (Children)	PEOPLE (Adults)	PLACE
<ol style="list-style-type: none"> <li>1. The Teachers' Superannuation and Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2019</li> <li>2. Child Poverty (Scotland) Act 2017</li> <li>3. The Continuing Care (Scotland) Amendment Order 2019</li> </ol>	<ol style="list-style-type: none"> <li>1. Community Care (Personal Care and Nursing Care) (Scotland) Amendment (Number 2) Regulations 2018</li> <li>2. Domestic Abuse (Scotland) Act 2018</li> <li>3. Criminal Justice (Scotland) Act 2016</li> <li>4. Local Connection and Intentionality Provisions in the Homelessness etc (Scotland) Act 2003</li> </ol>	<ol style="list-style-type: none"> <li>1. Housing (Amendment) (Scotland) Act 2018</li> <li>2. Planning (Scotland) Bill</li> </ol>

### **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. In April 2018, our Scheme of Governance was enhanced by the introduction of a Staff Governance Committee and in March 2019 the Committee approved the guiding principles within the context of an updated behavioural framework to shape our future relationships with colleagues and customers.

### **Engaging with our staff**

As well as investment in staff development we recognise the importance of an engaged and committed workforce. Over the last year we have ensured that staff engagement is a key part of our Key Performance Indicators (KPI). During 2018/19 we continued to develop programmes of engagement around transformation and the transformation zone. Initiatives that have already been implemented include listening and responding to our staff through means such as opinion surveys and staff events; recognising and celebrating employee success, such as our annual STAR Awards ceremony; a focus on employee wellbeing through health fairs, free health checks and other wellbeing initiatives; and providing a means for staff to put forward ideas and suggestions through the introduction of our online Ideas Hub.

### **Diversity at work**

As an equal 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. Significantly, work continues to progress on the City Region Deal – a commitment from both governments to invest £125 million each with ourselves and Aberdeenshire to improve the infrastructure, business diversification and digital accessibility within the region and the additional commitment to £254 million from the Scottish Government which demonstrates the strategic importance of the City as an economic engine room within the UK. Full details can be viewed on the Council Website in Committee Reports for the Aberdeen City Region Deal Joint Committee. Further information is available including the 2018 Annual Report on the City Region Deal Website at [Abzdeal.com](http://Abzdeal.com)

The proposed exit of the United Kingdom from the European Union will likely have an impact on the Council during the course of 2019/20. At this stage there is no indication that either the UK or Scottish Parliaments intend to confer any new duties on local authorities in Scotland as part of the process of the UK exiting the European Union. This matter will continue to be monitored closely by the council, with risk registers regularly reviewed and updated.

### **Performance Management System**

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

The Council has a number of Arm's Length External Organisations (ALEOs), a number of which form part of our group and are reflected in the group accounts on pages 135 to 153. Significant investment is made in ALEOs by the Council and proper consideration must be given to their performance and governance arrangements. An ALEO Assurance Hub is in place to scrutinise a range of information including operational and financial performance and people and risk management. This provides a strong platform from which to ensure review of the performance of ALEOs is embedded in the Council's culture.

## Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 38 shows Net Assets of £1,371 million as at 31 March 2019 (£1,384 million at 31 March 2018), a reduction of £13 million. Long Term Assets have increased by £128 million (from £2,684 million at 31 March 2018), reflecting additions of £245 million to Property, Plant & Equipment (PPE), revaluation decreases of £43 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £1 million and depreciation of £72 million. Short Term Assets have reduced by £24 million from the previous year, reflecting a decrease in Short Term Investments (£54 million) as a result of bond funds reducing in line with capital programme spending progress and increases in Cash & Cash Equivalents (£14 million) and Debtors (£15 million). Current Liabilities have increased by £128 million from the previous year, in Short Term Borrowing from other local authorities (£118 million) and Grants Received in Advance (£8 million). Long term liabilities have reduced by £11 million, mainly due to an reduction in pension liabilities.

Future liabilities, anticipated as a result of past events, are recognised as Provisions, where reasonably certain and quantifiable, and Contingent Liabilities where there is less certainty and limited or no data available to quantify any future financial liability. Full details can be found at Notes 35 and 36 on pages 104 – 107.

Total debt outstanding amounts to £1,056.6 million (2018 £936.9 million). The majority of borrowing comes from the Public Works Loans Board (PWLB) and a Bond Issuance, with the remainder coming from Market Loans and temporary borrowing from various public bodies and financial institutions. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

- [Reserves](#)

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

Capital Financing Costs is a significant budget within Corporate, and includes the impact of accounting requirements in relation to the Council's Bond Issue, and an overall increased level of external borrowing. The actual charges for 2018/19 take account of the beneficial impact that arises from implementing treasury management advice on capital financing costs approved in April 2019 by the City Growth and Resources Committee. In addition the consistent approach of mitigating the accounting requirements in relation to the Bond issue are funded by usable reserves in the short term (Capital Fund), resulting in a medium to long term annual benefit for the General Fund budget.

Reviewing the practicalities and extension of the period over which Council assets will be used, and the interest rate applicable to the debt is a prudent approach to accounting for capital financing costs and this has been incorporated into the financial statements for 2018/19..

The review also considered the option, as available through statutory guidance from the Scottish Government, subject to certain conditions, to use capital receipts to fund the costs of Voluntary Severance/Early Retirement and concluded this to be the most suitable option at this time. To facilitate this, capital receipts normally held in the Capital Fund have been utilised to fund the costs incurred in 2018/19 and to create a provision for 2019/20 costs.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but has not yet been spent. The most significant of these are income from second/long term empty homes, bus lane enforcement, pupil equity funding and general revenue grant received in advance.

Our reserves are detailed in Notes 5 and 6 on pages 61 to 66.



- [Treasury](#)

The annual review of the Council's credit rating was undertaken and affirmed at Aa3 with a stable outlook in November 2018. In its credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance".

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

The Council's Treasury Management Strategy for 2018/19 set the policies and boundaries for our investments and borrowings, with the stated investment priorities being a) security of capital; and b) the liquidity of investments. Full details can be viewed at the ACC website in Committee Reporting for Council Meeting on 5 March 2018.

- [Revenue](#)

During 2018/19, the Council set a net revenue expenditure budget of £526 million (being £439 million on the General Fund and £87 million on the Housing Revenue Account). The performance during the year resulted in a surplus of £8.3 million (represented by £0.5 million on the General Fund and £7.8 million on the Housing Revenue Account). This reflects the service performance prior to any year-end adjustments, such as the use of reserves and statutory funds, and statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 67 and the Comprehensive Income and Expenditure Statement (CIES) on page 37 as follows:

Financial Performance 2018/19	Quarter 4 Final Position	Transfers between funds and other adjustments	(Surplus)/ Deficit per EFA	Other Adjustments	Statutory Adjustments	(Surplus)/ Deficit per CIES
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(562)	24,111	23,549	(10,628)	54,217	67,139
Housing Revenue Account	(7,775)	(7,191)	(14,966)	(18,923)	54,538	20,649
<b>(Surplus)/Deficit on provision of services</b>	<b>(8,337)</b>	<b>16,919</b>	<b>8,582</b>	<b>(29,551)</b>	<b>108,756</b>	<b>87,787</b>
Other Comprehensive Income and Expenditure						(75,141)
<b>Total Comprehensive Income &amp; Expenditure Surplus</b>						<b>12,646</b>

- [Capital](#)

The Capital budget for the period 2019/20 to 2023/24 was set at £657 million (General Fund £503 million, Housing £154 million). Total investment in Non Housing Capital 2018/19 was £209 million. This was financed by capital grants (£24 million), an increase in borrowing (£167 million) and capital receipts and other income (£18 million).

- [Group Accounts](#)

The Aberdeen City Council Group consists of subsidiaries, joint ventures and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with total assets of £3,133 million. This is an increase against the total assets of the Council, which are £3,028 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2018/19. Details can be seen on page 135.

- [Common Good](#)

The Common Good recorded a surplus of £0.8 million, largely due to increased rental income and lower than anticipated spend on a number of projects. As many of these projects are ongoing funds have been earmarked to provide the necessary funding to complete them during 2019/20.

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 £120.5 million at 31 March 2019, an increase of £6.2 million from last year, reflecting movements in the value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 129 to 131.

- [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 2019 was £10.5 million, an small increase of £0.06 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 132 to 134.

### Outlook including Risks and Uncertainties

- [Economy](#)

Aberdeen is at the heart of one of the most prosperous regions in the UK outside of London. Economic activity in Aberdeen and the North East is high due to a host of factors including the Oil and Gas Sector. GVA, productivity, disposable income levels, house prices and commercial property returns are significantly higher than Scotland and UK averages. This is an export-led economy with its export share considerably higher than its GVA share demonstrating the international reach of the city region.

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

The decline in the price of oil between 2014 and 2016 has had an impact on the Aberdeen economy. Oil & Gas UK estimate that the UK Continental Shelf (UKCS) currently supports around 283,000 jobs across the UK, most of which are highly skilled and well paid. Since 2017 there has been a limited recovery in the oil price from its historic low in January 2016, that has enabled the sector in Aberdeen to refocus and look to the future.

The Council recognises the economic challenges it operates within. It delivers a wider range of enabling services (transport / roads, housing, planning and education) that are crucial to the functioning of the North East of Scotland as a competitive business, investment and visitor destination. The city is home to 11,000 'businesses' (including public administration), supporting around 189,000 jobs and generates an estimated £256m in non-domestic rates.

The population is still projected to grow over the next 35 years and this has informed the preparation of the statutory Aberdeen City and Shire Strategic Development Plan for the region, and Aberdeen Local Development Plan for the city. The annual Housing Land Audit (a joint Aberdeen City and Aberdeenshire Council report) is prepared using data provided by developers. In the 2018 Audit for the Aberdeen City area, an anticipated projection of housing completions totaling 9,219 units up to the year 2025 is shown (2019-2025). These units will vary in size and type depending on where they are built. The Proposed Strategic Development Plan (2018) has calculated a Housing Supply Target of 17,702 units beyond the year 2025 (2026-2040).

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

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

- [2019/20 Budget and Medium Term Financial Outlook](#)

The Council set its 2019/20 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 5 March 2019. The 2019/20 General Fund budget presented proposals to address a significant gap of £41.2 million to Elected Members. The categories of savings proposals are £17.9 million of streamlining and reviewing services; £9.7 million of reductions in contract, grant and other expenditure; and £0.8 million of asset rationalisation proposals. £5.2 million is proposed to be raised by increasing Council Tax and £3.2 million from additional fees and charges. A further £4.3m is to be raised from other and one-off sources and use of earmarked reserves. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals. This can be found on the ACC website at Committee Reporting for Council meeting on 5 March 2019.

- [Risks and Uncertainties](#)

The council operates a risk management policy and strategy which identifies risks affecting the council, aligned to the strategic plan objectives. The Risk Management Framework was approved by the Audit Risk and Scrutiny Committee in February 2018.

The risk review and the corporate risk register were presented to the Audit, Risk and Scrutiny Committee on 25 September 2018. The key risks to the council along with risk owners and mitigating actions are set out in this document. It can be found on the ACC website in Committee Reporting for the above committee.

## Conclusion

The Council continues to maintain a strong credit rating of Aa3 with a stable outlook, recognising “a strong institutional framework” and “a strong track record of operating performance” and thereby demonstrating external assurance on the financial governance and strength of the organisation.

The 2018/19 financial year results showed a surplus of £5 million for the year across all Council accounts. This shows another strong performance over the year and this surplus will be set aside to provide investment to ensure longer term stability in service delivery going forward.

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

## Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from across the organisation, as well as those in the wider Aberdeen City Council group. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2018/19 Annual Accounts to very tight deadlines.

Jonathan Belford, CPFA  
Chief Officer - Finance  
30 April 2019

Angela Scott  
Chief Executive

Councillor Douglas Lumsden  
Co-Leader of the Council

---

## Statement of Responsibilities

### The Council is required to:

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

Signed on behalf of Aberdeen City Council

Councillor Douglas Lumsden

Co-Leader of the Council

30 April 2019

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

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

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

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

### I have also:

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

I certify that these Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2019.

Jonathan Belford, CPFA

Chief Officer - Finance

30 April 2019

## Annual Governance Statement

### PURPOSE OF ANNUAL GOVERNANCE STATEMENT

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

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

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

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

### SECTION 1 SCOPE OF RESPONSIBILITY

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2019 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, given the crucial role of governance, performance management and risk management in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen. It also provides a measure of progress towards the Target Operating Model which relies on sound governance arrangements.

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

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

The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities will be considered 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 also has an approved [Local Code of Corporate Governance](#). The Code sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of our systems of internal control.

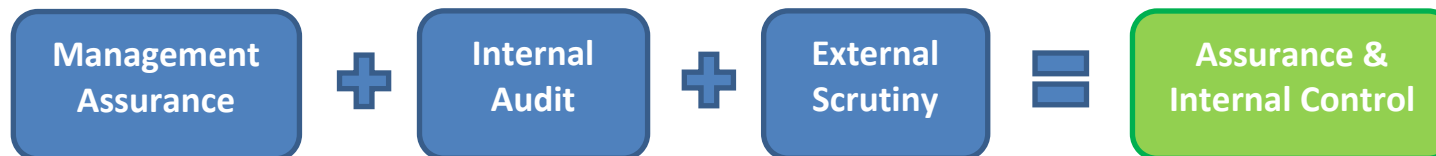
<b>Principle A</b>	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
<b>Principle B</b>	Ensuring openness and comprehensive stakeholder engagement
<b>Principle C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits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

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

## SECTION 2 REVIEW OF EFFECTIVENESS

### 2.1 SOURCES OF ASSURANCE

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



#### 2.1.1 Management Assurance

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

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

These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses are incorporated into the 'Significant Governance Issues' section (Section 4) further to assessment of returns by the Corporate Management Team. For 2018/19, 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 other statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the extended Corporate Management Team. In addition, the CFO and Monitoring Officer, or their nominees, were in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the City Growth and Resources Committee.

During 2018/19 the Council implemented the new Scheme of Governance and reviewed it during its first year of operation. This led to further improvements being agreed in March 2019, to support more efficient and transparent decision making.

The Council also established a governance structure to support delivery of the Target Operating Model (TOM). This included a Transformation Management Group (TMG) to provide strategic direction and monitor the return on investment. The TMG has oversight of eight programmes of work which will deliver the TOM.

In addition, a Governance Function was established, including an Assurance Team, Democracy Team, Legal Team, and the Programme Management Office. This directly supports the strengthening of our governance framework and reinforces accountability and ownership across the organisation.

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

#### **Group Entities**

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

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

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

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

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



The Hub reported to the Audit, Risk and Scrutiny Committee in May and September 2018 and February 2019 on the level of assurance they had received from each ALEO and advising on the level of risk to the Council. The Hub also reviewed its terms of reference and reported these to the Audit, Risk and Scrutiny Committee in December 2018. These were approved unanimously and the Hub was commended on the assurances provided.

The Assurance Hub reviewed the following areas in 2018/19:-

- Decision making, Board composition and capacity;
- Review of risk registers;
- Review of quarterly trading accounts and annual audited accounts;
- Review of internal and external audit arrangements;
- Accountability and transparency of ALEO decision making;
- Public participation in ALEO decision making;
- Business continuity planning;
- Information governance and data protection;
- Medium term financial planning;
- Schemes of Delegation and Financial Regulations; and
- Oversight by ALEO Risk Management Committees.

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

Audit Scotland's report, *How Councils Use Arms-length Organisations*, reported that all sample councils had appropriate governance processes for overseeing ALEOs but more effective practice included scrutiny proportionate to the risks involved, and clear roles and responsibilities for councillor and officer oversight. Audit Scotland particularly highlighted Aberdeen City Council's ALEO Assurance Hub model as an example of effective practice in the oversight of ALEOs.

### **Integration Joint Board**

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2018/19 to strengthen its governance arrangements. These include:-

- Review of Committee Terms of Reference
- Appointment of Data Protection Officer to the IJB
- Approval of ACHSCP Annual Report 2017/18
- IJB Developmental Workshop session - focus on the development of the new three-year Strategic Plan
- Chairs of the Audit and Performance Systems Committee and Clinical and Care Governance Committee reviewing remits of Committees to ensure alignment and reduce duplication
- Strategic Risk Register review – including revised risk register and risk appetite statement
- Strategic Plan 2019-2022 – consideration of governance milestones and the engagement activity the Partnership had undertaken to inform the refreshed three year plan. Development of a new suite of indicators to monitor the achievement of priority areas. Following the refresh of the Strategic Plan, the Partnership will review its portfolio of strategic documents. Consultation undertaken on draft Strategic Plan until end February 2019.
- Mapping of the performance indicators to the strategic priorities.
- Review of the IJB's Financial Regulations and Board Assurance and Escalation Framework
- Established an Audit and Performance Systems Committee timetable to ensure that the Terms of Reference of the Committee are being addressed during the financial year.
- Approval of IJB Workforce Plan.

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

### **2.1.2 Internal Audit**

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

In April 2019, the Chief Internal Auditor will provide the Council with an annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2019.

The report will provide details of the position relating to the audits contained within the 2018/19 audit plan and highlight that the majority of recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment. Having taken all factors into consideration the annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control as drafted concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2019. The report will further confirm the organisational independence of Internal Audit.

The Audit, Risk and Scrutiny Committee received a range of reports during the year produced by Internal Audit which enabled scrutiny and questioning of officers to take place. This helped the Committee to gain assurance about the identified weaknesses and the actions being taken to address them. The Internal Audit plan for 2018/19 was agreed by the Audit, Risk and Scrutiny Committee on 22 February 2018. A total of 16 audits were completed by the end of the year, with a further 7 underway, and 2 rescheduled to later years. 159 recommendations were made, of which one was classed as major at corporate level and one major at a service level/within the audited area. The remainder were either significant within the audited area or important within the audited area. Although it is acknowledged that different areas of the organisation are audited each year, the total number of recommendations made by Internal Audit has reduced from 340 in 2016/17 and 274 in 2017/18.

Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to each Audit, Risk and Scrutiny Committee each cycle and the Corporate Management Team monthly. The number of recommendations that had not met their initial timescale for implementation has reduced from 45 at the start of the year to 14 at the date of publication of this report. This represents significant progress by officers in ensuring that outstanding audit recommendations are closely monitored and kept to a minimum.

### **2.1.3 External Scrutiny**

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

## **2.2 Assessment of Governance Activity**

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

Table A below summarises sources of assurance against the requirements of the Local Code of Governance for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. This includes a self evaluation of effectiveness as at 31<sup>st</sup> March 2019 thereby providing assurance around our systems of internal control:

Table A

CIPFA Principle of Good Governance	Sources of Assurance 2018/19
<b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<ul style="list-style-type: none"> <li>➤ Information governance management, reporting and scrutiny, including implementation of General Data Protection Regulation 2018 by Council and its ALEOs</li> <li>➤ Monitoring of Scheme of Governance to ensure that it supports progress towards the Target Operating Model; training delivered to elected members and officers; approval of further revisions to the Scheme of Governance to make decision making more efficient and transparent. Review noted as 'thorough and robust' and a 'positive evolution of the Council's overall governance framework' by external auditors.</li> <li>➤ Member Officer Relations Protocol successfully utilised and facilitated positive remedial action.</li> <li>➤ First annual review by Committees of their effectiveness against Terms of Reference initiated.</li> <li>➤ Implementation of a new Scheme of Establishment and complaints process for Community Councils.</li> <li>➤ Delivery of training on Bond Governance to Chief Officers, elected members and ALEOs.</li> <li>➤ Development of a corporate policies register and corporate policies template linking all policies to strategic outcomes.</li> </ul>
<b>B - Ensuring openness and comprehensive stakeholder engagement</b>	<ul style="list-style-type: none"> <li>➤ Staff Governance Committee, including trade union adviser representatives.</li> <li>➤ Weekly Director and trade union meetings to strengthen engagement.</li> <li>➤ Regular meetings between Chief Officers and TU representatives for cluster level engagement</li> <li>➤ Trade union engagement protocols implemented in respect of health and safety.</li> <li>➤ City wide budget consultation event held with organisations supported by the Council directly and indirectly.</li> <li>➤ Leadership Forum established to engage leaders at all levels to contribute towards the next stages of Transformation.</li> <li>➤ Extensive engagement on a set of Guiding Principles as the new behavioural framework for the Council, culminating in approval by Staff Governance Committee.</li> <li>➤ Annual review of the ALEO Assurance Hub in December 2018 resulting in revised terms of reference.</li> <li>➤ Participated in a programme, through the Scottish Cities Alliance, to make "open data" available through a dedicated portal.</li> <li>➤ Centralised customer feedback function, including social work complaints, to ensure further consistency in complaint handling. A new system to manage complaints was implemented.</li> <li>➤ Tenant Participation Review Group established to review customer feedback.</li> <li>➤ Implementation of Customer Experience Platform and enhanced digital capabilities, including new Council website and an extensive portfolio of new online services including digital school admissions.</li> <li>➤ Joint review, including Council, civic and partner representatives to explore civic representation and involvement. The findings of this review will be developed through the Transformation programme.</li> <li>➤ Involvement of community representatives, along with partner agencies, in the Community Planning Aberdeen consultation on the refreshed LOIP, and ongoing involvement in project groups including chairing the Community Engagement Group.</li> <li>➤ Approved a Participatory Budgeting Policy, applying learning from local delivery and review of guidance and best practice.</li> <li>➤ Approval of a Participatory Budgeting approach to the Common Good fund.</li> <li>➤ Allocation of £1.6m Fairer Aberdeen Fund through a Participatory Budgeting approach.</li> <li>➤ Implementation of a Key Account Management System with the City's top business employers and Extended Corporate Management Team.</li> <li>➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee.</li> </ul>
<b>C - Defining outcomes in terms of sustainable</b>	<ul style="list-style-type: none"> <li>➤ Approval of Local Outcome Improvement Plan 2019-2026</li> <li>➤ Approval of Corporate Delivery Plan 2019/20</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2018/19
<b>economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>➤ Approval of commissioning intentions defining the contribution of the organisation to the LOIP. The commissioning intentions describe the priorities for the Council's in-house commissioned services in the next financial year.</li> <li>➤ Approval of the Local Development Plan – Main Issues 2019.</li> <li>➤ .Agreement of a new Community Learning and Development plan 2018-21</li> <li>➤ Agreement of the draft Rapid Rehousing Transition Plan and membership of local Housing 1<sup>st</sup> Consortium</li> <li>➤ Agreement of the Local Housing Strategy</li> <li>➤ Approve of the Economic Policy Panel Annual Report.</li> </ul>
<b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	<ul style="list-style-type: none"> <li>➤ Approval of Population Needs Assessment and establishment of data observatory.</li> <li>➤ Approval of an outcome based commissioning model.</li> <li>➤ Business Intelligence and Performance Management service within Commissioning Function accomplishing better understanding of need, demand, service delivery and support data driven decision making.</li> <li>➤ Expansion of quality improvement training and support programme “Improve and Innovate” to 300 officers.</li> <li>➤ Early Intervention and Community Empowerment service within Customer which will help to manage the increasing demand being placed on the Council's services, through the Council's Transformation programme.</li> <li>➤ Enabled auto-entitlement of free school meals through data match.</li> </ul>
<b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	<ul style="list-style-type: none"> <li>➤ Appointment of Extended Corporate Management Team including Chief Officers for Digital and Technology, People and Organisation and Business Intelligence and Performance.</li> <li>➤ Creation of Governance Function including Assurance Team which provides support to all Council services to comply with health and safety, risk management, civil contingencies requirements.</li> <li>➤ Training of councillors and officers on their obligations relative to the London Stock Exchange and Bond issue and on the Scheme of Governance.</li> <li>➤ Completion of testing to deliver Core HR in preparation for delivery in 2019/20.</li> <li>➤ Testing of revised Performance Review and Development system with Chief Officers and engagement with staff on revisions.</li> <li>➤ Creation of consolidated ICT Security function.</li> <li>➤ Leadership Capability Framework introduced for Chief Officers and a piloted self assessment to create a development programme and a capability framework for service managers</li> <li>➤ Continuation of development planning sessions for new and existing Chief Officers based on outcomes from the matching/ recruitment process.</li> <li>➤ Establishment of training programme on use of data.</li> </ul>
<b>F - Managing risk and performance through robust internal control and strong public financial management</b>	<ul style="list-style-type: none"> <li>➤ Internal Audit's Annual Report and Internal Financial Control Statement for 2018/19 presented to Audit, Risk and Scrutiny Committee in April 2019.</li> <li>➤ Risk Registers developed for all Cluster areas and reported to Committees</li> <li>➤ Corporate Risk Register reviewed by Audit, Risk and Scrutiny Committee and Corporate Management Team.</li> <li>➤ Organisational Resilience Group retained oversight of resilience actions, including incident debriefs, reporting quarterly to CMT.</li> <li>➤ Review of credit rating by credit rating agency noting the Council's 'strong institutional framework' through internal governance and scrutiny.</li> <li>➤ Establishment Control Board to manage and monitor reduction of headcount.</li> <li>➤ Procurement Control Board established to manage and monitor reduction of expenditure.</li> <li>➤ Scrutiny of safety management plans by Staff Governance Committee.</li> <li>➤ Corporate Investigation Team minimising financial losses to the public purse as a result of fraudulent activities.</li> <li>➤ Creation and approval of ICT Access Control Policy.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2018/19
<b>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	<ul style="list-style-type: none"> <li>➤ Achieved Cyber Essentials Plus accreditation (government backed cyber scheme).</li> <li>➤ Participation in a peer review for the PREVENT agenda as part of CONTEST and resulting recommendations being progressed.</li> <li>➤ Receipt of Controller of Audit letter which noted 'high degree of scrutiny and challenge' with 'clear focus on outcomes' and 'leadership development activity.'</li> <li>➤ Approval of revised Performance Management Framework.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Revised Scheme of Governance.</li> <li>➤ Implementation of a central Access to Information Team.</li> <li>➤ Implementation of Business Services Team within Customer Function.</li> <li>➤ Review and representation of public performance reporting.</li> <li>➤ Improvements to City Region Deal governance arrangements.</li> </ul>

### SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2019/20 we will continue to progress with the review and monitoring of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Stewardship arm of the Corporate Management Team.

An action plan is in place to take forward areas of development identified by CIPFA, who will assess the Council for the Governance Mark of Excellence towards the end of 2019/20. The table below highlights some of the *primary* actions planned in 2019/20.

**Table B**

CIPFA Principle of Good Governance	Primary Actions Planned 2019/20
<b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<ul style="list-style-type: none"> <li>➤ Develop a Strategy and Policy Framework and review existing policies in line with corporate template, including Employee Code of Conduct, Money Laundering Policy, and various health and safety policies and procedures to respond to audit findings.</li> <li>➤ Implementation of a multi-agency model for handling Subject Access Request from care experienced adults.</li> <li>➤ Third review of the Council's Scheme of Governance.</li> <li>➤ Approval of a Customer Charter.</li> <li>➤ Establishment of a data ethics policy and governance arrangements.</li> </ul>
<b>B - Ensuring openness and comprehensive stakeholder engagement</b>	<ul style="list-style-type: none"> <li>➤ Development of models for civic leadership and engagement to strengthen collaborative decision making.</li> <li>➤ Expand the use of the Customer Experience Platform for complaint handling to include all social work complaints.</li> <li>➤ Continue to progress towards a UNICEF Child Friendly City and a Dementia Friendly City status.</li> <li>➤ Continue to define and implement Citizen Juries Open Space events, Commons events with a focus on the common good, increased / enhanced use of the existing City Voice Citizen's Panel, emergent technology to interact with local residents and communities.</li> <li>➤ During 2020, the complementary Participatory Budgeting project should have reached the stage of seeking approval of empowerment models and tracking benefit realisation. This will need to be integrated with Civic Leadership proposals.</li> <li>➤ Design Thinking approach to be implemented in service redesigns across the Council, working together to co-design between customers, services and partners to identify solutions.</li> <li>➤ Undertake consultation on a long term Housing Revenue Account rent policy for Council House rent.</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2019/20
<b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>➤ Expand the volume of open data available.</li> <li>➤ Make the Data Observatory publicly available.</li> <li>➤ Mapping National, Regional, City and institutional strategies to delivery of outcomes.</li> <li>➤ Continued transition to implementation of an outcome based commissioning model to ensure the strategic allocation of resources.</li> <li>➤ Child Poverty Action Plan submission and compliance</li> <li>➤ Agreement of final Rapid Rehousing Transition Plan</li> <li>➤ Review of Community Safety, Risk and Concern and Criminal Justice hubs</li> <li>➤ Developing Community and Business resilience through targeted projects.</li> <li>➤ Continued development of the Champions Board to improve outcomes ofr Care Experienced Young People.</li> </ul>
<b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	<ul style="list-style-type: none"> <li>➤ Develop an intelligence led reporting process for health and safety enabling identification of risk priorities to closure.</li> <li>➤ Implementation of comprehensive Demand Management approach, both within the Council and with partners, to remove failure and avoidable demand and shift resources to preventative action.</li> <li>➤ Support and manage multi-agency implementation of improvement projects identified within the LOIP to improve outcomes.</li> </ul>
<b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	<ul style="list-style-type: none"> <li>➤ Creation of health and safety training matrix for all levels of staff, as well as manager safety management and risk assessment training modules.</li> <li>➤ Finalise Capability Framework for all staff, using the Chief Officer framework as a guide.</li> <li>➤ Launch of Core HR.</li> <li>➤ Delivery of a comprehensive programme of digital services and intelligent automation.</li> <li>➤ Complete and roll out the revised Performance Review and Development system, including integration with CoreHR as part of phase 2 of that implementation.</li> <li>➤ Use the Capability Framework for all staff as a basis for a corporate development plan which will increase individual and organisational capability in key areas</li> <li>➤ Development of a template for a 90 day plan as part of induction and separately development activity for ECMT.</li> <li>➤ Expand training in use of data.</li> </ul>
<b>F - Managing risk and performance through robust internal control and strong public financial management</b>	<ul style="list-style-type: none"> <li>➤ Review Business Continuity Plans and implement a test regime and schedule.</li> <li>➤ Completion of comprehensive Internal Audit Plan 19/20.</li> <li>➤ Implement digital platform for monitoring outstanding audit recommendations, health and safety audits and assessments, health and safety policies and procedures and risk management.</li> <li>➤ Continue programme of unannounced Health and Safety inspections by Senior Managers and Trade Union officials.</li> <li>➤ Revised Risk Management Framework including Risk Appetite, revised format for risk registers corporately and training for staff.</li> <li>➤ Development of audit and fire risk registers.</li> <li>➤ Implementation of new Performance Management Framework, including revision of performance scorecards for all clusters; application of quality improvement approach to priority performance areas; and improvement of data analytics in performance management and reporting.</li> <li>➤ Implementation of Travel Policy for officers and elected members.</li> <li>➤ Bring Your Own Device Policy for mobile phones.</li> <li>➤ Review of Community and Learning Associations to ensure Best Value from grant funding arrangements</li> </ul>
<b>G - Implementing good practices in transparency, reporting and audit to</b>	<ul style="list-style-type: none"> <li>➤ Implement paperless consultation process for draft committee reports.</li> <li>➤ Reporting of committee effectiveness reports to Full Council.</li> <li>➤ Implementation of Performance Management Framework.</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2019/20
deliver effective accountability	

#### SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2017/18 identified 13 significant governance issues and in reviewing the progress made by officers of these actions, all of these have progressed sufficiently to be removed.

One additional issue has been added.

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
	<i>New issues in 2018/19</i>		
1	<p><b><u>EU Exit Preparedness</u></b></p> <p>Preparing the organisation to respond to exit from the European Union on or shortly after 29<sup>th</sup> March 2019.</p>	Self-assessment	<ul style="list-style-type: none"> <li>• EU Exit Steering Group established.</li> <li>• Membership includes Chief Officers leading thematic Incident Management Teams which are prepared for activation.</li> <li>• Risk Register reviewed by Steering Group and reported to Corporate Management Team on a monthly basis.</li> </ul>
2	<p><b><u>Accidental Uncontrolled Release of Asbestos Fibres</u></b></p> <p>During works at Bridge of Don Academy in July 2018 by the Council's Building Services. Incident reported to Health and Safety Executive (HSE) and investigation subsequently carried out. This confirmed that there had been contraventions of health and safety legislation.</p>	Health and Safety Executive	<ul style="list-style-type: none"> <li>• HSE identified remedial actions which were incorporated into an action plan.</li> <li>• These related to procedures for dealing with accidental disturbances of asbestos, training, contract management.</li> <li>• Action plan reported to Committee in January and March 2019.</li> <li>• HSE confirmed in March 2019 that actions taken were satisfied with the procedures in place and remedial actions to prevent a reoccurrence.</li> </ul>



Issue Ref.	Issue Description	Source of Evidence	Action

## SECTION 5 LEVEL OF ASSURANCE OBTAINED

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31<sup>st</sup> March 2019. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance. As the interim transitional structure continues to embed and as working practices are improved through digital design and delivery, levels of assurance are expected to increase.

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

On behalf of Aberdeen City Council:

Angela Scott  
Chief Executive

30 April 2019

Councillor Douglas Lumsden  
Co-Leader of the Council



## Remuneration Report

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

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

### Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2018 (SSI No. 2018/38) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2017 (SSI No. 2017/66). 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 2018/19, the salary of the Leader of Aberdeen City Council is £39,655. 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, £29,742.

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 £443,985. 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, £29,742, with the remaining Senior Councillors receiving 75 per cent of that sum, £22,306.

In 2018/19, Aberdeen City Council had 16 Senior Councillor posts. The salary and allowances paid to them totalled £431,690 which was below the maximum allowed.

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

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

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

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

### Remuneration Disclosures:

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

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

Table 3: Details of exit packages.

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

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

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

**Table 1: Remuneration Bands**

Remuneration Band	Number of Employees		Remuneration Band (cont'd)	Number of Employees	
	2017/18	2018/19		2017/18	2018/19
£50,000 - £54,999	138	6	£155,000 - £159,999	1	-
£55,000 - £59,999	51	39	£160,000 - £164,999	1	1
£60,000 - £64,999	26	21	£165,000 - £169,999	2	-
£65,000 - £69,999	10	10	£170,000 - £174,999	1	-
£70,000 - £74,999	4	9	£175,000 - £179,999	1	2
£75,000 - £79,999	11	6	£180,000 - £184,999	2	-
£80,000 - £84,999	7	7	£185,000 - £189,999	1	-
£85,000 - £89,999	6	2	£200,000 - £204,999	-	2
£90,000 - £94,999	4	1	£205,000 - £209,999	1	1
£95,000 - £99,999	-	-	£210,000 - £214,999	-	1
£100,000 - £104,999	2	3	£220,000 - £224,999	1	-
£105,000 - £109,999	3	-	£225,000 - £229,999	1	-
£110,000 - £114,999	2	-	£230,000 - £234,999	-	-
£115,000 - £119,999	2	2	£235,000 - £239,999	2	-
£120,000 - £124,999	1	2	£240,000 - £259,999	-	-
£125,000 - £129,999	2	2	£260,000 - £264,999	1	-
£130,000 - £134,999	2	1	£265,000 - £289,999	-	-
£135,000 - £139,999	-	-	£290,000 - £294,999	1	-
£140,000 - £144,999	1	1	£295,000 - £294,999	-	-
£145,000 - £149,999	1	1	£375,000 - £379,999	-	1
£150,000 - £154,999	2	1	<b>Total</b>	<b>291</b>	<b>122</b>

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

**Table 2: Total Remuneration Paid to Councillors**

	2017/18 £	2018/19 £
Salaries	894,559	948,916
Allowances	-	-
Expenses	41,803	58,220
<b>Total</b>	<b>936,362</b>	<b>1,007,136</b>

**Table 3: Exit Packages**

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'000					
	2017/18	2018/19	2017/18	2018/19	2017/18			2018/19		
					Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	-	115	81	1,039	116	1,155	774	71	845
£20,000 - £39,999	-	-	52	37	996	482	1,478	669	297	966
£40,000 - £59,999	-	-	17	13	441	364	805	187	530	717
£60,000 - £79,999	-	-	10	10	205	503	708	195	486	681
£80,000 - £99,999	-	-	14	5	235	1,044	1,279	77	377	454
£100,000 - £149,999	-	-	19	15	272	2,079	2,351	296	1,531	1,827
£150,000 - £199,999	-	-	15	9	255	2,323	2,578	148	1,556	1,704
£200,000 - £249,999	-	-	3	3	40	625	665	53	407	460
£250,000 - £299,999	-	-	1	-	23	245	268	-	-	-
£300,000 - £349,999	-	-	-	1	-	-	-	21	323	344
<b>Total</b>	-	-	<b>246</b>	<b>174</b>	<b>3,506</b>	<b>7,781</b>	<b>11,287</b>	<b>2,420</b>	<b>5,578</b>	<b>7,998</b>

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

Table 4: Remuneration of Senior Councillors

2017/18		2018/19					Notes
Total Remuneration £	Councillor Name	Responsibility	Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	
39,508	Jennifer Laing	Co Leader of the Council	39,655	363	563	40,581	1
27,195	Douglas Lumsden	Co Leader of the Council	29,742	117	1,919	31,778	2
43,299	Barney Crockett	Lord Provost	29,742	1,371	24,600	55,713	
3,333	Tom Mason	Depute Provost (from 17 May 2017 until 29 June 2017)	-	-	-	-	
20,583	Ryan Houghton	Business Manager	29,742	90	-	29,832	3
29,184	Stephen Flynn	Convener, Audit, Risk and Scrutiny	29,742	103	180	30,025	
22,037	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	22,306	158	325	22,789	
28,880	Yvonne Allan	Convener, Staff Governance	29,742	105	-	29,847	4
2,800	Neil Cooney	Convener, Communities, Housing and Infrastructure (until 16 May 2017)	-	-	-	-	
20,522	Philip Bell	Vice Convener, Operations (Environmental Spokesman)	22,306	151	1,456	23,913	
13,145	Freddie John	Vice Convener, Strategic Commissioning	22,306	276	-	22,582	
8,025	Brett Hunt	Vice Convener, Communities, Housing and Infrastructure (from 17 May 2017 until 23 August 2017)	-	-	-	-	
2,161	Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure (until 16 May 2017)	-	-	-	-	
27,243	John Wheeler	Convener, Operational Delivery	26,427	269	378	27,074	
2,797	Angela Taylor	Convener, Education and Children's Services (until 16 May 2017)	-	-	-	-	
19,594	Lesley Dunbar	Vice Convener, Education Operational Delivery	22,306	644	263	23,213	5
2,101	Scott Carle	Vice Convener, Education and Children's Services (until 16 May 2017)	-	-	-	-	
2,795	William Young	Convener, Finance, Policy and Resources (until 16 May 2017)	-	-	-	-	
22,910	Gordon Graham	Vice Convener, City Growth and Resources	22,306	840	-	23,146	
30,868	John Reynolds	Convener, Licensing Committee	29,742	373	10,971	41,086	6
2,141	Len Ironside CBE	NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 16 May 2017)	-	-	-	-	
24,841	Alan Donnelly	Depute Provost (until 24 January 2019)	18,474	136	2,683	21,293	
2,829	George Adam	Lord Provost (until 16 May 2017)	-	-	-	-	
29,334	Marie Boulton	Convener, Capital Programme	29,742	90	122	29,954	
3,199	Ramsay Milne	Convener, Planning Development Management (until 16 May 2017)	-	-	-	-	
19,509	Jennifer Stewart	Depute Lord Provost (from 4 March 2019)	29,742	230	530	30,502	7
1,599	Andrew Finlayson	Vice Convener, Planning Development Management (until 16 May 2017)	-	-	-	-	
22,158	Ross Grant	Vice Convener, Operations Deliver	22,306	-	-	22,306	8
20,111	Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (from 17 May 2017)	22,306	104	271	22,681	9
1,621	Claire Imrie	Mental Health Spokeperson	22,306	96	-	22,402	
<b>496,322</b>	<b>Total</b>		<b>500,941</b>	<b>5,516</b>	<b>44,261</b>	<b>550,718</b>	

Table 4: Notes

<b>Note 1:</b>	Councillor Laing is also Convener of Strategic Commissioning; Urgent Business Committee: Aberdeen City Region Deal and Strategic Transformation.
<b>Note 2:</b>	Councillor Lumsden is also Convener, City Growth and Resources and Vice Convener of the Capital Programme; Urgent Business Committee and Strategic Transformation.
<b>Note 3:</b>	Councillor Houghton is also Vice Convener Staff Governance.
<b>Note 4:</b>	Councillor Allan is also Convener Appeals Committee.
<b>Note 5:</b>	Councillor Dunbar is also Convener Licensing Board.
<b>Note 6:</b>	Councillor Reynolds is also Vice Convener Pensions Committee.
<b>Note 7:</b>	Councillor Stewart is also Convener Public Protection and Vice Convener Planning Development Management. As such a full year disclosure of remuneration has been made.
<b>Note 8:</b>	Councillor Grant is also Regeneration and Transport Spokesperson.
<b>Note 9:</b>	Councillor Duncan is also Vice Convener Public Protection.

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

2017/18	2017/18			2018/19	2018/19			
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent Salary £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration £	Notes
149,807	153,801	Angela Scott	Chief Executive	151,407	151,407	-	151,407	
116,001	9,667	Andy MacDonald	Director of Customer Services	117,601	123,493	-	123,493	
-	-	Frank McGhee	Director of Commissioning	117,601	124,935	-	124,935	
116,001	17,667	Rob Polkinghorne	Chief Operating Officer	117,601	117,601	-	117,601	
116,001	92,851	Steven Whyte	Director of Resources	117,601	117,601	-	117,601	
-	-	Jonathan Belford	Chief Officer - Finance (from 3 September 18)	86,735	50,595	-	50,595	
85,135	85,635	Fraser Bell	Chief Officer - Governance (Monitoring Officer)	86,735	86,735	-	86,735	
-	-	Gale Beattie	Chief Officer - Strategic Place Planning	83,104	85,044	-	85,044	
-	-	Richard Sweetnam	Chief Officer - City Growth	83,104	83,104	-	83,104	
-	-	Alison McAlpine	Chief Social Work Officer (shared responsibility from 1 January 19)	56,681	14,169	-	14,169	
-	-	Isabel McDonnell	Chief Social Work Officer (shared responsibility from 1 January 19)	56,681	14,169	-	14,169	
-	-	Anne Donaldson	Chief Social Work Officer (until 31 December 18)	58,163	43,622	107,434	151,056	1
-	-	Graeme Simpson	Chief Social Work Officer (until 31 July 18)	58,163	19,388	-	19,388	
85,135	85,135	Bernadette Oxley	Chief Social Work Officer (until 31 March 18)	-	-	-	-	
-	-	Eleanor Sheppard	Chief Education Officer (from 1 September 19)	74,975	37,722	-	37,722	
116,001	85,216	Gayle Gorman	Depute Chief Executive (Director of Education and Children's Services) (until 3 December 2017)	-	-	-	-	
116,001	46,088	Pete Leonard	Depute Chief Executive (Director of Communities, Housing and Infrastructure) (until 3 April 2017)	-	-	-	-	
105,102	85,900	Marc Cole	City Centre Director (until 31 December 2017)	-	-	-	-	
81,504	239,785	Ciaran Monaghan	Head of Service, Office of Chief Executive (until 31 October 2017)	-	-	-	-	
81,504	14,293	Takki Sulaiman	Head of Communications and Promotion (until 7 May 2017)	-	-	-	-	
	<b>916,038</b>	<b>Total</b>			<b>1,069,584</b>	<b>107,434</b>	<b>1,177,018</b>	

**Note 1:** Of the £107,434 shown for compensation for loss of employment £56,758 was paid to Anne Donaldson and £50,676 was the strain on the fund cost.

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**

2017/18			2018/19				
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Compensation for Loss of Office £	Benefits Other Than in Cash £	Total Remuneration £	Note
92,400	Alistair Robertson	Managing Director Sport Aberdeen Ltd	94,213	-	-	94,213	
-	Alistair MacLean	Assistant Managing Director (from September 2018) Bon Accord Support Services Ltd	55,903	-	-	55,903	
96,028	Sandra Ross	Managing Director (until 31 August 2018) Bon Accord Support Services Ltd	39,828	-	-	39,828	
25,022	Graeme Cumming	Interim Managing Director Aberdeen Exhibition & Conference Centre Ltd (AECC Ltd)	-	-	-	-	1
<b>213,450</b>	<b>Total</b>		<b>189,944</b>	-	-	<b>189,944</b>	

Note 1: AECC Ltd ceased to be the operators of the Aberdeen Exhibition and Conference Centre on 31 March 2017. As a result the Company was wound up during 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 1/49<sup>th</sup> of pensionable pay for each year to 31 March. This is then revalued by the appropriate factor on 1 April and carried forward into the next year.

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

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

The tiers and members contribution rates are as follows:



<b>Pensionable pay</b>	<b>Contribution rate 2017/18</b>	<b>Pensionable pay</b>	<b>Contribution rate 2018/19</b>
On earnings up to and including £20,700	5.5%	On earnings up to and including £21,300	5.5%
On earnings above £20,700 and up to £25,300	7.25%	On earnings above £21,300 and up to £26,100	7.25%
On earnings above £25,300 and up to £34,700	8.5%	On earnings above £26,100 and up to £35,700	8.5%
On earnings above £34,700 and up to £46,300	9.5%	On earnings above £35,700 and up to £47,600	9.5%
On earnings above £46,300	12%	On earnings above £47,600	12%

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

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

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

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

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

#### Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 2019.

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 2019.

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

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2018 £	For year to 31 March 2019 £		As at 31 March 2019 £'000	Difference from 31 March 2018 £'000
Jennifer Laing	Co Leader of the Council	7,481	7,653	Pension	7	1
				Lump Sum	2	-
Douglas Lumsden	Co Leader of the Council	5,101	5,740	Pension	1	-
Barney Crockett	Lord Provost	5,503	5,740	Pension	6	1
				Lump Sum	2	-
Ryan Houghton	Business Manager	3,955	5,740	Pension	1	1
Stephen Flynn	Convener, Audit, Risk and Scrutiny	5,611	5,740	Pension	2	1
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,233	4,305	Pension	5	1
				Lump Sum	2	1
Yvonne Allan	Convener, Staff Governance	5,503	5,740	Pension	7	2
				Lump Sum	2	-
Neil Cooney	Convener, Communities, Housing and Infrastructure (until 16 May 2017)	537	-	Pension	-	(7)
				Lump Sum	-	(2)
Philip Bell	Vice Convener, Operations (Environmental Spokesman)	3,852	4,305	Pension	1	1
Freddie John	Vice Convener, Strategic Commissioning	2,526	4,305	Pension	1	1
Brett Hunt	Vice Convener, Communities, Housing and Infrastructure (from 17 May 2017 until 23 August 2017)	1,534	-	Pension	-	-
Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure (until 16 May 2017)	403	-	Pension	-	(3)
John Wheeler	Convener, Operational Delivery	5,101	5,101	Pension	1	-
Angela Taylor	Convener, Education and Children's Services (until 16 May 2017)	537	-	Pension	-	(3)
Lesley Dunbar	Vice Convener, Education Operational Delivery	3,614	4,305	Pension	3	1
Scott Carle	Vice Convener, Education and Children's Services (until 16 May 2017)	403	-	Pension	-	(2)
William Young	Convener, Finance, Policy and Resources (until 16 May 2017)	537	-	Pension	-	(4)
				Lump Sum	-	(2)
Gordon Graham	Vice Convener, City Growth and Resources	4,254	4,305	Pension	5	1
				Lump Sum	2	1
John Reynolds	Convener, Licensing Committee	4,358	5,740	Pension	6	1
				Lump Sum	2	-
Alan Donnelly	Depute Provost (until 24 January 2019)	4,254	3,565	Pension	7	-
				Lump Sum	10	1
George Adam	Lord Provost (until 16 May 2017)	537	-	Pension	-	(3)
Marie Boulton	Convener, Capital Programme	5,644	5,740	Pension	6	1
				Lump Sum	2	1
Ramsay Milne	Convener, Planning Development Management (until 16 May 2017)	403	-	Pension	-	(2)
Jennifer Stewart	Depute Lord Provost (from 4 March 2019)	4,145	5,740	Pension	5	1
				Lump Sum	2	-
Ross Grant	Vice Convener, Operations Deliver	4,254	4,305	Pension	3	-
Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (from 17 May 2017)	3,852	4,305	Pension	1	1
Claire Imrie	Mental Health Spokeperson	311	4,305	Pension	1	1
<b>Total</b>		<b>88,443</b>	<b>96,679</b>	<b>Pension</b>	<b>69</b>	<b>(8)</b>
				<b>Lump Sum</b>	<b>26</b>	

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2018 £	For year to 31 March 2019 £		As at 31 March 2019 £'000	Difference from 31 March 2018 £'000
Angela Scott	Chief Executive	28,913	29,222	Pension	69	4
Andy MacDonald	Director of Customer Services	1,866	22,697	Pension	25	25
Frank McGhee	Director of Commissioning	17,872	22,697	Pension	2	2
Rob Polkinghorne	Chief Operating Officer	1,866	22,697	Pension	3	3
Steven Whyte	Director of Resources	17,872	22,697	Pension	39	9
				Lump Sum	58	13
Jonathan Belford	Chief Officer - Finance (from 3 September 18)	-	9,765	Pension	1	1
				Lump Sum	-	-
Fraser Bell	Chief Officer - Governance (Monitoring Officer)	16,431	16,740	Pension	14	2
Gale Beattie	Chief Officer - Strategic Place Planning	-	16,414	Pension	26	9
				Lump Sum	42	16
Richard Sweetnam	Chief Officer - City Growth	-	16,039	Pension	22	2
				Lump Sum	20	-
Alison McAlpine	Chief Social Work Officer (shared responsibility from 1 January 19)	-	2,735	Pension	14	1
				Lump Sum	16	1
Isabel McDonnell	Chief Social Work Officer (shared responsibility from 1 January 19)	-	2,735	Pension	24	2
				Lump Sum	42	1
Graeme Simpson	Chief Social Work Officer (until 31 July 18)	-	3,742	Pension	27	7
				Lump Sum	40	10
Anne Donaldson	Chief Social Work Officer (until 31 December 18)	-	8,419	Pension	32	2
				Lump Sum	65	3
Bernadette Oxley	Chief Social Work Officer (until 31 March 18)	16,431	-	Pension	-	(40)
Eleanor Sheppard	Chief Education Officer (from 1 September 19)	15,106	7,280	Pension *	-	-
Gayle Gorman	Depute Chief Executive (Director of Education and Children's Services)	15,106	-	Pension	-	(11)
Pete Leonard	Depute Chief Executive (Director of Communities, Housing and Infrastructure)	1,847	-	Pension	-	(41)
				Lump Sum	-	(74)
Marc Cole	City Centre Director (until 31 December 2017)	15,214	-	Pension	-	(4)
Ciaran Monaghan	Head of Service, Office of Chief Executive (until 31 October 2017)	9,176	-	Pension	-	(38)
				Lump Sum	-	(78)
Takki Sulaiman	Head of Communications and Promotion (until 7 May 2017)	1,591	-	Pension	-	(4)
<b>TOTAL</b>		<b>159,291</b>	<b>203,879</b>	<b>Pension</b>	<b>298</b>	<b>(69)</b>
				<b>Lump Sum</b>	<b>283</b>	<b>(108)</b>

\* Eleanor Sheppard is a member of the Scottish Teachers' Superannuation Scheme (STSS). Her accrued pension benefits are not available at this time.

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

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

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits			
		For year to 31 March 2018 £	For year to 31 March 2019 £		As at 31 March 2019 £'000	Difference from 31 March 2018 £'000	Note
Alistair Robertson	Managing Director Sport Aberdeen Ltd	8,640	8,814	Pension	52	3	
Alistair MacLean	Assistant Managing Director (from September 2018) Bon Accord Support Services Ltd	-	9,280	Pension	8	8	
Sandra Ross	Managing Director (until 31 August 2018) Bon Accord Support Services Ltd	14,596	6,874	Pension	10	1	
Graeme Cumming	Interim Managing Director, Aberdeen Exhibition & Conference Centre Ltd	3,462	-		n/a	n/a	1
<b>Total</b>		<b>26,698</b>	<b>24,968</b>	<b>Total</b>	<b>70</b>	<b>12</b>	

**Note 1:** Aberdeen Exhibition & Conference Centre Ltd contributed 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 Douglas Lumsden  
Co-Leader of the Council

30 April 2019

## PRIMARY FINANCIAL STATEMENTS

### Movement in Reserves Statement

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

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 1 April 2017</b>	<b>(50,476)</b>	<b>(11,308)</b>	<b>(25,607)</b>	<b>0</b>	<b>(87,391)</b>	<b>(1,405,587)</b>	<b>(1,492,976)</b>
<b>Movement in Reserves during 2017/18</b>							
Total Comprehensive Income & Expenditure	58,844	14,159	0	0	<b>73,003</b>	36,084	<b>109,087</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(27,328)	(14,659)	(1,523)	0	<b>(43,510)</b>	43,510	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>31,516</b>	<b>(500)</b>	<b>(1,523)</b>	<b>0</b>	<b>29,493</b>	<b>79,594</b>	<b>109,087</b>
Transfers to/from Other Statutory Reserves (note 6)	(21,737)	0	13,670	0	<b>(8,067)</b>	8,067	<b>0</b>
<b>(Increase)/Decrease in 2017/18</b>	<b>9,779</b>	<b>(500)</b>	<b>12,147</b>	<b>0</b>	<b>21,426</b>	<b>87,661</b>	<b>109,087</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(40,697)</b>	<b>(11,808)</b>	<b>(13,460)</b>	<b>0</b>	<b>(65,965)</b>	<b>(1,317,926)</b>	<b>(1,383,891)</b>

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 31 March 2018 brought forward</b>	<b>(40,697)</b>	<b>(11,808)</b>	<b>(13,460)</b>	<b>0</b>	<b>(65,965)</b>	<b>(1,317,926)</b>	<b>(1,383,891)</b>
<b>Movement in Reserves during 2018/19</b>							
Total Comprehensive Income & Expenditure	66,049	21,738	0	(482)	<b>87,305</b>	(74,659)	<b>12,646</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(49,698)	(29,507)	(663)	0	<b>(79,868)</b>	79,868	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>16,351</b>	<b>(7,769)</b>	<b>(663)</b>	<b>(482)</b>	<b>7,437</b>	<b>5,209</b>	<b>12,646</b>
Transfers to/(from) Reserves	(10,484)	7,269	3,298	0	<b>83</b>	(94)	<b>(11)</b>
<b>(Increase)/Decrease in Year</b>	<b>5,867</b>	<b>(500)</b>	<b>2,635</b>	<b>(482)</b>	<b>7,520</b>	<b>5,115</b>	<b>12,635</b>
<b>Balance at 31 March 2019</b>	<b>(34,830)</b>	<b>(12,308)</b>	<b>(10,825)</b>	<b>(482)</b>	<b>(58,445)</b>	<b>(1,312,811)</b>	<b>(1,371,256)</b>

## Comprehensive Income and Expenditure Statement

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

2017/18				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
298,258	(36,911)	261,347	Operations	306,915	(42,024)	264,891
112,395	(72,325)	40,070	Customer	108,906	(71,786)	37,120
30,422	(2,589)	27,833	Commissioning	32,595	(2,567)	30,028
34,578	(20,846)	13,732	Resources	55,271	(42,181)	13,090
27,406	(6,838)	20,568	Place	30,754	(7,132)	23,622
5,512	(2,246)	3,266	Governance	4,461	(1,801)	2,660
135,525	(50,801)	84,724	Integration Joint Board	226,792	(140,292)	86,500
67,745	(14,859)	52,886	Corporate	34,689	7,146	41,835
111,203	(94,582)	16,621	Housing Revenue Account	116,907	(96,258)	20,649
(38,077)	38,077	0	Elimination of Internal Transactions	(795)	795	0
<b>784,967</b>	<b>(263,920)</b>	<b>521,047</b>	<b>Cost of Services</b>	<b>916,495</b>	<b>(396,100)</b>	<b>520,395</b>
0	(1,273)	(1,273)	Other Operating Expenditure (note 8)	0	(72)	(72)
84,684	(47,277)	37,407	Financing and Investment Income and Expenditure (note 9)	98,486	(50,576)	47,910
0	(484,178)	(484,178)	Taxation and Non Specific Grant Income (note 10)	0	(480,447)	(480,447)
<b>869,651</b>	<b>(796,648)</b>	<b>73,003</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,014,981</b>	<b>(927,195)</b>	<b>87,786</b>
		(1,532)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(9,085)
		580	(Surplus)/deficit on revaluation of available for sale financial assets			0
		36,188	Actuarial (gains)/losses on pension assets/liabilities			(70,665)
		848	Other (gains)/losses			4,610
		<b>36,084</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(75,140)</b>
		<b>109,087</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>12,646</b>

## Balance Sheet

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

<b>1 April 2017 £'000</b>	<b>31 March 2018 £'000</b>		<b>Note</b>	<b>31 March 2019 £'000</b>
2,238,305	2,311,324	Property, Plant & Equipment	28	2,443,577
172,756	197,370	Heritage Assets	27	197,691
85,335	148,592	Investment Property	26	145,832
18,656	18,076	Long Term Investments	38	17,638
7,311	8,222	Long Term Debtors	38	7,592
<b>2,522,363</b>	<b>2,683,584</b>	<b>Long Term Assets</b>		<b>2,812,330</b>
181,145	56,202	Cash and Cash Equivalents	17	70,520
141,227	98,705	Short Term Investments	38	45,213
78,677	77,292	Short Term Debtors	33	92,158
1,645	1,174	Inventories	32	1,608
5,382	6,198	Assets Held for Sale	31	5,693
<b>408,076</b>	<b>239,571</b>	<b>Current Assets</b>		<b>215,192</b>
(81,351)	(79,435)	Short Term Borrowing	38	(197,228)
(90,364)	(78,245)	Short Term Creditors	34	(80,860)
(4,233)	(5,758)	Short Term Provisions	35	(5,259)
(2,611)	(3,222)	PPP Short Term Liabilities	30	(3,691)
(5,515)	(5,607)	Accumulated Absences Account	13	(5,607)
(473)	(578)	Grants Receipts in Advance - Revenue	37	(2,989)
(518)	(7,855)	Grants Receipts in Advance - Capital	37	(13,091)
<b>(185,065)</b>	<b>(180,700)</b>	<b>Current Liabilities</b>		<b>(308,725)</b>



<b>1 April 2017</b> <b>£'000</b>	<b>31 March 2018</b> <b>£'000</b>		<b>Note</b>	<b>31 March 2019</b> <b>£'000</b>
(900,871)	(890,982)	Long Term Borrowing	38	(895,954)
0	(58,793)	Finance Lease	25	(58,029)
(108)	(108)	Long Term Creditors	38	(13)
(679)	(679)	Long Term Provisions	35	(551)
(100,973)	(97,751)	PPP Long Term Liabilities	30	(127,635)
(249,767)	(310,251)	Pension Liabilities	22	(265,359)
<b>(1,252,398)</b>	<b>(1,358,564)</b>	<b>Long Term Liabilities</b>		<b>(1,347,541)</b>
<b>1,492,976</b>	<b>1,383,891</b>	<b>Net Assets</b>		<b>1,371,256</b>
		Usable Reserves:		
(50,476)	(40,697)	General Fund Balance		(34,830)
(11,308)	(11,808)	Housing Revenue Account		(12,308)
(25,605)	(13,460)	Statutory and Other Reserves		(10,825)
0	0	Capital Grants Unapplied Account		(482)
(1,405,587)	(1,317,926)	Unusable Reserves	13	(1,312,811)
<b>(1,492,976)</b>	<b>(1,383,891)</b>	<b>Total Reserves</b>		<b>(1,371,256)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

30 April 2019

**Cash Flow Statement**

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

<b>2017/18</b> <b>£'000</b>		<b>2018/19</b> <b>£'000</b>
(73,003)	Net Surplus or (Deficit) on the provision of services	(87,786)
138,285	Adjust net surplus or deficit on the provision of services for non cash movements	146,114
(37,268)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,420)
28,014	Net cash flows from Operating Activities (note 14)	28,908
(121,902)	Net cash flows from Investing Activities (note 15)	(119,469)
(31,055)	Net cash flows from Financing Activities (note 16)	104,879
(124,943)	Net increase or (decrease) in cash and cash equivalents	14,318
181,145	Cash and cash equivalents at the beginning of the reporting period	56,202
<b>56,202</b>	<b>Cash and cash equivalents at the end of the reporting period (note 17)</b>	<b>70,520</b>

---

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

The Annual Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year ending 31 March 2019. 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 2018/19 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; and
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

### vi Employee Benefits

#### Benefits Payable during Employment

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

### Termination Benefits

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

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

### Post Employment Benefits

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

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

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

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

#### *The Local Government Pension Scheme*

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

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price; and
  - property – market value.

- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
    - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### *Discretionary Benefits*

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

## vii Events After the Reporting Period

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

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

## viii Financial Liabilities

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

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

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

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

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

## ix Financial Assets

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

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

---

Financial assets measured at amortised cost

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

Financial assets measured at fair value through profit and loss

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

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

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

As a result of reclassification in 2018/19 the balance of the Available for Sale Financial Instruments Reserve has been coded to the Comprehensive Income and Expenditure Statement through the Financing Investment Income and Expenditure line. Changes in fair value in future years will be charged to the General Fund using the method outlined above.

**x Foreign Currency Translation**

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



## **xi Government Grants and Contributions**

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

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

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

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

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

## **xii Heritage Assets**

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

- **Fine Art & Applied Art Collection**

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

- **Civic Insignia**

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

- **Archaeology**

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

- **Library and Information Services**

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

- **Other Heritage Assets**

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

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

---

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

### **xv Inventories**

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

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

**xvi Investment Properties**

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

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

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

**xvii Jointly Controlled Operations**

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

**xviii Leases**

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

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

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

The Council as Lessee*Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

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

#### The Council as Lessor

#### *Operating Leases*

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

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

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

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

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

---

**xx Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

*\*Fair Value*

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

*There has been no change in the valuation techniques used during the year for either Investment Properties or Surplus Assets.*

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

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

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

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

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

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

Impairment

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

Where impairment losses are identified:

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

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

Disposals and Assets Held for Sale

When an asset is no longer held for the purposes of generating cash flows it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

Disposals

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

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

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

Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

**xxi Public Private Partnerships (PPP) and Similar Contracts**

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



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

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

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

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

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

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

### Provisions

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

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

#### **xxiii Reserves**

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

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

#### **xxiv Revenue Expenditure Funded from Capital under Statute**

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

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

**xxv VAT**

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

**2. Accounting Standards That Have Been Issued but 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 2019/20 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property clarifies guidance regarding transfers in and out of investment properties, where there has been evidence of a change of use and property now meets, or ceases to meet the definition of an investment property.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
  - The improvement to IFRS 1 First-time Adoption of International Financial Reporting Standards concerns the deletion of short-term exemptions for first-time adopters because they have now served their intended purpose.
  - IFRS 12 Disclosure of Interests in Other Entities applies to the disclosure requirements of an entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
  - IAS 28 -Investments in Associates and Joint Ventures clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition
- IFRIC 22 Foreign Currency Transactions and Advance Consideration applies to foreign currency transactions where a non-monetary asset or liability arises from either the payment or receipt of an advance consideration, before recognition of the related asset, expense or income. The Council does not have any material transactions within the scope of this standard.
- IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes and should be used when determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax treatments under IAS12
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation alters the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income). The Council does not currently have any such transactions.

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and Lochside Academy, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £200.7 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 8.75%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.3m.  If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £27.8m.
Aberdeen City Council Bond	The Council undertook a bond issuance from the Debt Capital Markets in November 2016. £370 million of index-linked bonds were issued to investors. The outstanding bonds are subject to indexation, which is based on movements in the Retail Price Index (RPI).	The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £4 million in amounts repayable.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £28.8 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 £29.4 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.

---

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2019 the Council had a balance of short term debtors of £92.158 million. This is net of an allowance for the impairment of debt of £59.949 million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £0.922 million.

---

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

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

2017/18	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(41,549)	(29,106)	0	0	0	70,655
Revaluation losses on Property, Plant and Equipment	(13,607)	(26,574)	0	0	0	40,181
Capital grants and contributions applied	37,067	11,079	0	0	0	(48,146)
Write off carrying amount of non current assets sold	(1,403)	(3,054)	0	0	0	4,457
Write off carrying amount of non current assets scrapped	(6,754)	0	0	0	0	6,754
Statutory provision for the financing of Capital spend (3R's)	2,611	0	0	0	0	(2,611)
Movement in the fair value of Investment Properties	4,651	0	0	0	0	(4,651)
Amortisation of Intangible Assets	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	13,527	7,034	0	0	0	(20,561)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	(191)	22,496	0	0	0	(22,305)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,523)	5,746	0	(4,223)
Proceeds from sale of non current assets	1,732	4,555	0	(6,287)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(80)	(461)	0	541	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	427	0	0	0	0	(427)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	(56,667)	(1,753)	0	0	0	58,420
Employer's pensions contributions and direct payments to pensioners payable in the year	32,979	1,146	0	0	0	(34,125)
<b>Adjustments involving the Accumulated Absences Account:</b>						
Adjustments in relation to short term compensated absences	(71)	(21)	0	0	0	92
<b>Total Adjustments</b>	<b>(27,328)</b>	<b>(14,659)</b>	<b>(1,523)</b>	<b>0</b>	<b>0</b>	<b>43,510</b>

2018/19	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(41,683)	(30,160)	0	0	0	71,843
Revaluation losses on Property, Plant and Equipment	(25,397)	(24,015)	0	0	0	49,412
Capital grants and contributions applied	35,912	6,184	0	0	0	(42,096)
Write off carrying amount of non current assets sold	(907)	(84)	0	0	0	991
Write off carrying amount of non current assets scrapped	(420)	0	0	0	0	420
Statutory provision for the financing of Capital spend (3R's)	4,113	0	0	0	0	(4,113)
Movement in the fair value of Investment Properties	(2,822)	0	0	0	0	2,822
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure</u>						
Loan principal repayments during the year	9,533	4,483	0	0	0	(14,016)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	(4,103)	14,440		0	0	(10,337)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(663)	1,065	0	(402)
Proceeds from sale of non current assets	971	745	0	(1,716)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(149)	(502)	0	651	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	429	0	0	0	0	(429)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	(58,019)	(1,640)	0	0	0	59,659
Employer's pensions contributions and direct payments to pensioners payable in the year	32,844	1,042	0	0	0	(33,886)
<b>Adjustments involving the Accumulated Absences Account:</b>						
Adjustments in relation to short term compensated absences	0	0	0	0	0	0
<b>Total Adjustments</b>	<b>(49,698)</b>	<b>(29,507)</b>	<b>(663)</b>	<b>0</b>	<b>0</b>	<b>79,868</b>



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

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

	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
ICT Projects -	(816)	0	816	0	0	0	0	Implement various approved ICT projects
Devolved Education Management (Community Centres)	(598)	0	36	(562)	0	20	(542)	Community Education Centres funds c/forward
Devolved Education Management (School Funds)	(857)	(136)	0	(993)	(98)	829	(262)	School funds c/forward
Mither Kirk - Reburial of Remains	0	(38)	0	(38)	0	13	(25)	Reburial of Human Remains
Business Plan Service Option	(223)	0	70	(153)	0	153	0	Investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(25)	(18)	18	(25)	0	19	(6)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which take place each year
Employee Benefit Scheme	(77)	0	77	0	0	0	0	For marketing the Employee Benefit Scheme
Xerox Print Contract	(317)	0	217	(100)	0	87	(13)	2016/17 rebate from Xerox to fund various Data projects
Events - Silver City Stories	(8)	0	8	0	0	0	0	Marketing for Silver City Stories Income received by Events Team during 2016/17
City Deal	(219)	0	219	0	0	0	0	Funding to support the city deal scheme
Energy Efficiency Fund	(735)	(411)	0	(1,146)	0	0	(1,146)	Pump-prime funding for energy saving schemes
Bus Lane Enforcement	(589)	(420)	118	(891)	(185)	288	(788)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfer	(152)	0	23	(129)	0	27	(102)	Funding in relation to the transfer of Thomas Blake Glover House to the Council
<b>Sub Total</b>	<b>(4,616)</b>	<b>(1,023)</b>	<b>1,602</b>	<b>(4,037)</b>	<b>(283)</b>	<b>1,436</b>	<b>(2,884)</b>	

	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
<b>General Fund Continued</b>	<b>(4,616)</b>	<b>(1,023)</b>	<b>1,602</b>	<b>(4,037)</b>	<b>(283)</b>	<b>1,436</b>	<b>(2,884)</b>	
Second/Long Term Empty Homes	(6,801)	(1,503)	0	(8,304)	(2,160)	0	(10,464)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing.
Mens Shed	(5)	0	0	(5)	0	5	0	Contribution to Men's Shed social club, Dyce
Community Planning	(9)	0	9	0	0	0	0	Community Planning Participatory Budgeting
Music Hall Redevelopment	(800)	0	800	0	0	0	0	To contribute towards the redevelopment of the Music hall
HMT Roof Works	(288)	0	162	(126)	0	91	(35)	HMT Roof Works
Reclaiming Social Work	(1,430)	0	1,430	0	0	0	0	Contribution towards costs of Reclaiming Social Work project
Developing Young Workforce	(66)	0	66	0	(90)	0	(90)	To prepare young adults for the transition from education to the workplace
De-risk the Council	(2,655)	0	150	(2,505)	0	2,100	(405)	Cash backing for Council guarantees to external organisations
Transformation Fund	(14,978)		3,746	(11,232)	0	4,229	(7,003)	Funding set aside towards the ongoing transformation of the Council
Investment Strategy (Digital Strategy)	(666)	0	666	0	0	0	0	ICT Digital Strategy
VS/ER	(5,976)	0	5,976	0	0	0	0	Funding set aside towards Voluntary Severance & Early Retirement
Pupil Equity Fund	0	(1,621)	0	(1,621)	(1,192)	1,618	(1,195)	Scottish Government Grant to raise attainment in Schools
18/19 RSG Redetermination	0	(1,211)	0	(1,211)	0	0	(1,211)	Scottish Government Grant carried forward
Revenue Grants Unspent	(384)	0	384	0	0	0	0	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Welfare Rights/NHS Grant	(7)	0	7	0	0	0	0	To procure IT system
Community Justice Redesign Post	(20)	0	8	(12)	0	0	(12)	Ring Fenced funding for this post. Year 2 & Year 3 costs will exceed grant so this reserve will be needed to cover additional costs.
<b>Sub Total</b>	<b>(38,701)</b>	<b>(5,358)</b>	<b>15,006</b>	<b>(29,053)</b>	<b>(3,725)</b>	<b>9,479</b>	<b>(23,299)</b>	

	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
<b>General Fund Continued</b>	<b>(38,701)</b>	<b>(5,358)</b>	<b>15,006</b>	<b>(29,053)</b>	<b>(3,725)</b>	<b>9,479</b>	<b>(23,299)</b>	
Building Services IT Upgrade	(148)	0	70	(78)	0	78	0	Equipment identified as having the specifications that are required for business/service needs, and to help drive forward productivity and efficiencies with in mobile working
Approved Project Funding	(336)	0	154	(182)	0	39	(143)	Funding carried forward to support a variety of projects, previously approved
Contribution to Environmental Body	0	0	0	0	(43)	0	(43)	To make payment to environmental body in due course, if required
Various Projects 2019/20	0	0	0	0	(1,231)	0	(1,231)	Provide funding to support a variety of projects approved in the 2019/20 Budget
<b>Total General Fund</b>	<b>(39,185)</b>	<b>(5,358)</b>	<b>15,230</b>	<b>(29,313)</b>	<b>(4,999)</b>	<b>9,596</b>	<b>(24,716)</b>	

	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
<b>Housing Revenue Account (HRA):</b>								
Housing repairs	(1,326)	(1,854)	1,326	(1,854)	(2,213)	1,854	(2,213)	Repairs ordered prior to the year end
House Sales - Non right to buy	(245)	(309)	246	(308)	(309)	309	(308)	One-off vacant properties sold on the open market
<b>Total HRA</b>	<b>(1,571)</b>	<b>(2,163)</b>	<b>1,572</b>	<b>(2,162)</b>	<b>(2,522)</b>	<b>2,163</b>	<b>(2,521)</b>	
<b>Total Earmarked Reserves</b>	<b>(40,756)</b>	<b>(7,521)</b>	<b>16,802</b>	<b>(31,475)</b>	<b>(7,521)</b>	<b>9,759</b>	<b>(29,237)</b>	

	General Fund £'000	HRA £'000
<b>2017/18</b>		
Total Transfers in during the year	(5,358)	(2,163)
Total Transfers out during the year	15,230	1,572
<b>Net Movement in Earmarked Reserves in 2017/18</b>	<b>9,872</b>	<b>(591)</b>

	General Fund £'000	HRA £'000
<b>2018/19</b>		
Total Transfers in during the year	(4,999)	(2,522)
Total Transfers out during the year	9,596	2,163
<b>Net Movement in Earmarked Reserves in 2018/19</b>	<b>4,597</b>	<b>(359)</b>

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

Name of Fund	Balance at 1 April 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
Capital	(23,702)	(11,850)	23,758	(11,794)	(8,127)	11,346	(8,575)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,558)	(135)	354	(1,339)	(702)	125	(1,916)	To meet the cost of uninsured claims
City Improvement	(340)	(2)	6	(336)	(4)	11	(329)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)	0	0	(5)	To meet the costs of maintaining Lord Byron's statue
<b>Total Statutory and Other Funds</b>	<b>(25,605)</b>	<b>(11,987)</b>	<b>24,118</b>	<b>(13,474)</b>	<b>(8,833)</b>	<b>11,482</b>	<b>(10,825)</b>	

## 7. Expenditure and Funding Analysis

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

2017/18			2018/19			
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
232,101	29,247	261,348	Operations	231,281	33,610	264,891
35,970	4,100	40,070	Customer	32,273	4,847	37,120
26,471	1,361	27,832	Commissioning	28,740	1,288	30,028
12,785	947	13,732	Resources	5,785	7,305	13,090
16,790	3,778	20,568	Place	13,666	9,956	23,622
3,012	253	3,265	Governance	2,421	239	2,660
83,319	1,405	84,724	Integration Joint Board	84,994	1,506	86,500
39,785	13,103	52,888	Corporate	34,916	6,919	41,835
(9,960)	26,581	16,621	Housing Revenue Account	(14,966)	35,615	20,649
<b>440,273</b>	<b>80,775</b>	<b>521,048</b>	<b>Net Cost of Services</b>	<b>419,110</b>	<b>101,285</b>	<b>520,395</b>
(407,774)	(40,271)	(448,045)	Other Income and Expenditure	(410,528)	(22,081)	(432,609)
32,499	40,504	73,003	<b>(Surplus) or Deficit on Provision of Services</b>	8,582	79,204	87,786
(61,784)			Opening General Fund and HRA Balance at 31 March 2018	(52,505)		
32,499			(Surplus)/deficit on General Fund and HRA Balance in Year	8,582		
(23,220)			To/From Other Statutory Reserves	(3,215)		
<b>(52,505)</b>			<b>Closing General Fund and HRA Balance at 31 March 2019</b>	<b>(47,138)</b>		

**Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2017/18**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operations	31,526	5,611	(7,891)	29,247
Customer	3,300	1,780	(979)	4,100
Commissioning	1,128	263	(29)	1,361
Resources	2,925	914	(2,891)	948
Place	5,249	677	(2,148)	3,778
Governance	20	236	(3)	253
Integration Joint Board	435	1,137	(167)	1,405
Corporate	6,768	6,337	(3)	13,102
Housing Revenue Account	55,680	412	(29,512)	26,581
<b>Net Cost of Services</b>	<b>107,032</b>	<b>17,367</b>	<b>(43,624)</b>	<b>80,775</b>
Other Income and Expenditure from the Funding Analysis	(46,123)	6,929	(1,078)	(40,272)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit</b>	<b>60,909</b>	<b>24,296</b>	<b>(44,702)</b>	<b>40,504</b>

**Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2018/19**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operations	32,721	5,535	(4,646)	33,610
Customer	3,385	1,608	(146)	4,847
Commissioning	1,093	295	(100)	1,288
Resources	10,039	782	(3,516)	7,305
Place	10,119	654	(817)	9,956
Governance	20	219	0	239
Integration Joint Board	522	1,146	(162)	1,506
Corporate	433	6,486	0	6,919
Housing Revenue Account	54,175	363	(18,923)	35,615
<b>Net Cost of Services</b>	<b>112,507</b>	<b>17,088</b>	<b>(28,310)</b>	<b>101,285</b>
Other Income and Expenditure from the Funding Analysis	(29,524)	8,684	(1,241)	(22,081)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit</b>	<b>82,983</b>	<b>25,772</b>	<b>(29,551)</b>	<b>79,204</b>

**8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure**

<b>2017/18</b> <b>£'000</b>		<b>2018/19</b> <b>£'000</b>
(1,273)	Gains on the disposal on non current assets	(72)
<b>(1,273)</b>	<b>Total</b>	<b>(72)</b>

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

<b>2017/18</b> <b>£'000</b>		<b>2018/19</b> <b>£'000</b>
45,496	Interest payable and similar charges	50,292
5,818	Pensions interest cost and expected return on pensions assets	7,626
(1,450)	Interest receivable and similar income	(1,432)
(9,695)	Income and Expenditure in relation to investment properties and changes in their fair value	(6,975)
(2,762)	Other Investment income	(1,601)
<b>37,407</b>	<b>Total</b>	<b>47,910</b>

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

<b>2017/18</b> <b>£'000</b>		<b>2018/19</b> <b>£'000</b>
(110,472)	Council Tax Income	(116,521)
(205,547)	Non domestic rates	(227,801)
(120,013)	Non ring-fenced government grants	(94,028)
(48,146)	Capital grants and contributions	(42,097)
<b>(484,178)</b>	<b>Total</b>	<b>(480,447)</b>

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

There are no material items for 2018/19.

**12. Balance Sheet – Usable Reserves**

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

**13. Balance Sheet – Unusable Reserves**

<b>31 March 2018</b> <b>£'000</b>		<b>31 March 2019</b> <b>£'000</b>
(977,286)	Revaluation Reserve	(959,999)
721	Available for Sale Financial Instruments Reserve	0
(672,674)	Capital Adjustment Account	(638,804)
15,455	Financial Instruments Adjustment Account	15,026
310,251	Pensions Reserve	265,359
5,607	Accumulated Absences Account	5,607
<b>(1,317,926)</b>	<b>Total</b>	<b>(1,312,811)</b>

Revaluation Reserve

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

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

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



2017/18			2018/19	
£'000	£'000		£'000	£'000
	<b>(1,006,602)</b>	<b>Balance at 1 April</b>		<b>(977,286)</b>
(45,979)		Upward revaluation of assets	(26,020)	
44,446		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	16,934	
	(1,533)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(9,086)
24,309		Difference between fair value depreciation and historical cost depreciation	25,858	
7,086		Accumulated gains on assets sold or scrapped	515	
	31,395			26,373
	(546)	Amount written off to the Capital Adjustment Account		0
	<b>(977,286)</b>	<b>Balance at 31 March</b>		<b>(959,999)</b>

#### Available for Sale Financial Instruments Reserve

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

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

2017/18			2018/19	
£'000	£'000		£'000	£'000
	<b>141</b>	<b>Balance at 1 April</b>		<b>721</b>
0		IFRS 9 reclassification	(721)	
580		Downward revaluation of investments not charged to the Surplus or Deficit on the Provision of Services	0	
	580			(721)
	<b>721</b>	<b>Balance at 31 March</b>		<b>0</b>

Capital Adjustment Account

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

2017/18 £'000		2018/19	
		£'000	£'000
(670,290)	<b>Balance at 1 April</b>		(672,674)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
70,655	Charges for depreciation and impairment on non current assets	71,843	
40,182	Revaluation losses on Property, Plant and Equipment	49,412	
11,212	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,411	
122,049		122,666	
(30,849)	Adjusting amounts written out of the Revaluation Reserve	(26,372)	
91,200	Net written out amount of the cost of non current assets consumed in the year		96,294
	Capital financing applied in the year:		
(4,224)	Use of the Capital Receipts Reserve to finance new capital expenditure	(400)	
(48,146)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(42,097)	
(20,561)	Loans Fund principal repayments	(14,016)	
(22,305)	Capital expenditure charged against the General Fund and HRA balances	(15,107)	
(2,611)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(4,113)	
(97,847)			(75,733)
8,914	Deferred Capital Receipt		0
(4,651)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,822
0	Written off		5,715
0	Grant Funding		4,770
<b>(672,674)</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(638,806)</b>

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.

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.

2017/18		2018/19	
		£'000	£'000
15,882	<b>Balance at 1 April</b>		<b>15,455</b>
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(30)	Long Term Borrowing – Stepped Loans	(32)	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(427)	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		(429)
<b>15,455</b>	<b>Balance at 31 March</b>		<b>15,026</b>

Pensions Reserve

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

2017/18		2018/19	
		£'000	£'000
249,767	<b>Balance at 1 April</b>		<b>310,251</b>
36,188	Remeasurements of the net defined benefit liability		(70,665)
58,421	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		59,659
(34,125)	Employer's pensions contributions and direct payments to pensioners payable in the year		(33,886)
<b>310,251</b>	<b>Balance at 31 March</b>		<b>265,359</b>

Accumulated Absences Account

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

<b>2017/18</b>		<b>2018/19</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>5,515</b>	<b>Balance at 1 April</b>		<b>5,607</b>
(5,515)	Settlement or cancellation of accrual made at the end of the preceding year	0	
5,607	Amounts accrued at the end of the current year	0	
92	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		0
<b>5,607</b>	<b>Balance at 31 March</b>		<b>5,607</b>

## 14. Cash Flow Statement – Operating Activities

2017/18		2018/19
£'000		£'000
(73,003)	Net surplus or (deficit) on the provision of services ^	(87,786)
<b>(73,003)</b>		<b>(87,786)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
70,655	Depreciation	71,843
40,182	Impairment, downward revaluations & non sale derecognitions	49,412
470	(Increase)/Decrease in Stock	(434)
389	(Increase)/Decrease in Debtors	(14,237)
(4,584)	Increase/(Decrease) in Creditors	9,769
24,296	Movement in Pension Liability	25,773
11,211	Carrying amount of non current assets sold	1,411
317	Contributions to Other Reserves/Provisions	(245)
0	Amortisation of Intangible Assets	0
(4,651)	Movement in value of investment properties	2,822
<b>138,285</b>		<b>146,114</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(48,146)	Receipt of Capital Grants and Contributions	(42,097)
(5,731)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,063)
16,609	Bond Effective Interest Rate Adjustment	13,740
<b>(37,268)</b>		<b>(29,420)</b>
<b>28,014</b>	<b>Net cash flows from operating activities</b>	<b>28,908</b>

^ includes the following:

2017/18		2018/19
£'000		£'000
1,450	Interest receivable	1,432
(45,496)	Interest payable	(50,292)

## 15. Cash Flow Statement – Investing Activities

2017/18		2018/19
£'000		£'000
(218,301)	Purchase of property, plant and equipment, investment property and intangible assets	(216,558)
42,523	Purchase/ (Sale) of short term and long term investments	53,929
6,271	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,715
(540)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(652)
48,145	Capital grants and contributions received	42,097
<b>(121,902)</b>	<b>Net cash flows from investing activities</b>	<b>(119,469)</b>

## 16. Cash Flow Statement – Financing Activities

2017/18		2018/19
£'000		£'000
(29)	Other receipts from financing activities	(32)
(2,611)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(4,113)
(11,806)	Repayment of amounts borrowed	0
(16,609)	Bond Effective Interest Rate Adjustment	(13,740)
0	New borrowings	122,764
<b>(31,055)</b>	<b>Net cash flows from financing activities</b>	<b>104,879</b>

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

31 March 2018		31 March 2019
£'000		£'000
47	Cash held by the Authority	39
56,155	Bank current accounts	70,481
<b>56,202</b>	<b>Total cash and cash equivalents</b>	<b>70,520</b>

## 18. Trading Operations

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

		2016/17		2017/18		2018/19	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Building and Maintenance</b>							
	Turnover	(30,601)		(29,401)		(30,264)	
Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative deficit over the last three financial years: £1.52 million.	Expenditure	29,945		30,087		31,756	
	Interest	(2)		0		0	
	Net (Surplus)/Deficit		(658)		686		1,492
<b>Provision and Management of Car Parking Facilities</b>							
	Turnover	(8,040)		(8,397)		(7,869)	
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: £9.849 million.	Expenditure	4,821		5,075		4,989	
	Interest	(91)		(124)		(213)	
	Net (Surplus)/Deficit		(3,310)		(3,446)		(3,093)
<b>Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)</b>			<b>(3,968)</b>		<b>(2,760)</b>		<b>(1,601)</b>
<b>Letting of Industrial, Commercial and Other Properties</b>							
	Turnover	(7,122)		(9,066)		(11,908)	
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: £22.571 million.	Expenditure	1,763		4,681		2,752	
	Exceptional Items	57		(4,651)		2,822	
	Interest	(598)		(660)		(641)	
	Net (Surplus)/Deficit		<b>(5,900)</b>		<b>(9,696)</b>		<b>(6,975)</b>
<b>Net (Surplus)/Deficit on Trading Operations</b>			<b>(9,868)</b>		<b>(12,456)</b>		<b>(8,576)</b>

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000
Net (Surplus)/Deficit on trading operations	(9,868)	(12,456)	(8,576)
Investment Properties	(5,900)	(9,696)	(6,975)
Other Trading Operations	(3,986)	(2,760)	(1,601)
<b>Net Surplus credited to Financing and Investment Income and Expenditure (note 8)</b>	<b>(9,886)</b>	<b>(12,456)</b>	<b>(8,576)</b>

#### 19. Agency Services

The Council has an agreement with Scottish Water whereby it collects water and waste water charges in conjunction with collection of Council Tax. The income received from this service in 2018/19 was £760,750 (2017/18, £760,750).

#### 20. External Audit Costs

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

	2017/18 £'000	2018/19 £'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice *	410	424
Fees payable in respect of other services provided by the appointed auditor over and above the above duties	0	0
Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation	9	9
<b>Total</b>	<b>419</b>	<b>433</b>
* Of the amount paid to Audit Scotland in 2018/19 £232k relates to auditor remuneration (2017/18, £226k)		



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

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2018, the Council's own contributions equate to approximately 2.6%.

In 2018/19, the council paid £10.916 million to the Scottish Government in respect of teachers' pension costs, which represents 17.2% of teachers' pensionable pay. The figure for 2017/18 was £10.912 million representing 17.2% of pensionable pay.

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

## 22. Defined Benefit Pension Schemes

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

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

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

There are 11 scheduled bodies and these are:

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

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

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

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

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

### **Participation in pension schemes**

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

The Council participates in two post employment schemes:

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

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

### **Discretionary post retirement Benefits**

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

### **Transactions relating to post employment benefits**

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

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
	2017/18	2018/19	2017/18	2018/19
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	45,846	45,170	0	0
• administration expenses	554	530	0	0
• past service costs	0	17	0	0
• loss from settlements / curtailments	6,203	6,316	0	0
Financing and Investment Income and Expenditure				
• net interest expense	5,064	6,880	754	746
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>57,667</b>	<b>58,913</b>	<b>754</b>	<b>746</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(20,423)	(41,403)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	45,104	0	(131)	0
• actuarial gains and losses arising on changes in financial assumptions	937	(29,262)	(361)	0
• other	11,062	0	0	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>94,347</b>	<b>(11,752)</b>	<b>262</b>	<b>746</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	57,667	58,913	(754)	(746)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	30,029	29,780	0	0
• retirement benefits payable to pensioners	2,369	2,401	1,727	1,705

**Pension Assets and Liabilities recognised in the Balance Sheet**

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

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Present value of the defined benefit obligation	(1,434,039)	(1,545,476)	(1,570,897)	(45,082)	(46,241)	(44,542)
Fair value of plan assets	1,215,293	1,264,781	1,334,135	0	0	0
Sub total	(218,746)	(280,695)	(236,762)	(45,082)	(46,241)	(44,542)
Scottish Teachers Superannuation Scheme	(31,021)	(29,556)	(28,597)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(249,767)</b>	<b>(310,251)</b>	<b>(265,359)</b>	<b>(45,082)</b>	<b>(46,241)</b>	<b>(44,542)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £265.359 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit are as follows:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £28.4 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2020 are £4.2 million.

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

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

	<b>Total Assets: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits Arrangements £'000</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Opening fair value of scheme assets</b>	<b>1,215,293</b>	<b>1,264,781</b>	<b>0</b>	<b>0</b>
Interest income	30,373	32,828	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	20,423	41,403	0	0
• Other	(554)	(530)	0	0
Contributions from employer	32,398	32,181	2,325	2,363
Contributions from employees into the scheme	8,553	8,087	0	0
Benefits paid	(41,705)	(44,615)	(2,325)	(2,363)
Other			0	0
<b>Closing fair value of scheme assets</b>	<b>1,264,781</b>	<b>1,334,135</b>	<b>0</b>	<b>0</b>
	<b>Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2017/18</b>	<b>2018/19</b>		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,727	1,705		
Benefits paid	(1,727)	(1,705)		
<b>Closing fair value of scheme assets</b>	<b>0</b>	<b>0</b>		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £74.231 million (2017/18, £103.785m).

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

	<b>Total Liabilities: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits £'000</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Opening balance at 1 April</b>	<b>(1,434,039)</b>	<b>(1,545,476)</b>	<b>(45,082)</b>	<b>(46,241)</b>
Current service cost	(45,846)	(45,170)	0	0
Interest cost	(35,437)	(39,708)	(1,099)	(1,172)
Contributions from scheme participants	(8,553)	(8,087)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	(45,104)	0	(849)	0
• Actuarial gains/losses arising from changes in financial assumptions	(937)	29,262	0	508
• Other	(11,062)	0	(1,536)	0
Past service cost	0	(17)	0	0
Losses/(gains) on settlement/curtailment	(6,203)	(6,316)	0	0
Benefits paid	41,705	44,615	2,325	2,363
<b>Closing balance at 31 March</b>	<b>(1,545,476)</b>	<b>(1,570,897)</b>	<b>(46,241)</b>	<b>(44,542)</b>
	<b>Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2017/18</b>	<b>2018/19</b>		
<b>Opening balance at 1 April</b>	<b>(31,021)</b>	<b>(29,556)</b>		
Interest cost	(754)	(746)		
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	131	0		
• Actuarial gains/losses arising from changes in financial assumptions	361	0		
• Other	0	0		
Benefits paid	1,727	1,705		
<b>Closing balance at 31 March</b>	<b>(29,556)</b>	<b>(28,597)</b>		

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2017/18 £'000	%	Fair value of scheme assets 2018/19 £'000	%
Cash and cash equivalents	20,236	1.6%	51,231	3.9%
Equity instruments:				
• UK quoted and unquoted	246,632		218,263	
• Global quoted and unquoted	240,308		264,692	
• Global Frontier Fund	0		0	
• Pooled UK & Global	345,285		323,795	
Sub total equity	832,225	65.8%	806,750	60.5%
Bonds:				
• Corporate	15,177		17,344	
• Government	94,859		101,928	
Sub total bonds	110,036	8.7%	119,272	8.9%
Property:				
• UK Direct	89,799		97,125	
• Property funds - Global	0		0	
• Property funds - UK	2,530		0	
Sub total property	92,329	7.3%	97,125	7.3%
Private equity:				
• European	13,913		0	
• UK	3,794		11,874	
• Global	48,062		81,916	
Sub total private equity	65,769	5.2%	93,790	7.0%
Other investment funds:				
• Infrastructure	18,972		31,752	
• Diversified Growth Funds	93,594		97,659	
• Other Loan Fund	1,265		4,403	
• Multi Asset Credit	30,355		32,153	
Sub total other investment funds	144,186	11.4%	165,967	12.4%
<b>Total assets</b>	<b>1,264,781</b>	<b>100.0%</b>	<b>1,334,135</b>	<b>100.0%</b>

### Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.7	22.9	22.7	22.9
Women	24.9	22.9	24.9	25.0
Longevity at 65 for future pensioners:				
Men	25.6	25.8	-	-
Women	27.9	28.1	-	-
Rate of inflation	2.2%	2.2%	2.3%	2.2%
Rate of increase in salaries	3.7%	3.7%	3.7%	3.7%
Rate of increase in pensions	2.3%	2.3%	2.3%	2.3%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.6%

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

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Net Liability £'000
Longevity (increase by 1 year in life expectancy)	30,654
Rate of inflation (increase by 0.1%)	29,381
Rate of increase in salaries (increase by 0.1%)	4,235
Rate for discounting scheme liabilities (increase by 0.1%)	(28,841)



### 23. Events after the Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Chief Officer - Finance on 30 April 2019. 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 2019, the figures in the annual accounts and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

### 24. Related Parties

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

#### Central Government

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

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 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 2018/19 payments to 37 organisations, amounting to £11.4 million (2017/18, 25 organisations, £11.7 million) were made by means of grant support and for the delivery of services. Approval of these grants and service contracts was undertaken in accordance with Council policies and procedures. Details of all members' interests are disclosed on the Council website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

#### Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.414 million for this service in 2018/19 (2017/18, £1.445 million).

For 2018/19 the Council paid £33.886 million to the Pension Fund representing its employer contributions in respect of current and former employees (2017/18, £34.125 million).

Entities Controlled or Significantly Influenced by the Council

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

	2017/18		2018/19		Debtors		Creditors	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Joint Boards								
Grampian Valuation Joint Board	0	1,494	0	1,677	0	0	0	0
AECC/Mountwest Ltd	0	0	0	0	0	0	0	0
Common Good	1,658	108	1,728	208	0	0	(13,810)	(19,187)
Trust Funds	46	31	45	45	0	0	(4,009)	(4,028)
Aberdeen Sports Village	19	1,027	14	754	0	0	0	0
Sport Aberdeen	207	6,093	330	6,971	1	34	(1,590)	(2,996)
Aberdeen Heat & Power	17	3,135	19	3,245	0	0	0	0
NESTRANS	815	1,337	1,018	1,098	499	305	0	(31)
SDPA	0	173	0	(15)	0	0	0	0
Scotland Excel	0	141	0	140	0	0	0	0
Bon Accord Care	9	88	0	80	71	30	(11)	0
Bon Accord Support Services	1,589	29,283	1,742	29,155	4,777	5,406	(375)	(3,667)
Aberdeen City Integration Joint Board	122,954	90,030	128,878	91,869	0	0	(3,639)	(3,639)

The majority of these bodies form part of the Council's group accounts which are set out on pages 135 to 153.

**25. Leases**Council as Lessee*Finance Leases*

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

The minimum lease payments are made up of the following amounts:

<b>Finance Lease Liabilities</b>	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Current	367	396
Non Current	58,425	58,029
Finance costs payable in Future Years	113,324	104,087
Minimum Lease Payments	172,116	162,513

<b>The minimum lease payment will be payable over the following periods:</b>	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2018</b>	<b>31 March 2019</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	5,000	5,000	367	396
Later than one year not later than five years	20,000	20,000	1,782	1,923
Later than five years	147,116	142,116	56,643	56,107
	172,116	167,116	58,792	58,426

*Operating Leases*

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

	<b>Land and Buildings</b>		<b>Electric Vehicles</b>	
	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Not later than one year	862	409	38	19
Later than one year and not later than five years	1,052	980	23	5
Later than five years	4,475	4,525	0	0
	<b>6,389</b>	<b>5,914</b>	<b>61</b>	<b>24</b>

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

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

	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Not later than one year	733	750
Later than one year and not later than five years	1,628	1,462
	<b>2,361</b>	<b>2,212</b>

Council as Lessor*Operating Leases*

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

	Land and Buildings		Hydrogen Buses	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	5,652	5,342	80	32
Later than one year and not later than five years	14,586	13,635	32	0
Later than five years	166,948	168,713	0	0
	<b>187,186</b>	<b>187,690</b>	<b>112</b>	<b>32</b>

**26. Investment Properties**

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

	31 March 2018 £'000	31 March 2019 £'000
Rental and interest income from investment property	(9,726)	(12,549)
Expenses arising from investment property	4,681	2,752
Revaluation (gains)/losses	(4,651)	2,822
<b>Net (gain)/loss</b>	<b>(9,696)</b>	<b>(6,975)</b>

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

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

	2017/18 £'000	2018/19 £'000
<b>Balance at start of the year</b>	<b>85,335</b>	<b>148,592</b>
Additions	60,040	472
Disposals	(1,784)	(410)
Net gains/(losses) from fair value adjustments	4,651	(2,822)
Transfers:		
• (to)/from Property, Plant and Equipment	350	0
<b>Balance at end of the year</b>	<b>148,592</b>	<b>145,832</b>

## 27. Heritage Assets

## I Reconciliation of the Carrying Value of Heritage Assets held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
<b>Cost or valuation</b>							
At 1 April 2017	608	1,887	17	10	169,934	300	172,756
Additions	0	0	0	0	0	0	0
Disposals	0	(274)	0	(10)	(1,172)	0	(1,456)
Revaluations	0	6	0	0	26,064	0	26,070
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>608</b>	<b>1,619</b>	<b>17</b>	<b>0</b>	<b>194,826</b>	<b>300</b>	<b>197,370</b>
<b>Cost or valuation</b>							
At 1 April 2018	608	1,619	17	0	194,826	300	197,370
Disposals	0	0	0	0	0	0	0
Revaluations	0	50	0	0	271	0	321
<b>At 31 March 2019</b>	<b>608</b>	<b>1,669</b>	<b>17</b>	<b>0</b>	<b>195,097</b>	<b>300</b>	<b>197,691</b>

## City Monuments

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

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

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

---

**Art Collection**

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

**Civic Insignia**

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

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

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

**Maritime & Social History**

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

**Numismatics**

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

**Science, technology and industry**

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

### **Fine Art Collection**

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

### **Applied and Decorative Art**

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

### **Civic Insignia**

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

### **Archaeology**

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

### **Library & Information Services**

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

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

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



## **Preservation and Management**

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

## 28. Property, Plant and Equipment

Movements in 2017/18:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2017</b>	<b>964,737</b>	<b>914,869</b>	<b>62,709</b>	<b>259,400</b>	<b>26,080</b>	<b>16,288</b>	<b>197,950</b>	<b>2,442,033</b>	<b>178,906</b>
Additions	42,182	16,815	3,246	16,376	2,155	9	136,749	217,532	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	348	(33,693)	0	0	0	563	0	(32,782)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(26,574)	(28,578)	0	0	0	(29)	0	(55,181)	0
Derecognition – Disposals	(2,269)	0	(473)	0	0	0	0	(2,742)	0
Derecognition – Other	0	(150)	(4,558)	0	0	(96)	(4,401)	(9,205)	0
Reclassifications and Transfers	(541)	54,457	0	0	0	(5,037)	(49,770)	(891)	0
<b>At 31 March 2018</b>	<b>977,883</b>	<b>923,720</b>	<b>60,924</b>	<b>275,776</b>	<b>28,235</b>	<b>11,698</b>	<b>280,528</b>	<b>2,558,764</b>	<b>178,906</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2017</b>	<b>(27,947)</b>	<b>(52,065)</b>	<b>(29,277)</b>	<b>(94,439)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(203,728)</b>	<b>(6,162)</b>
Depreciation charge	(29,034)	(24,492)	(8,446)	(8,684)	0	0	0	(70,656)	(3,082)
Depreciation written out to the Revaluation Reserve	8	6,737	0	0	0	0	0	6,745	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	14,998	0	0	0	0	0	14,998	0
Derecognition – Disposals	120	0	379	0	0	0	0	499	0
Derecognition – Other	0	144	4,558	0	0	0	0	4,702	0
<b>At 31 March 2018</b>	<b>(56,853)</b>	<b>(54,678)</b>	<b>(32,786)</b>	<b>(103,123)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(247,440)</b>	<b>(9,244)</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>921,030</b>	<b>869,042</b>	<b>28,138</b>	<b>172,653</b>	<b>28,235</b>	<b>11,698</b>	<b>280,528</b>	<b>2,311,324</b>	<b>169,662</b>
<b>At 31 March 2017</b>	<b>936,790</b>	<b>862,804</b>	<b>33,432</b>	<b>164,961</b>	<b>26,080</b>	<b>16,288</b>	<b>197,950</b>	<b>2,238,305</b>	<b>172,744</b>

Property, Plant and Equipment

## Movements in 2018/19:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								*	
<b>At 1 April 2018</b>	<b>977,883</b>	<b>923,720</b>	<b>60,924</b>	<b>275,776</b>	<b>28,235</b>	<b>11,698</b>	<b>280,757</b>	<b>2,558,993</b>	<b>178,906</b>
Additions	37,054	38,680	3,480	11,305	1,538	445	152,385	244,887	28,048
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(223)	(15,264)	0	0	0	(1,461)	0	(16,948)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,180)	(23,927)	0	0	0	(7,653)	0	(55,760)	0
Derecognition – Disposals	(91)	0	(883)	0	0	(150)	0	(1,124)	0
Derecognition – Other	0	(698)	(1,312)	(2,009)	0	0	0	(4,019)	0
Reclassifications and Transfers	165	(1,187)	0	65,274	0	7,249	(71,337)	164	6,062
<b>At 31 March 2019</b>	<b>990,608</b>	<b>921,324</b>	<b>62,209</b>	<b>350,346</b>	<b>29,773</b>	<b>10,128</b>	<b>361,805</b>	<b>2,726,193</b>	<b>213,016</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2018</b>	<b>(56,853)</b>	<b>(54,678)</b>	<b>(32,786)</b>	<b>(103,123)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(247,440)</b>	<b>(9,244)</b>
Depreciation charge	(30,160)	(24,958)	(7,618)	(9,107)	0	0	0	(71,843)	(3,082)
Depreciation written out to the Revaluation Reserve	(5)	25,847	0	0	0	0	0	25,842	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	165	6,183	0	0	0	0	0	6,348	0
Derecognition – Disposals	6	0	752	0	0	0	0	758	0
Derecognition – Other	0	277	1,312	2,009	0	0	0	3,598	0
Reclassifications and Transfers	0	121	0	0	0	0	0	121	0
<b>At 31 March 2019</b>	<b>(86,847)</b>	<b>(47,208)</b>	<b>(38,340)</b>	<b>(110,221)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(282,616)</b>	<b>(12,326)</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>903,761</b>	<b>874,116</b>	<b>23,869</b>	<b>240,125</b>	<b>29,773</b>	<b>10,128</b>	<b>361,805</b>	<b>2,443,577</b>	<b>200,690</b>
<b>At 31 March 2018</b>	<b>921,030</b>	<b>869,042</b>	<b>28,138</b>	<b>172,653</b>	<b>28,235</b>	<b>11,698</b>	<b>280,757</b>	<b>2,311,553</b>	<b>169,662</b>
* 2017-18 figure restated									

*Depreciation – Useful Lives*

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

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

*Capital Commitments*

As at 31 March 2019, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £86.85 million next year. Similar commitments as at 31 March 2018 were £310.775 million. The major projects are:

- Housing – Structural repairs & solid wall insulation - £1.448 million
- Non Housing – New Aberdeen Exhibition & Conference Centre - £44.786 million
- Non Housing – Aberdeen Western Peripheral Route - £2.405 million
- Non Housing – Planned renewal & replacement of roads infrastructure - £5.211 million
- Non Housing – Energy From Waste - £22 million
- Non Housing – New Miltimber Primary - £11 million

### Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2019	6,130	222,944	0	0	0	10,127	0	239,201
31 March 2018	0	271,716	0	0	0	11,397	0	283,113
31 March 2017	9,562	205,166	0	0	0	9,852	0	224,580
31 March 2016	966,184	26,120	0	0	0	980	0	993,284
31 March 2015	0	224,020	0	0	0	0	0	224,020
31 March 2014	0	186,933	0	0	0	0	0	186,933
31 March 2013	1,484	394,425	0	0	0	6,073	0	401,982
31 March 2012	6,218	271,190	0	0	0	4,440	0	281,848
31 March 2011	766,904	43,840	0	0	0	0	0	810,744
31 March 2010	0	135,062	0	0	0	9,385	0	144,447
<b>Total cost or valuation</b>	<b>1,810,888</b>	<b>1,902,627</b>	<b>68,484</b>	<b>191,110</b>	<b>21,359</b>	<b>70,830</b>	<b>16,161</b>	<b>4,081,459</b>

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

## 29. Capital Expenditure and Capital Financing

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

	HRA	General Fund	Total	HRA	General Fund	Total
	2017/18	2017/18	2017/18	2018/19	2018/19	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>229,807</b>	<b>620,591</b>	<b>850,398</b>	<b>228,168</b>	<b>742,685</b>	<b>970,853</b>
<i>Capital investment</i>						
Property, Plant and Equipment	43,064	174,467	217,531	38,615	178,235	216,850
Heritage Assets	0	0	0	0	472	472
Assets Held for Sale	0	0	0	0	6	6
Music Hall/Aberdeen Harbour Board	0	770	770	0	4,000	4,000
Loan for National Housing Trust Initiative	0	0	0	0	0	0
<i>Sources of finance</i>						
Capital receipts	(4,555)	(129)	(4,684)	(745)	(158)	(903)
Government grants and other contributions	(11,079)	(37,067)	(48,146)	(4,764)	(37,334)	(42,098)
Sums set aside from revenue:						
• Direct revenue contributions	461	0	461	503	0	503
• Capital for Current Revenue (CFCR)	(22,496)	191	(22,305)	(14,440)	(667)	(15,107)
• Loans fund principal	(7,034)	(13,527)	(20,561)	(4,483)	(9,533)	(14,016)
• PPP liability repayments	0	(2,611)	(2,611)	0	(3,746)	(3,746)
<b>Closing Capital Financing Requirement</b>	<b>228,168</b>	<b>742,685</b>	<b>970,853</b>	<b>242,854</b>	<b>873,960</b>	<b>1,116,814</b>
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	(1,639)	124,705	123,066	14,686	135,021	149,707
Assets acquired under PFI/PPP contracts	0	(2,611)	(2,611)	0	(3,746)	(3,746)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(1,639)</b>	<b>122,094</b>	<b>120,455</b>	<b>14,686</b>	<b>131,275</b>	<b>145,961</b>

---

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

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

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

#### *Lochside Academy*

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

#### *Property Plant and Equipment*

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

#### *Payments*

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	3R's				Lochside Academy			
	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2019/20	5,491	2,997	6,720	15,208	342	694	2,764	3,800
Payable within two to five years	25,541	12,332	25,728	63,601	1,943	2,986	10,476	15,405
Payable within six to ten years	40,164	17,575	29,102	86,841	3,590	4,603	11,566	19,759
Payable within eleven to fifteen years	42,876	26,291	25,286	94,453	5,127	5,688	9,573	20,388
Payable within sixteen to twenty years	46,617	37,524	18,293	102,434	5,450	8,949	6,701	21,100
Payable within twenty one to twenty five years	35	1,032	699	1,766	5,411	10,656	2,316	18,383
Payable within twenty six to thirty years	0	0	0	0	0	0	0	0
<b>Total</b>	<b>160,724</b>	<b>97,751</b>	<b>105,828</b>	<b>364,303</b>	<b>21,862</b>	<b>33,576</b>	<b>43,396</b>	<b>98,834</b>

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

	2017/18 £'000	2018/19 £'000
<b>Balance outstanding at start of year</b>	<b>103,584</b>	<b>100,973</b>
Additions during year	0	34,099
Payments during year	(2,611)	(3,746)
<b>Balance outstanding at end of year</b>	<b>100,973</b>	<b>131,326</b>



## 31. Assets Held for Sale

	2017/18 £'000	2018/19 £'000
<b>Balance outstanding at start of year</b>	<b>5,382</b>	<b>6,198</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	541	6
Revaluation gains and (losses)	1,500	(130)
Reclassifications and transfers	0	(165)
Assets sold	(1,225)	(216)
<b>Balance outstanding at end of year</b>	<b>6,198</b>	<b>5,693</b>

## 32. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
<b>Balance outstanding at start of year</b>	<b>1,601</b>	<b>1,137</b>	<b>16</b>	<b>12</b>	<b>28</b>	<b>25</b>	<b>1,645</b>	<b>1,174</b>
Purchases	10,624	12,952	24,700	27,589	0	0	35,324	40,541
Recognised as an expense in the year	(11,088)	(12,481)	(24,704)	(27,602)	(3)	(25)	(35,795)	(40,108)
<b>Balance outstanding at end of year</b>	<b>1,137</b>	<b>1,608</b>	<b>12</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>1,174</b>	<b>1,608</b>

## 33. Short Term Debtors

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies	11,540	25,120
Other local authorities	2,846	3,161
NHS bodies	1,518	3,702
Public corporations and trading funds	2,362	2,935
Other entities and individuals	113,683	117,190
<b>Gross Total</b>	<b>131,949</b>	<b>152,107</b>
Deduct: Provision for Impairment	(54,657)	(59,949)
<b>Net Total</b>	<b>77,292</b>	<b>92,158</b>

## 34. Short Term Creditors

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies	(15,258)	(28,261)
Other local authorities	(1,211)	(1,119)
NHS bodies	(4,985)	(195)
Public corporations and trading funds	(724)	(5,511)
Other entities and individuals	(56,067)	(45,774)
<b>Total</b>	<b>(78,245)</b>	<b>(80,860)</b>

## 35. Provisions

2018/19	Note 1	Note 2	Note 3	Note 4	Total
	Compensation Payments - Voluntary Severance/Early Retirement and Equal Pay £'000	Property - Asset Management £'000	Housing Benefit Subsidy £'000	Other £'000	£'000
<b>Balance at 1 April 2018</b>	<b>(3,017)</b>	<b>(679)</b>	<b>(100)</b>	<b>(2,641)</b>	<b>(6,437)</b>
Additional provisions made in 2018/19	(7,731)	(57)	0	(102)	(7,890)
Amounts used in 2018/19	7,103	185	0	991	8,279
Unused amounts reversed in 2018/19	238	0	0	0	238
<b>Balance at 31 March 2019</b>	<b>(3,407)</b>	<b>(551)</b>	<b>(100)</b>	<b>(1,752)</b>	<b>(5,810)</b>
<i>Represented by:</i>					
<b>Current provisions</b>	<b>(3,407)</b>	<b>0</b>	<b>(100)</b>	<b>(1,752)</b>	<b>(5,259)</b>
<b>Long term provisions</b>	<b>0</b>	<b>(551)</b>	<b>0</b>	<b>0</b>	<b>(551)</b>

Notes on Provisions –

1. **Compensation Payments - Equal Pay and Severance - £3.407 million**

The provision of £3 million created in 2017/18 under the terms of the Scottish Government statutory guidance (per Local Government in Scotland Act 2003) for a Voluntary Severance/Early Retirement scheme was fully utilised. A further provision of £7.7 million was created in 2018/19, of which £3.4 million relates to amounts to be paid in 2019/20.

A provision of £99,000 was created in 2017/18 for arrears of equal pay under single status legislation. This provision is no longer required and has been reversed in 2018/19.

2. **Property-Asset Management - £0.551 million**

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2019 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 2019/20.

4. **Other**

• **Legal Cases - £0.708 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 2019/20.

• **HRA - £0.025 million**

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

• **HMRC - £0.091 million**

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

• **IFRS Impairment - £0.102 million**

An impairment review undertaken in 2018/19 under the new IFRS 9 Financial instrument recognised that a provision should be made for financial assets held by the Council. These include short term investments and long term loans .

## 36. Contingent Assets and Liabilities

### Contingent Assets

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

- **Marischal Square Development**

In November 2017, the Marischal Square development was completed. The Council has a contingent asset in relation to key money and development profit, which are held in escrow and payable to the Council upon the occurrence of uncertain future events, not wholly within its control.

### Contingent Liabilities

At 31 March 2019 the Council had material contingent liabilities as undernoted:

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

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,654 in support of an overdraft facility and card guarantee facility until 31 March 2021.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000 until 2019.

- **Waste Disposal**

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

The Council is currently part of a three-authority project in partnership with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract is expected to commence in 2019 with the facility coming on line late 2021, and will run for 20 years.

- **Landfill Allowance Scheme (LAS)**

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

- **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 Revolving Credit 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. Whilst several claims have been received, they have yet to be assessed, therefore any value is unknown and unquantifiable at this time.

- **Section 75 agreements**

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

- **Multi Storey Blocks**

In response to the Grenfell Tower incident potential changes to fire safety within multi storey blocks may be required. The extent of such changes is unknown at this time.

- **Integration Joint Board (IJB)**

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

- **Our Generation – Solar Panels**

A contractual dispute exists in relation to this contract which may give rise to a future financial liability.

### 37. Grant Income

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

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Total Revenue Funding Grant	325,560	321,829
<b>Total</b>	<b>325,560</b>	<b>321,829</b>
<b>Credited to Services</b>		
<b>Department of Work and Pensions</b>		
Housing Benefit Grant	55,491	55,580
Housing Benefit Admin Grant	702	692
Discretionary Housing Payment	159	0
Other	25	57
<b>Grampian Health Board</b>		
Resource Transfer	773	0
Integrated Care Funding	31,949	31,284
Other	162	314
<b>Other Local Authorities</b>		
Western Peripheral Route Works	2,964	17,679
Other	72	0
<b>Scottish Government</b>		
S27 Community Justice Grant	4,563	4,557
Pupil Equity Fund	0	4,464
Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	0	2,189
Home Insulation	674	1,903
Severe Eaather Funding	0	589
Education Maintenance	313	316
Attainment Challenge	482	296
Other	1,067	1,663
<b>European Funding</b>		
Hydrogen Bus Project	528	980
Civitas	267	355
Other	152	106
<b>Home Office</b>		
Syrian Refugee Resettlement Programme	313	442
Other	37	45
<b>Creative Scotland</b>		
Youth Music Initiative	383	192
Other	68	33
<b>Sport Scotland</b>	419	367
<b>Heritage Lottery Fund</b>	247	179
<b>Transport Scotland</b>		
Paths for All	15	300
<b>Other</b>	699 *	734
<b>Total</b>	<b>102,524</b>	<b>125,316</b>

\* 2017/18 'other' has been updated to include the grant from the Scottish Legal Aid Board.

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:

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue Grants - Receipts in Advance</b>		
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)	6	6
Communities	3	0
Bequest / Europe Direct for Libraries	0	33
Creative Scotland – Various Projects	24	13
Education Scotland	1	0
Countryside Rangers Service	0	3
Home Office Refugee Funding	513	513
Aberdeen Art Gallery	0	1
Local Air Quality	2	0
Amped Funding	7	10
Place Partnership	11	0
Creative Learning Network	11	4
Lochside Academy - Big Lottery Co Design	0	2
Aberdeen University - Food & Fun	0	5
ELC Grant	0	2,392
Erasmus Clermont Grant	0	7
<b>Total</b>	<b>578</b>	<b>2,989</b>
<b>Capital Grants - Receipts in Advance</b>		
Gypsy Traveller Grant	103	103
Scottish Government Flood Grant	403	452
Scottish Government JIVE Funding	3,388	3,388
Early Learning & Childcare Capital Payment	1,035	8,292
Fibre Network	936	843
Regeneration Capital Grant Fund	1,977	0
Aberdeen Inspired Funding for Cars for Union Street	13	13
<b>Total</b>	<b>7,855</b>	<b>13,091</b>

## 38. Financial Instruments

*Categories of Financial Instruments*

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

Financial Instruments Balances	Long term		Current	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
<b>Investments</b>				
Loans and receivables	0	0	98,705	71,116
Interest in group entities	18,076	17,638	0	0
<b>Total investments</b>	<b>18,076</b>	<b>17,638</b>	<b>98,705</b>	<b>71,116</b>
<b>Debtors</b>				
Loans and receivables	8,222	7,592	0	0
Financial assets carried at contract amount	0	0	77,292	92,158
<b>Total debtors</b>	<b>8,222</b>	<b>7,592</b>	<b>77,292</b>	<b>92,158</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(890,858)	(895,954)	(79,435)	(197,227)
<b>Total borrowings</b>	<b>(890,858)</b>	<b>(895,954)</b>	<b>(79,435)</b>	<b>(197,227)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(97,752)	(127,635)	(3,222)	(3,691)
<b>Total other long term liabilities</b>	<b>(97,752)</b>	<b>(127,635)</b>	<b>(3,222)</b>	<b>(3,691)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	(108)	(13)	(78,245)	(80,860)
<b>Total creditors</b>	<b>(108)</b>	<b>(13)</b>	<b>(78,245)</b>	<b>(80,860)</b>

Notes:

The Council undertook a £370 million Bond Issuance in 2016, receiving a premium of £44 million. This is reflected in the table above within "Borrowings, Financial Liabilities at Amortised Cost". Lenders Option/Borrowers Option (LOBO's) of £25.9m have been included in long term borrowing but have a call date in the next 12 months

**Income, Expense, Gains and Losses**



Financial Instruments Gains/(Losses)	2017/18			2018/19		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(45,496)	0	(45,496)	(50,292)	0	(50,292)
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(45,496)</b>	<b>0</b>	<b>(45,496)</b>	<b>(50,292)</b>	<b>0</b>	<b>(50,292)</b>
Interest income	0	1,450	1,450	0	1,432	1,432
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>1,450</b>	<b>1,450</b>	<b>0</b>	<b>1,432</b>	<b>1,432</b>
<b>Net gain/(loss) for the year</b>	<b>(45,496)</b>	<b>1,450</b>	<b>(44,046)</b>	<b>(50,292)</b>	<b>1,432</b>	<b>(48,860)</b>

With the introduction of IFRS 9 on 1 April 2018 it has been necessary for the Council to reclassify its Financial Assets according to the business model to which they relate and conduct an impairment review to ensure impairments are made to financial assets, if required.

Table 1 below shows where the previous classifications have moved into the new classifications. Loans and Receivables includes short term investments and long term loans and are now classified as Amortised Cost as they are held solely for the purposes of repayment of principal and interest. The Available for Sale category is the interest in group entities and is now classified as Fair Value through Profit and Loss as any annual fluctuations in the value of this category will be credited/debited to the Comprehensive Income and Expenditure Statement.

Table 2 provides information regarding the impairment allowance that has been calculated. The impairment allowance for short-term investments is minimal as these investments are made with financial institutions with high credit ratings as per our Treasury Strategy and are therefore considered to be a very low risk of default. As most of the Council's long term loans are covered by standard securities or guarantees they are not assessed for impairment, the impairment considered appropriate for the remaining loans is very low. The fair value of the Available for Sale category decreased by £437k in 2018/19 and this impairment was debited to the Comprehensive Income and Expenditure Statement.

The Available for Sale Financial instrument Reserve is now no longer used as a result of the transition to IFRS 9, therefore the value of this reserve has been posted to the Comprehensive Income and Expenditure Statement as at 1 April 2018.

	Table 1				Table 2		
	Reclassification and remeasurement of financial assets at 1 April 2018				Loss Allowances for New Classifications		
	Carrying amount brought forward at 1 April	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit and Loss	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit and Loss
Previous Classifications	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans and Receivables	106,926	106,926	0	0	102	0	0
Available for Sale	18,075	0	0	18,075	0	0	437
<b>Reclassified amounts at 1 April 2018</b>	<b>125,001</b>	<b>106,926</b>	<b>0</b>	<b>18,075</b>	<b>102</b>	<b>0</b>	<b>437</b>
Available for Sale Financial Instrument Reserve	721	0	0	0	0	0	721

### **Fair Values of Assets and Liabilities**

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

- estimated ranges of interest rates at 31 March 2019 of 2.55% to 10.50% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis at that date;
- no early repayment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair Value of Liabilities	31 March 2018					31 March 2019				
	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	(388,880)	(6,624)	(395,504)	(708,183)	(584,312)	(365,434)	(6,211)	(371,645)	(691,580)	(567,854)
LOBOs	(93,893)	(698)	(94,592)	(183,043)	(145,121)	(93,893)	(701)	(94,594)	(185,749)	(148,146)
Bond Issuance	(370,000)	0	(370,000)	(435,615)	(435,615)	(370,000)	0	(370,000)	(436,897)	(482,814)
Bond EIR	(16,609)		(16,609)	(16,609)	(16,609)	(31,429)	0	(31,429)	(31,429)	(31,429)
Bond Premium	(42,356)	0	(42,356)	(42,356)	(42,356)	(40,879)	0	(40,879)	(40,879)	(40,879)
Transfer Interest to Short Term in line with Code requirements	0	7,322	7,322	0	0	0	6,912	6,912	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	23,447	0	0	0	0	10,000	0	0
Financial Instrument Adjustments	0	0	(2,690)	0	0	0	0	(4,319)	0	0
<b>Total Long Term Borrowing</b>	<b>(911,738)</b>	<b>0</b>	<b>(890,982)</b>	<b>(1,385,806)</b>	<b>(1,224,013)</b>	<b>(901,635)</b>	<b>0</b>	<b>(895,954)</b>	<b>(1,386,534)</b>	<b>(1,271,122)</b>
Short term borrowing	(48,638)	(28)	(48,666)	(48,681)	(48,681)	(180,126)	(224)	(180,350)	(180,350)	(180,350)
Transfer Interest from Long Term in line with Code requirements	0	(7,322)	(7,322)	0	0	0	(6,877)	(6,877)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(23,447)	0	0	0	0	(10,000)	0	0
<b>Total Short Term Borrowing</b>	<b>(48,638)</b>	<b>(7,350)</b>	<b>(79,435)</b>	<b>(48,681)</b>	<b>(48,681)</b>	<b>(180,126)</b>	<b>(7,101)</b>	<b>(197,227)</b>	<b>(180,350)</b>	<b>(180,350)</b>

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) 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 2018				31 March 2019			
	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	136,224	177	136,401	136,401	97,738	191	97,929	97,929

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 £97.7m 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 2019 that this was likely to crystallise.

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

<b>Credit Risk A</b>					
<b>Estimated maximum exposure at 31 March 2018 £'000</b>		<b>Amount at 31 March 2019 £'000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2019 %</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2019 £'000</b>
		A	B	C	(A x C)
0	Deposits with banks and building societies	97,929	0	0	0
2,383	Customers	31,119	10.43%	10.43%	2,785
<b>2,383</b>					<b>2,785</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £31.1m is past its due date for payment. The past due amount can be analysed by age as follows:

<b>Credit Risk B</b>	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Less than three months	7,454	9,853
Three to six months	3,360	1,629
Six months to one year	3,312	2,184
More than one year	12,497	17,453
	<b>26,623</b>	<b>31,119</b>

### **Liquidity risk**

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

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	82,109	199,802
Between one and two years	16,860	11,860
Between two and five years	47,550	42,550
Between five and ten years	52,803	62,803
More than ten years	712,113	702,114
	<b>911,435</b>	<b>1,019,129</b>

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

### **Market risk**

#### Interest rate risk

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

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

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

£370 million of the Council's borrowings are in the form of a bond which is index-linked to RPI. The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £0.4 million in amounts repayable.

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

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	259
Increase in interest receivable on variable rate investments	(996)
Impact on Surplus or Deficit on the Provision of Services	<b>(737)</b>
Share of overall impact debited to the HRA	<b>(146)</b>
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>195,006</b>
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	0

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

#### Foreign exchange risk

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

## Loans Fund

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

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2018/19, the average interest rates were 3.80% for capital (2017/18, 4.94%), 0.55% for revenue advances (2017/18, 0.29%) and 0.02% for expenses (2017/18, 0.02%) on raising loans.

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

### Amounts Borrowed from the Loans Fund

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
General Fund	408,526	402,839	397,654	396,557	397,314	413,355	538,587	667,392	804,437
Trading Operations	23,257	22,678	24,282	23,083	21,283	20,486	19,207	15,107	13,083
Housing Revenue Account	185,923	193,225	196,880	196,665	196,675	193,692	189,118	187,479	202,165
<b>Total</b>	<b>617,706</b>	<b>618,742</b>	<b>618,816</b>	<b>616,305</b>	<b>615,272</b>	<b>627,533</b>	<b>746,913</b>	<b>869,978</b>	<b>1,019,685</b>



Loans Fund Revenue Account			Loans Fund Balance Sheet as at 31 March		
2017/18 £'000		2018/19 £'000	2018 £'000		2019 £'000
	<b>Expenditure</b>			<b>Assets</b>	
41,181	Interest paid to External Bodies	36,364		Advances to:	
475	Interest paid to Other Council Accounts	612	869,978	Aberdeen City Council for Capital Expenditure	1,019,685
167	General Expenses	149	2	Other Bodies	2
<b>41,823</b>		<b>37,125</b>	13,216	Rescheduled Premiums	12,820
	<b>Income</b>		883,196		1,032,507
	Interest & Expenses charged to Aberdeen City Council			<b>Current Assets</b>	
(30,379)	General Fund	(28,292)	136,200	Temporary Investments	97,700
(9,537)	Housing Revenue Account	(7,374)	205	Sundry Debtors	230
(957)	Trading Operations	(562)	1,184	Bank	635
(950)	From Temporary Investments	(897)	1,020,785		1,131,072
<b>(41,823)</b>		<b>(37,125)</b>		<b>Less: Current Liabilities</b>	
			76,548	Temporary Advances from Council Services	67,375
			7,335	Sundry Creditors	7,102
			83,883		74,477
			<b>936,902</b>	<b>Net Assets</b>	<b>1,056,595</b>
				<b>Financed by:</b>	
			(388,880)	Public Works Loan Board	(365,434)
			(93,893)	Market Loans	(93,893)
			(370,000)	Negotiable Bonds	(370,000)
			(42,356)	Bond Premium	(40,879)
			(16,609)	Bond EIR	(31,431)
			(2)	Stock Issue & Gas Annuities	(2)
			(25,162)	Temporary Loans	(154,956)
			<b>(936,902)</b>		<b>(1,056,595)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

30 April 2019

**Housing Revenue Account**

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

**Housing Revenue Account Income and Expenditure Statement**

<b>2017/18</b>		<b>2018/19</b>	
		<b>£'000</b>	<b>£'000</b>
	<b>Income</b>		
(80,819)	Dwelling Rents	(83,074)	
(3,427)	Non dwelling Rents	(3,211)	
(2,107)	Other Income	(2,127)	
<b>(86,353)</b>			<b>(88,412)</b>
	<b>Expenditure</b>		
981	Staff Costs	790	
<b>981</b>			<b>790</b>
	Premises Costs:		
25,316	Repairs and Maintenance	28,066	
3,056	Maintenance of amenity areas	3,179	
1,653	Bad debts written off/provisions	5,366	
1,416	Loss of rent vacant periods	1,739	
1,986	Other costs	1,563	
<b>33,427</b>			<b>39,913</b>
	Administration Costs:		
7,658	Management and Administration	7,954	
461	Other costs	834	
<b>8,119</b>			<b>8,788</b>
	Supplies and Services:		
3,608	Communal Lighting and Heating, etc.	3,923	
162	Information Technology	280	
149	Other Costs	184	
<b>3,919</b>			<b>4,387</b>

2017/18 £'000		2018/19	
		£'000	£'000
	Agencies:		
215	Contributions	200	
0	Supporting People Contribution	0	
498	Tenant's Participation/Helplines	658	
<b>713</b>			<b>858</b>
	Capital Charges:		
29,106	Depreciation	30,160	
26,574	Impairment of Non Current Assets	24,015	
<b>55,680</b>			<b>54,175</b>
<b>102,839</b>	<b>Gross Expenditure</b>		<b>108,911</b>
	<b>Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement</b>		
16,486			20,499
137	Corporate and Democratic Core	137	
			137
<b>16,623</b>	<b>Net Cost of HRA Services</b>		<b>20,636</b>
(1,040)	(Gain) / Loss on Sale of HRA Non Current Assets	(158)	
9,538	Interest payable and similar charges	7,374	
(79)	Interest and investment income	(176)	
195	Pensions interest and return on assets	235	
(11,079)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(6,185)	
<b>14,158</b>	<b>(Surplus)/deficit for the year on HRA Services</b>		<b>21,726</b>

2017/18 £'000		Notes	2018/19 £'000
(11,308)	Balance on the HRA at start of Year		(11,808)
14,158	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		21,726
(14,658)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(29,501)
(500)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(7,775)
0	Transfers to or (from) Reserves	2	7,275
(500)	(Increase) or Decrease in Year on the HRA		(500)
<b>(11,808)</b>	<b>Balance on the HRA at end of Year</b>		<b>(12,308)</b>

#### Housing Revenue Account Disclosures

##### 1. Adjustments between Accounting Basis and Funding Basis under Statute

2017/18 £'000		2018/19 £'000
1,040	Gain or (loss) on sale of HRA non-current assets	158
22,496	Capital expenditure funded by the HRA	14,440
	Transfer to/from the Capital Adjustment Account:	
(55,680)	Depreciation and Impairment	(54,175)
11,079	Capital Grants and Contributions	6,185
7,034	Repayment of Debt	4,483
(608)	HRA share of contributions to or from the Pensions Reserve	(598)
(21)	Adjustment involving the Accumulated Absences Account	0
2	Other Adjustments	6
<b>(14,658)</b>		<b>(29,501)</b>

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

2017/18 £'000		2018/19 £'000
0	Transfer to/(from) the General Fund	0
<b>0</b>	<b>Total</b>	<b>0</b>

### 3. Housing Stock

The Council's housing stock at 31 March 2019 was 21,974 (22,365 at 31 March 2018) in the following categories:

2017/18 Number		2018/19 Number
	<b>Type of Property</b>	
1,994	Sheltered Property	1,975
4,203	Cottage	4,216
8,416	Flat	8,467
2,087	Four in Block	2,080
548	Maisonette	548
2,134	Multi Storey Flat	2,154
122	Split Level Flat	122
428	Multi Storey Maisonette	427
1,330	Amenity	1,390
374	Homeless	380
<b>21,636</b>	<b>Sub Total</b>	<b>21,759</b>
355	Properties off the charge	215
<b>21,991</b>	<b>HRA Total</b>	<b>21,974</b>
	<b>Other Assets</b>	
1	Hostel	1
241	Garages Sites	241
2,037	Lock Up Garages	2,035
911	Parking Spaces	911
17	Travelling Peoples Sites	17
<b>3,207</b>		<b>3,205</b>

### 4. Rent Arrears

---

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
4,070	Current Tenant Arrears	5,170
1,788	Former Tenant Arrears	1,573
<b>5,858</b>	<b>Total Rent Arrears</b>	<b>6,743</b>

#### 5. Impairment of Debtors

In 2018/19 an impairment of £5,754,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £817,000 from the provision in 2017/18.

**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 2018/19, which is set annually by the Scottish Ministers, is 48 pence. There is also a small supplement on the poundage rate of 2.6 pence for subjects with a rateable value greater than £51,000 to cover the additional costs of the Small Business Bonus Scheme. In 2017/18, the NDR poundage rate was set at 46.6 pence and the supplement was 2.6 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

2017/18 £'000		2018/19	
		£'000	£'000
<b>(289,671)</b>	<b>Gross Rates Levied and Contributions in Lieu</b>		<b>(300,618)</b>
	<i>Deduct:</i>		
42,918	Reliefs, remissions, etc.	44,075	
	Payment of Interest		
3,264	Write off of uncollectable debts and allowances for impairment	7,683	51,758
<b>(243,489)</b>	<b>Net Non Domestic Rate Income</b>		<b>(248,860)</b>
1,357	Adjustment to previous years' National Non Domestic Rates		2,031
<b>(242,132)</b>	<b>Contribution to Non Domestic Rate Pool</b>		<b>(246,829)</b>
<b>(205,547)</b>	<b>Distribution from Non Domestic Rate Pool</b>		<b>227,801</b>
	<i>Add:</i>		
(399)	Adjustment for Statutory Additions and others		(450)
(399)			0
	<i>Less:</i>		
399	Charity Relief adjustment		451
<b>(205,547)</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement *</b>		<b>227,802</b>

\* The figure for 2018/19 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2018/19.

<b>Category</b>	<b>Number of Subjects</b>	<b>Rateable Value at 1 April 2019 £'000</b>
Advertising	129	543
Care Facilities	115	5,899
Communications (non Formula)	34	2,207
Cultural	12	913
Education and Training	161	36,160
Garages and Petrol Stations	208	5,193
Health Medical	130	16,682
Hotels etc	349	24,238
Industrial Subjects including Factories Warehouses & Stores	1,960	146,192
Leisure, Entertainment, Caravans & Holiday Sites	205	15,039
Offices including Banks	2,894	196,703
Other	893	11,807
Petrochemical	2	792
Public Houses	157	8,153
Public Service Subjects	192	20,504
Quarries, Mines etc.	9	128
Religious	136	2,780
Shops	2,206	104,362
Sporting Subjects	84	504
Undertaking	14	2,198
<b>Total Non Domestic Rates Subjects</b>	<b>9,890</b>	<b>600,997</b>



## Council Tax

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

In 2018/19, for Band D properties, the Council's Council Tax was frozen at £1,267.30. The full range of bandings is set out after the Council Tax Income Account.

### Council Tax Income Account

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(147,022)	Gross Assessments	(153,679)
(982)	Net band adjustments	(727)
<b>(148,004)</b>	<b>Council Tax Collectable</b>	<b>(154,406)</b>
	<i>Deduct:</i>	
12,350	Exemptions	13,290
83	Disabled Relief	85
13,150	Discounts	14,052
3,246	Provision for non collection	3,196
9,592	Council Tax Reduction	9,839
87	Other	73
<b>(109,495)</b>		<b>(113,871)</b>
	<i>Add:</i>	
(1,188)	Statutory Additions	(1,063)
219	Prior Year Adjustments	(1,608)
(7)	Write Ons	26
<b>(110,471)</b>	<b>Net Council Tax income for the Year</b>	<b>(116,516)</b>
<b>(110,471)</b>	<b>Net Council Tax income transferred to General Fund</b>	<b>(116,516)</b>

The calculation of the Council Tax Base 2018/19:

	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)			5			5	200/360	3
Band A	23,251	(3,792)	23	(3,150)	(522)	15,810	240/360	10,540
Band B	28,161	(2,588)	6	(3,364)	(476)	21,739	280/360	16,909
Band C	19,140	(1,533)	(7)	(1,760)	(336)	15,504	320/360	13,781
Band D	16,153	(2,186)	11	(1,429)	(380)	12,169	360/360	12,170
Band E	14,658	(682)	0	(1,131)	(238)	12,607	473/360	16,564
Band F	8,638	(214)	(5)	(531)	(101)	7,787	585/360	12,656
Band G	7,677	(142)	(31)	(326)	(102)	7,076	705/360	13,859
Band H	1,033	(26)	(2)	(28)	(19)	958	882/360	2,350
							<b>Total</b>	<b>98,832</b>
							<b>Band D Equivalent Council Tax Reduction</b>	<b>(7,594)</b>
							<b>Contributions in Lieu</b>	<b>12</b>
							<b>Provision for Bad Debts (2.4%)</b>	<b>(2,471)</b>
							<b>Council Tax Base</b>	<b>88,779</b>

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2018/19 was £1,267.30 (2017/18, £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	240/360	820.26
27,001 – 35,000	B	280/360	956.97
35,001 – 45,000	C	320/360	1,093.68
45,001 – 58,000	D	360/360	1,230.39
58,001 – 80,000	E	473/360	1,616.60
80,001 – 106,000	F	585/360	1,999.38
106,001 – 212,000	G	705/360	2,409.51
Over 212,000	H	882/360	3,014.46

## 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

	<b>Common Good Fund £'000</b>	<b>Reserves Fund £'000</b>	<b>Total Common Good £'000</b>
<b>Balance at 1 April 2017</b>	<b>(111,107)</b>	<b>(68)</b>	<b>(111,175)</b>
<b><u>Movement in Reserves during 2017/18</u></b>			
(Surplus) or Deficit on provision of services	(3,209)	0	(3,209)
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,209)</b>	<b>0</b>	<b>(3,209)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(114,316)</b>	<b>(68)</b>	<b>(114,384)</b>
<b><u>Movement in Reserves during 2018/19</u></b>			
(Surplus) or Deficit on provision of services	(6,163)	0	(6,163)
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,163)</b>	<b>0</b>	<b>(6,163)</b>
<b>Balance at 31 March 2019</b>	<b>(120,479)</b>	<b>(68)</b>	<b>(120,547)</b>

## Comprehensive Income and Expenditure Statement

2017/18 Net (Income) Expenditure £'000		2018/19		
		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
80	Administration Costs	125	0	125
1,245	Donations, Grants, Contributions etc.	1,263	0	1,263
142	Civic Hospitality	114	0	114
27	Funding of International Budget	39	0	39
104	Christmas Illuminations & Festivities	77	0	77
168	Civic Administration Unit	132	0	132
82	Other Projects	81	0	81
216	Miscellaneous Expenditure	226	0	226
433	Specific Projects	662	0	662
121	Duthie Park HLF	162	0	162
<b>2,618</b>	<b>Cost Of Services</b>	<b>2,881</b>	<b>0</b>	<b>2,881</b>
	Other Operating Expenditure:			
(5,342)	Gains/losses on the disposal of non current assets			0
	Financing and Investment Income and Expenditure:			
(3,277)	Investment property income & expenditure			(3,681)
(219)	Interest receivable and other investment income			0
<b>(6,220)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(800)</b>
3,011	(Surplus) or Deficit on revaluation of investment property			(5,363)
<b>(3,209)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(6,163)</b>

## Balance Sheet

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£'000</b>		<b>£'000</b>
86,034	Investment Property	90,818
<b>86,034</b>	<b>Long Term Assets</b>	<b>90,818</b>
27,798	Investments in Aberdeen City Council Loans Fund	28,744
61	Investment Property Held for Sale	0
843	Short Term Debtors	1,366
<b>28,702</b>	<b>Current Assets</b>	<b>30,110</b>
(352)	Short Term Creditors	(381)
<b>(352)</b>	<b>Current Liabilities</b>	<b>(381)</b>
<b>114,384</b>	<b>Net Assets</b>	<b>120,547</b>
(114,316)	Common Good Fund	(120,479)
(68)	Reserve Fund	(68)
<b>(114,384)</b>	<b>Total Reserves</b>	<b>(120,547)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

30 April 2019

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

## **Trust Funds and Endowments**

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

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2019 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

Included in these funds are 8 Trusts which are registered as Scottish charities under the Charities and Trustee Investment (Scotland) Act 2005. A separate audited Annual Report and Accounts for the Council's registered Charitable Trusts is submitted to OSCR within statutory deadlines.

In addition to these Trusts there are a number of independent Trusts which are separately supported and administered by the council e.g. the Aberdeen International Youth Festival Trust and the Lord Provost's Charitable Trust. Accounting information for these organisations is not included in this document.

Trust Funds have been incorporated into the Group accounts on the basis that they are entirely controlled by the Council, which appoints 100% of the trustees. However, it is acknowledged that the funds belong to the Trusts and that they may be used solely for the purposes specified in the Trust articles. The assets are not the property of the Council. The Common Good Fund has investments in the Lands of Skene Trust (30%) and the Lands of Torry Trust (51%).

Trusts reorganisation work is ongoing.. The Bridge of Dee was wound up by the transfer of its remaining assets to the Bridge of Don Fund, which will be used for the same charitable purpose, the advancement of heritage in Aberdeen. Work is also underway on the creation of a new constitution for the Guildry.

## Movement in Funds

Charity	Balance as at 31 March 2018 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2019 £'000
EEIF	(162)	0	4	(18)	2	(174)
Guildry	(2,687)	0	(51)	(5)	30	(2,713)
Bridge of Don	(1,252)	0	(39)	1	4	(1,286)
Alexander MacDonald Bequest	(31)	0	0	(1)	1	(31)
Aberdeen Art Gallery Trust	(26)	0	0	(0)	0	(26)
Lands of Skene	(1,157)	0	(40)	(53)	53	(1,197)
Lands of Torry	(1,442)	0	76	(142)	142	(1,366)
McBey Trust	(496)	0	0	(6)	5	(497)
<b>Total - Charitable Trusts</b>	<b>(7,253)</b>	<b>0</b>	<b>(50)</b>	<b>(224)</b>	<b>237</b>	<b>(7,290)</b>
Non Charity	Balance as at 31 March 2018 £'000	Transfer between Funds	Revaluation of Investments	Income	Expenditure	Balance as at 31 March 2019 £'000
Educational Trusts	(1,408)	0	74	(69)	70	(1,333)
Endowment Funds						
- Educational	(785)	0	13	(88)	2	(858)
- Social Work	(331)	0	4	(37)	0	(364)
Arts & Heritage	(74)	0	0	(1)	1	(74)
Graveyards	(21)	0	0	(0)	2	(19)
Monuments	(7)	0	0	(0)	0	(7)
John Rickart	(54)	0	0	(1)	2	(53)
McBey Trust	(71)	0	0	(1)	1	(71)
Glover House Ltd	0	0	0	0	0	0
Aberdeen Japan Trust	(509)	0	0	0	8	(501)
<b>Total - Non Charitable Trusts</b>	<b>(3,260)</b>	<b>0</b>	<b>91</b>	<b>(197)</b>	<b>86</b>	<b>(3,280)</b>
<b>Total</b>	<b>(10,513)</b>	<b>0</b>	<b>41</b>	<b>(421)</b>	<b>323</b>	<b>(10,570)</b>

## Investment of Funds

Charitable Trusts	Non- Charitable Trusts	Total		Charitable Trusts	Non- Charitable Trusts	Total
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
4,522	509	<b>5,031</b>	Land & Buildings	4,502	501	<b>5,003</b>
105	844	<b>949</b>	Equities - Listed	93	834	<b>927</b>
8	35	<b>44</b>	Gilt Edged Securities	7	34	<b>42</b>
0	238	<b>238</b>	Bank	0	354	<b>354</b>
2,354	1,704	<b>4,058</b>	Council Loans Fund	2,410	1,693	<b>4,103</b>
400	0	<b>400</b>	Other Investments - ACGIA	400	0	<b>400</b>
50	0	<b>50</b>	Debtors	49	0	<b>49</b>
(186)	(70)	<b>(256)</b>	Creditors	(171)	(136)	<b>(308)</b>
<b>7,253</b>	<b>3,260</b>	<b>10,513</b>		<b>7,290</b>	<b>3,280</b>	<b>10,570</b>
0	0	<b>0</b>	Share Capital	0	0	<b>0</b>
(4,530)	(2,669)	<b>(7,199)</b>	Unrestricted Funds	(4,605)	(2,696)	<b>(7,301)</b>
(123)	(591)	<b>(714)</b>	Endowment Funds	(122)	(584)	<b>(706)</b>
(2,600)	0	<b>(2,600)</b>	Designated Funds - Common Good Fund	(2,563)	0	<b>(2,563)</b>
0	0	<b>0</b>	Designated Funds - Grampian Health Board	0	0	<b>0</b>
<b>(7,253)</b>	<b>(3,260)</b>	<b>(10,513)</b>		<b>(7,290)</b>	<b>(3,280)</b>	<b>(10,570)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

30 April 2019

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



## Group Accounts

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

### Group Movement in Reserves Statement

	Total Usable Reserves (Page 53) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
<b>Balance at 31 March 2017</b>	<b>(87,391)</b>	<b>(1,405,587)</b>	<b>(1,492,976)</b>	<b>(107,628)</b>	<b>(1,600,604)</b>
<b>Movement in Reserves during 2017/18</b>					0
(Surplus) or deficit on provision of services *	73,003	0	73,003	(1,408)	71,595
Other Comprehensive Income and Expenditure *	0	36,084	36,084	(4,721)	31,363
<b>Total Comprehensive Income and Expenditure</b>	<b>73,003</b>	<b>36,084</b>	<b>109,087</b>	<b>(6,129)</b>	<b>102,958</b>
Adjustments between accounting basis & funding basis under regulations	(43,510)	43,510	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>29,493</b>	<b>79,594</b>	<b>109,087</b>	<b>(6,129)</b>	<b>102,958</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	(8,067)	8,067	0	0	0
<b>Increase/Decrease in Year</b>	<b>21,426</b>	<b>87,661</b>	<b>109,087</b>	<b>(6,129)</b>	<b>102,958</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(65,966)</b>	<b>(1,317,927)</b>	<b>(1,383,891)</b>	<b>(113,757)</b>	<b>(1,497,646)</b>
<b>Movement in Reserves during 2018/19</b>					
(Surplus) or deficit on provision of services	87,305	(74,659)	12,646	(7,480)	5,166
Other Comprehensive Income and Expenditure	0	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	<b>87,305</b>	<b>(74,659)</b>	<b>12,646</b>	<b>(7,480)</b>	<b>5,166</b>
Adjustments between accounting basis & funding basis under regulations	(79,868)	79,868	0		0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>7,437</b>	<b>5,209</b>	<b>12,646</b>	<b>(7,480)</b>	<b>5,166</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	97	(97)	0	0	0
<b>Increase/Decrease in Year</b>	<b>7,534</b>	<b>5,112</b>	<b>12,646</b>	<b>(7,480)</b>	<b>5,166</b>
<b>Balance at 31 March 2019</b>	<b>(58,432)</b>	<b>(1,312,815)</b>	<b>(1,371,245)</b>	<b>(121,237)</b>	<b>(1,492,479)</b>

## Group CIES

2017/18				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Continued Operation</b>			
305,921	(41,597)	264,325	Operations	315,416	(48,138)	267,278
112,918	(72,326)	40,593	Customer	109,374	(71,855)	37,519
30,422	(2,589)	27,833	Commissioning	32,595	(2,567)	30,029
34,659	(20,846)	13,813	Resources	55,416	(43,572)	11,844
27,407	(6,838)	20,569	Place	31,356	(7,322)	24,034
5,709	(2,246)	3,462	Governance	4,218	(1,842)	2,376
135,525	(50,801)	84,723	Integration Joint Board	226,792	(140,292)	86,501
69,294	(14,859)	54,435	Corporate	34,689	7,145	41,834
111,203	(94,582)	16,621	Housing Revenue Account	116,909	(96,258)	20,650
<b>833,057</b>	<b>(306,684)</b>	<b>526,373</b>	<b>Cost of Services</b>	<b>926,765</b>	<b>(404,700)</b>	<b>522,065</b>
0	(6,615)	(6,615)	Other Operating Expenditure	0	(72)	(72)
84,966	(50,743)	34,223	Financing and Investment Income and Expenditure	98,706	(50,559)	48,147
0	(484,178)	(484,178)	Taxation and Non Specific Grant Income	0	(480,447)	(480,447)
<b>918,023</b>	<b>(848,219)</b>	<b>69,804</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,025,472</b>	<b>(935,779)</b>	<b>89,693</b>
		1,791	Share of (surplus) or deficit on the provision of services of Associates and JV			1,902
		<b>71,595</b>	<b>Group (Surplus)/Deficit</b>			<b>91,595</b>
		1,021	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(14,445)
		580	(Surplus)/deficit on revaluation of available for sale financial assets			0
		30,172	Actuarial (gains)/losses on pension assets/liabilities			(75,735)
		(1,325)	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			4,593
		915	Other (gains)/losses			(841)
		31,363	Other Comprehensive Income and Expenditure			(86,428)
		<b>102,958</b>	<b>Comprehensive Income and Expenditure from Continued Operation</b>			<b>5,167</b>

## Group Balance Sheet

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
2,312,593	Property, Plant and Equipment (note xi)	2,445,144
237,203	Investment Property (note xii)	239,246
0	Intangible Assets	
37,750	Long Term Investments and/or Investments in Associates and Joint Ventures	31,332
197,370	Heritage Assets	197,691
8,222	Long Term Debtors	7,542
<b>2,793,138</b>	<b>Long Term Assets</b>	<b>2,920,955</b>
98,705	Short Term Investments	45,213
1,594	Inventories	2,020
74,281	Short Term Debtors	84,358
62,245	Cash and Cash Equivalents	74,199
6,620	Assets held for Sale	6,054
<b>243,445</b>	<b>Current Assets</b>	<b>211,844</b>
(68,238)	Short Term Borrowing	(167,278)
(77,997)	Short Term Creditors	(82,611)
(5,758)	Provisions	(5,259)
(3,222)	PPP Short Term Liabilities	(3,691)
(579)	Capital Grants Receipts in Advance	(2,989)
(7,928)	Revenue Grants Receipts in Advance	(13,157)
(5,607)	Other Short Term Liabilities	(5,607)
<b>(169,329)</b>	<b>Current Liabilities</b>	<b>(280,592)</b>

## Group Balance Sheet

<b>31 March 2018</b> <b>£'000</b>		<b>31 March 2019</b> <b>£'000</b>
(108)	Long Term Creditors	(13)
(679)	Provisions	(551)
(886,975)	Long Term Borrowing	(895,956)
(1,673)	Liabilities in Associates and Joint Ventures	(921)
(97,751)	PPP Long Term Liabilities	(127,635)
(58,790)	Other Long Term Liabilities	(58,027)
(323,630)	Pension Liabilities	(276,627)
<b>(1,369,606)</b>	<b>Long Term Liabilities</b>	<b>(1,359,730)</b>
<b>1,497,648</b>	<b>Net Assets</b>	<b>1,492,479</b>
(65,965)	Usable Reserves	(58,444)
(1,317,926)	Unusable Reserves	(1,312,815)
(162)	Group - Usable Reserves	589
(113,595)	Group - Unusable Reserves	(121,809)
<b>(1,497,648)</b>	<b>Total Reserves</b>	<b>(1,492,479)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

30 April 2019

## Group Cash Flow

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(71,595)	Net surplus or (deficit) on the provision of services	(91,592)
138,998	Adjust net surplus or deficit on the provision of services for non cash movements	175,966
(37,268)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(43,161)
<b>30,135</b>	<b>Net cash flows from Operating Activities (note 13)</b>	<b>41,214</b>
(121,917)	Net cash flows from Investing Activities (note 14)	(147,879)
(31,055)	Net Cash flows from Financing Activities (note 15)	118,619
<b>(122,837)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>11,954</b>
185,082	Cash and Cash equivalent at the beginning of the reporting period	62,245
<b>62,245</b>	<b>Cash and Cash equivalent at the end of the reporting period</b>	<b>74,199</b>

---

## Notes to the Group Accounts

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

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

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2019, 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 2018 to 31 March 2019, 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 2018, 31 July 2018 and 31 February 2019. This means that a 11 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%. As Joint Venture is Aberdeen Sports Village; the joint venture with The University of Aberdeen and Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

## **Subsidiaries**

### **Common Good**

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

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

### **Trust Funds**

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

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

### **Sport Aberdeen**

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

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

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

### **Bon Accord Care and Bon Accord Support Services**

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

---

**Joint Ventures**

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts. ASV currently has Net Assets of £35.2 million in 2018/19 (2017/18 £36.2 million).

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

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian. During financial year 2018/19, the partners contributed £315 million in funding to the IJB (£303 million 2017/18).

**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 £121 million (2017/18, increase of £114 million).



**Note iv Group Entities**

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

<b>For the financial year 2017/18</b>	<b>ACC Control %</b>	<b>Commitment to meet accumulated deficits %</b>	<b>Net Assets / (liabilities) £'000</b>	<b>Surplus / (deficit) for the year £'000</b>	<b>The accounts can be acquired from</b>
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	114,384	6,220	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,917	(53)	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(1,108)	(456)	Broadfold House, Broadford Road, Bridge of Don, Aberdeen AB23 8EE
Bon Accord Care Limited	100	100	(9,528)	(2,621)	Inspire Building, Beach Boulevard, Aberdeen AB24 5HP
Bon Accord Support Services Limited	100	100	(742)	109	Inspire Building, Beach Boulevard, Aberdeen AB24 5HP
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	36,151	(1,024)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Integrated Joint Board	50	50	8,307	(2,110)	50 Frederick Street, Aberdeen AB24 5HY
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(4,289)	(575)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX
<b>For the financial year 2018/19</b>					
	<b>ACC Control %</b>	<b>Commitment to meet accumulated deficits %</b>	<b>Net Assets / (liabilities) £'000</b>	<b>Surplus / (deficit) for the year £'000</b>	<b>The accounts can be acquired from</b>
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	120,548	800	Head of Finance, Aberdeen City Council
Trust Funds	100	100	8,007	98	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	13	111	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(8,348)	(2,761)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(775)	(152)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	35,276	(831)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Integrated Joint Board	50	50	5,578	(2,728)	50 Frederick Street, Aberdeen, AB24 5HY
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(2,362)	(315)	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 2018, AH&P Ltd made a profit of £771,299 (2016/17, £330,755 profit) and the net assets of the company were £3,128,409 (2016/17, £2,357,110). Turnover was £3,767,282 (2016/17, £3,636,090). The accounts for 2018/19 are being prepared. 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 2017/18, Aberdeen City Council contributed £51,000 (2016/17, £135,000) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The audited accounts for 2017/18 show a surplus of £338,000 (2016/17, £384,000 deficit) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance. The accounts for 2018/119 are being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2018 net assets amounted to £302,132 (2016/17, £304,457) with a loss for the year of £2,325 (2016/17, £5,698 loss). The accounts for 2017/18 are being prepared. It is anticipated that there will be no significant changes as at March 2019. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities-region planning authorities. The current legislative position of SDPA prevents it from retaining a surplus and reserves. In 2018/19, Aberdeen City Council contributed £95,000 (2017/18, £194,000) towards the costs of the organisations. This consists of £85,000 towards the costs of the organisation and £10,000 for legal costs associated with SDPA appeal towards strategic Transport Fund.

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 2018/19, Aberdeen City Council contributed £140,311 (2017/18, £140,607) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

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

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
45,778	Interest payable and similar charges	50,512
5,818	Pensions interest cost and expected return on pensions assets	7,643
(4,916)	Interest receivable and similar income	(1,432)
(9,696)	Income and expenditure in relation to investment properties and changes in their fair value	(6,975)
(2,761)	Other investment income	(1,601)
<b>34,223</b>	<b>Total</b>	<b>48,147</b>

## Note vii Cash Flow Statement – Group Operating Activities

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(71,595)	* Net surplus or (deficit) on the provision of services	(91,592)
<b>(71,595)</b>	*	<b>(91,592)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
70,765	Depreciation	71,918
40,182	Impairment, downward revaluations & non sale derecognitions	49,412
421	(Increase)/Decrease in Stock	(426)
(430)	(Increase)/Decrease in Debtors	(16,474)
0	Increase/(Decrease) in impairment provision for bad debts	0
(4,693)	Increase/(Decrease) in Creditors	8,697
24,296	Payments to Pension fund	
11,211	Carrying amount of non current assets sold	25,773
0	Carrying amount of written off assets	1,411
316	Contributions to Other Reserves / Provisions	27,793
(4,651)	Movement in value of investment properties	2,822
0	Assets held for sale movement	
0	Amortisation of intangible assets	
1,580	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	5,041
<b>138,998</b>		<b>175,967</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(48,146)	Receipt of Capital Grants and Contributions	(42,097)
(5,731)	Proceeds from the sale of PP&E, investment property and intangible assets	(1,063)
16,609	Bond EIR adjustment	
<b>(37,268)</b>		<b>(43,160)</b>
<b>30,135</b>	<b>Net cash flows from operating activities</b>	<b>41,215</b>

**Note viii Cash Flow Statement – Group Investing Activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
(218,316)	Purchase of property, plant and equipment, investment property and intangible assets	(244,969)
42,523	Purchase of short term and long term investments	53,929
	Other payments for investing activities	
6,271	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,715
(540)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(652)
0	Proceeds from short term and long term investments	42,097
48,146	Capital grants and contributions received	
0	Other receipts from investing activities	
<b>(121,917)</b>	<b>Net cash flows from investing activities</b>	<b>(147,880)</b>

**Note ix Cash Flow Statement – Group Financing Activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
0	Cash receipts of short term and long term borrowing	
(29)	Other receipts from financing activities	(32)
(11,806)	Repayments of short term and long term borrowing	122,764
(16,609)	Bond EIR Adjustment	
(2,611)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(4,113)
0	Other payments for financing activities	
<b>(31,055)</b>	<b>Net cash flows from Financing activities</b>	<b>118,619</b>

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

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

<b>31 March 2018 £'000</b>		<b>31 March 2019 £'000</b>
47	Cash held by officers	39
62,198	Bank current accounts	74,160
<b>62,245</b>	<b>Total cash and cash equivalents</b>	<b>74,199</b>

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

Movements in 2017/18:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant &amp; Equipment PP Assets Included in Property, Plant &amp; Equipment</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
<b>At 1 April 2017</b>	<b>964,738</b>	<b>916,112</b>	<b>63,106</b>	<b>259,400</b>	<b>26,080</b>	<b>16,289</b>	<b>197,950</b>	<b>2,443,674</b>	<b>178,906</b>
Additions	42,182	16,830	3,246	16,376	2,155	9	136,749	217,547	0
Revaluations	(26,226)	(62,270)	0	0	0	533	0	(87,963)	0
Derecognition / Disposals	(2,269)	(151)	(5,049)	0	0	(96)	(4,401)	(11,966)	0
Transfers	(541)	54,457	0	0	0	(5,036)	(49,771)	(891)	0
<b>At 31 March 2018</b>	<b>977,884</b>	<b>924,978</b>	<b>61,303</b>	<b>275,776</b>	<b>28,235</b>	<b>11,699</b>	<b>280,527</b>	<b>2,560,401</b>	<b>178,906</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2017</b>	<b>(27,947)</b>	<b>(52,116)</b>	<b>(29,503)</b>	<b>(94,440)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(204,006)</b>	<b>(6,162)</b>
Depreciation Charge	(29,034)	(24,549)	(8,500)	(8,685)	0	0	0	(70,768)	(3,082)
Depreciation & Impairment written out	8	21,736	0	0	0	0	0	21,744	0
Derecognition / Disposals	120	145	4,957	0	0	0	0	5,222	0
Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>(56,853)</b>	<b>(54,784)</b>	<b>(33,046)</b>	<b>(103,125)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(247,808)</b>	<b>(9,244)</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>921,031</b>	<b>870,194</b>	<b>28,257</b>	<b>172,651</b>	<b>28,235</b>	<b>11,699</b>	<b>280,527</b>	<b>2,312,593</b>	<b>169,662</b>
<b>At 31 March 2017</b>	<b>936,791</b>	<b>863,996</b>	<b>33,603</b>	<b>164,960</b>	<b>26,080</b>	<b>16,289</b>	<b>197,950</b>	<b>2,239,668</b>	<b>172,744</b>

## Movements in 2018/19:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment PP Assets	Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2018</b>	<b>977,883</b>	<b>924,977</b>	<b>61,303</b>	<b>275,777</b>	<b>28,235</b>	<b>11,697</b>	<b>280,753</b>	<b>2,560,625</b>	<b>197,370</b>
Additions	37,054	38,906	3,627	11,305	1,538	445	152,385	245,260	
Revaluations	(24,402)	(39,190)				(9,114)		(72,706)	321
Derecognition / Disposals	(91)	(698)	(2,303)	(2,009)		(150)		(5,251)	
Transfers	165	(1,187)		65,274		7,249	(71,337)	164	
<b>At 31 March 2019</b>	<b>990,609</b>	<b>922,808</b>	<b>62,627</b>	<b>350,347</b>	<b>29,773</b>	<b>10,127</b>	<b>361,801</b>	<b>2,728,092</b>	<b>197,691</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2018</b>	<b>(56,853)</b>	<b>(54,784)</b>	<b>(33,046)</b>	<b>(103,125)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(247,808)</b>	<b>(9,244)</b>
Depreciation Charge	(30,160)	(24,991)	(7,661)	(9,108)				(71,920)	(3,082)
Depreciation & Impairment written out	161	32,030						32,191	
Derecognition / Disposals	6	279	2,172	2,010				4,467	
Transfers		121						121	
<b>At 31 March 2019</b>	<b>(86,846)</b>	<b>(47,345)</b>	<b>(38,535)</b>	<b>(110,223)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(282,949)</b>	<b>(12,326)</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>903,763</b>	<b>875,463</b>	<b>24,092</b>	<b>240,124</b>	<b>29,773</b>	<b>10,127</b>	<b>361,801</b>	<b>2,445,144</b>	<b>185,365</b>
<b>At 31 March 2018</b>	<b>921,030</b>	<b>870,193</b>	<b>28,257</b>	<b>172,652</b>	<b>28,235</b>	<b>11,697</b>	<b>280,753</b>	<b>2,312,817</b>	<b>188,126</b>

**Note xii Investment Properties**

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

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Rental and interest income from investment property	(13,236)	(8,946)
Expenses arising from investment property	4,754	2,658
Revaluation (gains)/losses	(5,807)	2,842
<b>Net (gain)/loss</b>	<b>(14,289)</b>	<b>(3,446)</b>

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

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	176,390	237,203
Additions:		
• Purchases	60,040	472
• Construction		
• Subsequent expenditure		
Disposals	(1,783)	(409)
Net gains/losses from fair value adjustments	2,206	1,966
Transfers:		
• to/from Inventories	350	
• to/from Property, Plant and Equipment		14
Other changes		
<b>Balance at end of the year</b>	<b>237,203</b>	<b>239,246</b>



**Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2018 and 2019 are as follows:**

	Loans		Debtors		Creditors	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
AECC	0		0		0	
Bon Accord Care Ltd	0		71		(11)	
Bon Accord Support Services Ltd	0		4,771	5,406	(375)	(3,667)
Sport Aberdeen	(1,590)	(2,980)	1	16	(10)	(34)
Common Good	(13,810)	(19,187)	0		0	
Trust Funds	(4,009)	(4,028)	0		0	
	<b>(19,409)</b>	<b>(26,195)</b>	<b>4,843</b>	<b>5,422</b>	<b>(396)</b>	<b>(3,701)</b>

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

The operating expenditure and income of the subsidiaries have been included within Corporate Governance, Education & Childrens Services, Communities, Housing & Infrastructure, Integrated Joint Board/Social Work and Corporate & Miscellaneous.

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

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

2017/18	Share of Operating (surplus)/deficit £'000	Share of Total Assets £'000	Share of Total Liabilities £'000	Share of Net Assets /Liabilities £'000
<b>Associates</b>				
Grampian Valuation Joint Board	224	429	(2,102)	(1,673)
<b>Associates Total</b>	<b>224</b>	<b>429</b>	<b>(2,102)</b>	<b>(1,673)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	512	23,718	(5,642)	18,076
Integration Joint Board	1,055	4,153	0	4,153
<b>Joint Ventures Total</b>	<b>1,567</b>	<b>27,871</b>	<b>(5,642)</b>	<b>22,229</b>
<b>2018/19</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Total Assets £'000</b>	<b>Total Liabilities £'000</b>	<b>Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	123	549	(1,470)	(921)
<b>Associates Total</b>	<b>123</b>	<b>549</b>	<b>(1,470)</b>	<b>(921)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	416	23,194	(5,556)	17,638
Integration Joint Board	1,364	4,074	(1,285)	2,790
<b>Joint Ventures Total</b>	<b>1,780</b>	<b>27,268</b>	<b>(6,841)</b>	<b>20,428</b>

**Note xvi**

**Pension Costs**

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

**Subsidiaries**

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension surplus for the year is £1,011,000 (2017/18, £3,589,000 deficit).

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. In 2018/19 BASS made a surplus of £118,000 while BAC realised a surplus of £3,941,000.

**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 2017/18 was £78,000(2016/17, £90,000).

**Associates**

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

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

	2017/18 £'000	2018/19 £'000
Grampian Valuation Joint Board	63	37
<b>Total</b>	<b>63</b>	<b>37</b>

**Note xvii Net Pension Liabilities**

ACC share of pension liabilities of the Joint Boards are shown as below. These have been accounted for under IAS 19 'Post Employment Benefits'.

	2017/18 £'000	2018/19 £'000
ACC	(310,252)	(265,360)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(1,962)	(1,255)
<b>Total</b>	<b>(312,214)</b>	<b>(266,615)</b>

**Glossary of Terms**

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

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

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

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

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

**SeRCOP:** *CIPFA's Service Reporting Code of Practice 2018/19.*

**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*