



**UNAUDITED ANNUAL ACCOUNTS**  
**FOR THE PERIOD**  
**1 APRIL 2022 TO 31 MARCH 2023**

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## Management Commentary

### Introduction

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2022/23 and understand our financial performance for the year to 31 March 2023. It also provides an insight into the medium-term financial planning we undertake to provide financial stability, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely. Our performance reporting and core financial statements for 2022/23 meet the requirements of the Council and of the London Stock Exchange (LSE) and provide financial transparency for citizens of the City and beyond.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2023, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code). The Code is based on International Financial Reporting Standards (IFRS) and as such the accounts provide a reconciliation between the two reporting methodologies.

During 2021, Audit Scotland reviewed the Council's performance and concluded that it had responded well to the immediate pressures of the Covid-19 pandemic and was well placed in the medium to longer term. While the Council was able to open all facilities in 2021/22 it did not fully avoid the impact of restrictions that remained in place during the year and changes in customer behaviour and the financial climate that emerged. This has also been true of 2022/23, exacerbated by the high inflation, supply chain volatility and population changes experienced during the year.

The impact of the Covid-19 pandemic was considered by the CIPFA-LASAAC Code Board in respect of any adjustments required to the Code and it was concluded full application of the 2022/23 Code would apply. The option to defer the implementation of the new IFRS 16 for Lease Accounting until 1 April 2024 that was issued in 2021/22 remains in place. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases will be considered finance leases unless they meet the specific exception criteria. The Council has decided to defer implementation at this time.

A consequence of the pandemic was that the publication dates for the Annual Accounts for 2020/21 and 2021/22 were extended, no such extension has been granted for the publication of the 2022/23 Annual Accounts, therefore the statutory deadline of 31<sup>st</sup> October 2023 will apply.

The Accounts Commission has appointed Audit Scotland as External Auditors for the Council for the next five years, and financial year 2022/23 will be the first. The Council intends to work to its previously planned timetable for presentation of the unaudited Annual Accounts in May 2023 with approval of the audited Annual Accounts being delayed, now expected to be approved by a special meeting of the Audit Risk & Scrutiny Committee on 20 July 2023.

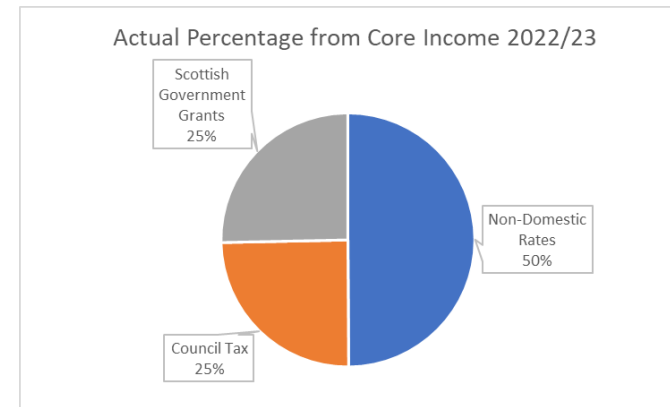
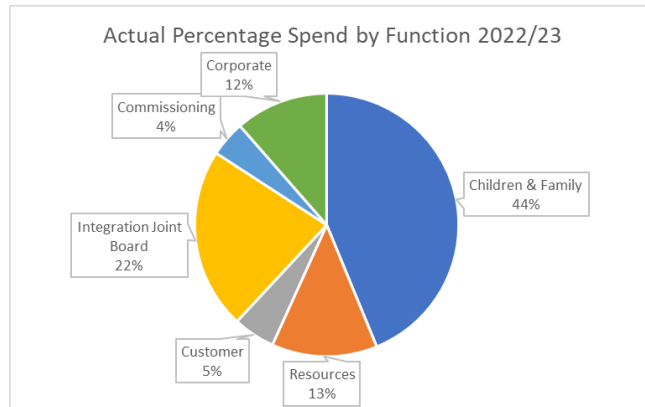
The Audit Scotland, External Audit Strategy will be reported to the Audit, Risk and Scrutiny Committee on 11 May 2023. This sets out risks that may require to be mitigated in the preparation of the 2022/23 accounts that will be reviewed by External Audit. Full details can be viewed at the Council's website in Committee reports for the meeting on the stated date.

### Highlights from 2022/23

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

In 2022/23, the Children and Family Services Function was our largest spending responsibility, accounting for £230 million of our total £465 million net service expenditure. We provided Education and Integrated Children's Services to over 25,000 children. The Resources Function supplied Operational and Protective services including roads, and waste collection services at a cost of £68 million. £27 million was spent on our Customer Function that includes support for those who are homeless and community and customer facing

services. £117 million was invested in Adult Social Work services as our contribution to the Integration Joint Board partnership with NHS Grampian. The balance of £23 million was spent on the Commissioning and former Operations Functions. Corporately we incurred costs of £60 million, £37 million of which was the cost of interest on borrowing. Expenditure on Council Housing was £92 million, managing and maintaining over 23,500 homes, and was funded entirely from housing rents and associated charges. In 2022/23, we received income of £537 million, comprising £268 million and £133 million raised locally through non-domestic rates and council tax respectively, whilst £136 million was received from government grants.



### The City Council's Revenue Position

In setting its 2022/23 General Fund (GF) budget on 7 March 2022, against a backdrop of a reducing revenue grant and £32.240 million of budget savings, the budget gap was proposed to be met by a range of savings options. These included a 3% increase in Council Tax, noting that Scottish Government limitations were lifted as part of the 2022/23 financial settlement for Local Government; a redesign of Council services to address demand in line with a commissioning led approach; the use of a Scottish Government permitted fiscal flexibility, and the use of earmarked reserves to maintain services and fund priorities. The budget report and minute sets out the detailed proposals, risks, and assumptions behind the future financial proposals.

The impact of the Covid-19 pandemic continued to be felt by the Council during 2022/23, in relation to supporting our citizens and our city, and in terms of the impact on Council finances. The slow recovery of income has been challenging with customer behaviour from the pandemic having a longer-lasting effect than had been expected. This has been particularly relevant with car parking income, venue and events income, and commercial property receipts.

The Council has also been required to address the Ukrainian refugee situation with over 1,825 people being supported in the city since June 2022, and income has been received from both UK and Scottish Governments to support services, much of this is one-off funding and unspent funds are being carried forward to support ongoing expenditure. The rising cost of energy has affected almost all the Council's services during 2022/23, and the influence of increasing inflation that reached 40-year high in Quarter 2 continues to affect the cost of goods and services to the Council.

High inflation has had the result of increasing the cost of government borrowing, increasing borrowing rates for individuals, businesses, and the public sector at large, with local authorities seeing significant increases in borrowing rates through the PWLB. The cost of new borrowing has increased and with inflation and construction inflation at high levels also being key factors, the Council has seen the cost of capital investment rise substantially for both the General Fund and the Housing Revenue Account. The higher levels of RPI has had an impact on the Bond repayments and the lease cost that the Council pays for Marischal Square.

The Council utilised one of the fiscal flexibilities approved by the Scottish Government in 2022/23. This was the option to defer the debt charge instalment for one year and means that the resulting saving of £9.2 million for 2022/23, will be repaid at £0.460 million per annum over the next 20 years.

The final operational out-turn position was a budget deficit of £2.1 million, after considering group accounting adjustments and movements in reserves. This will be reported to the Finance & Resources Committee on 17 May 2023.

The Council approved the revised reserves policy in March 2023. Usable reserves stood at £113 million as at 31 March 2023, an increase of £5 million on the previous year.

### **The Council's Capital Position**

The supply chain disruption which began during the Covid-19 pandemic continued in 2022/23 and is reflected in the total £132 million investment recorded for the Capital Programme for the year. The Construction Industry continued to experience shortages of products, raw materials, staffing and logistical support across the UK, compounded by the largest increase in energy prices seen in recent years. The Russian invasion of Ukraine in February 2022 and resulting economic sanctions placed on Russia and Belarus also exacerbated supply chain issues for some commodities which were sourced from eastern Europe.

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

- The Council's joint venture arrangement with bp progressed the design for the City's new Hydrogen production Hub to facilitate expansion of the Council's hydrogen fuelled fleet.
- The Council took delivery of an additional 10 hydrogen double decker buses and continued dual fuel retrofitting of existing Council vehicles.
- Construction progressed on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity, and heat for the Torry Heat Network. The facility achieved the first test burning of waste on 31 March 2023.
- The Council's Local Transport Strategy advanced design and land acquisition works for the Berryden corridor, and commenced the dualling of South College Street, for improved connections to the City Centre. The Bus Partnership Fund also supported the development of business cases on the City's other main transport corridors. Implementation works also continued for the City Centre Low Emissions Zone (LEZ).
- The City Centre Masterplan continues to invest in Aberdeen; Union Terrace Gardens was re-opened following redevelopment; further land assembly and enabling works advanced for the redevelopment of Queen Street; and major new design principles were progressed for the redevelopment of Aberdeen Market, Union Street, and connections to the City's Beachfront.
- Construction commenced on the new North East Scotland Shared Mortuary in Aberdeen, a multi-agency project with local public sector partners.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside accelerated investment in Intelligent Street Lighting to complement the investment in Street Lighting LED lanterns.
- The Council continued its commitment to its New Schools and Early Learning programmes. The new Milltimber Primary was completed in May 2022, and the new Countesswells Primary in March 2023. Works on the new Torry Primary and Community Hub are progressing on site, and contracts have been let for the new Tillydrone Primary. The Council approved funding for the progression of the updated School Estate Plan at its budget meeting on 1 March 2023.

The impact on the funding of the Capital programme is that there was a lower borrowing requirement in 2022/23 than originally expected. Ongoing scrutiny and monitoring of the various Capital projects were transferred from the Capital Programme Committee to the Finance and Resources Committee under the new Committee structure approved by Council in August 2022

### **The City Council's Group**

The Council has a number of Arm's Length External Organisations (ALEOs), several of which form part of our group and are reflected in the group accounts on pages 163 to 182. Significant investment is made in ALEOs by the Council, and proper consideration must be given to their performance and governance arrangements. All ALEOs were affected by the pandemic and were fully supported and monitored by the Council during this time. Assurance was also taken from reserves positions of many, in light of the

impact on their financial sustainability. By April 2022 all were fully operational again to external customers. The Council's 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.

### **The Council's Governance**

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

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

**Who we are** - We are one of 32 Councils in Scotland. We have 9,657 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 talented people including teachers, social workers, craft and trades workers, community and housing support workers, engineers, solicitors, accountants, roads and waste operatives, carers, managers, team leaders and administrators, to name but a few.

- **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 5 May 2022, a partnership was formed by the Scottish National Party (SNP) and Liberal Democrats.
- **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 2023/24**

On 1 March 2023 the Council Delivery Plan 2023/24 was approved. Full details can be viewed at the Council's website in Committee reports for the stated date. The plan continues to build on the achievement of the council vision. The Council Delivery Plan sets out the Council's contribution to:

- Aberdeen City's Local Outcome Improvement Plan
- The Council's Policy Statement
- National, Regional and City Strategy
- New & emerging legislative duties

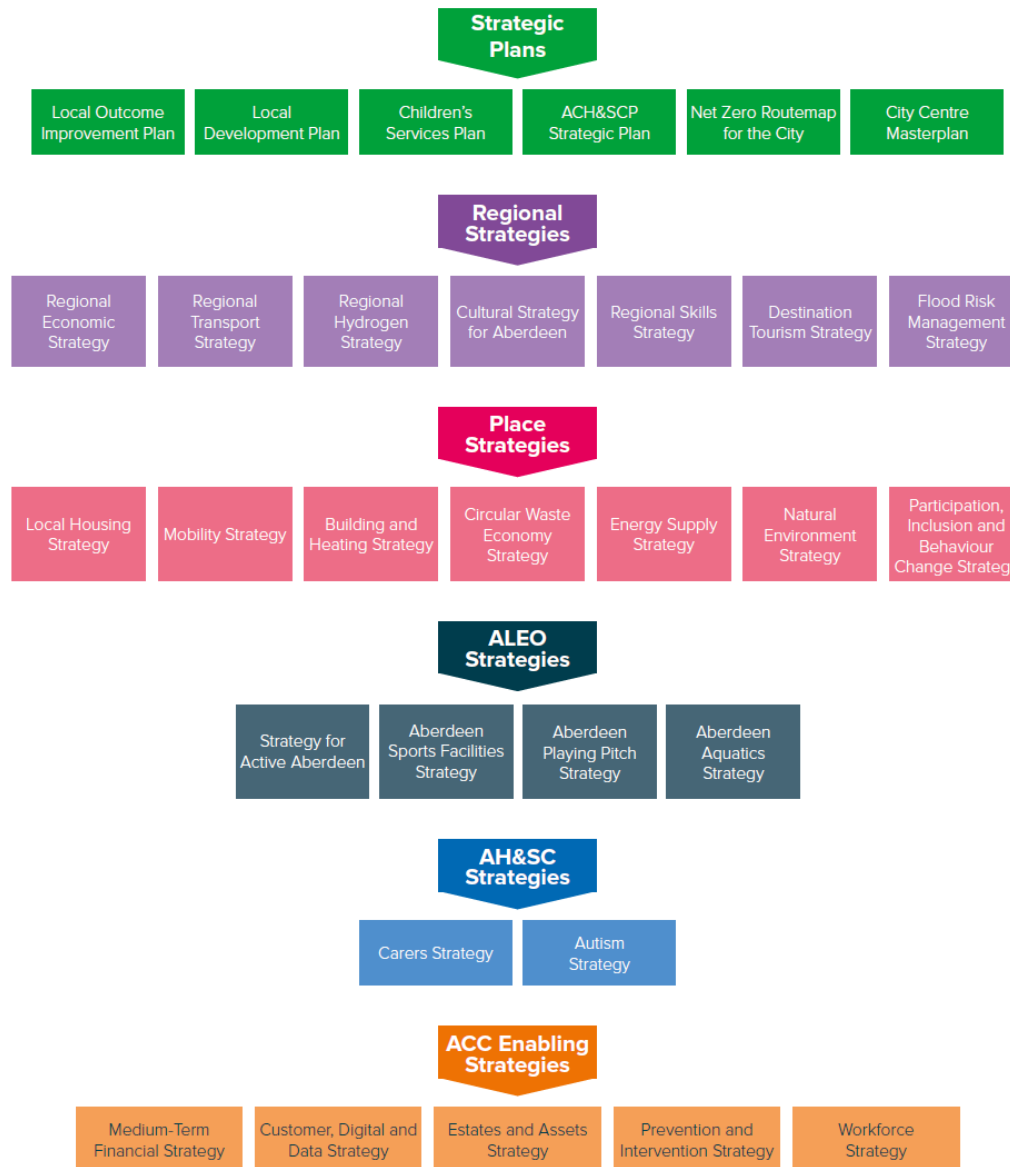
Each of these establishes a range of commitments and requirements and the Council Delivery Plan identifies how the Council will meet these for 2023/24. The Delivery Plan is aligned to further key documents below:

- **Strategy Framework**

On 6 October 2021 the Strategic Commissioning Committee approved the commissioning of strategies that aim to set out the Council's contribution to the delivery of LOIP outcomes. The Strategies under development continue to be refreshed and are updated in the Council Delivery Plan 2023/24. Full details can be viewed at the ACC website in Committee Reporting for the stated date.

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

The LOIP was adopted during 2016/17, establishing improvement outcomes and associated measures for a ten-year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPA) Board. The LOIP was refreshed in 2021 and approved by the CPA Board on 7 July 2021 this followed an extensive development process which started with the revised Aberdeen City Population Needs Assessment (PNA) for 2021. Full details can be viewed at the Council's website in Committee reports for the stated date. The LOIP can be viewed on the website of Community Planning Aberdeen.



- **Policy Statement**

Following the Local Government elections in early May 2022, Council (18 May 2022) agreed that the priorities for the next five years would be as stated in the Policy Statement "Working in Partnership for Aberdeen".

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

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

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

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

- **The Target Operating Model**

Through our ambitious programme of change, begun in 2017, the Council has transformed its organisational design; its governance arrangements; its approach to strategic planning and commissioning of services; its use of technology and digital services; fundamental change in service delivery for customers; the nature and role of our workforce; and how the organisation works collaboratively with its partners. This Delivery Plan shows, throughout, how the operating model supports the planning, commissioning and delivery of services and allows the Council to meet the range of commitments for the people and place of Aberdeen. The original governance structure aligned to the model was approved on 5 March 2018, with the Scheme of Governance refreshed annually thereafter.

The current global social, economic, and environmental challenges, including the legacy and continuing impact of Covid-19; inflation and the increasing cost of living; and climate change are also being felt acutely by the city and people of Aberdeen. This makes it imperative that we extend and accelerate many aspects of our journey of change, including our joint working with partners; digital access to services; and the use of data to identify those most in need. To support the necessary scale of transformation, in August 2022 the Council agreed a new Target Operating Model (TOM 1.2) for 2022-27, including identifying the investment required to enable change and release the level of savings outlined in the Council's Medium Term Financial Strategy. TOM 1.2 includes:

- An ambitious transformation programme for the Council
- Key programmes of multi-agency transformation to tackle areas where shared demand pressures exist and can be mitigated through whole system reform.
- And strategies to further modernise enabling services including Estates and Assets; Customer, Digital and Data; Workforce; and Intervention and Prevention

The key documents can be found at the Council website in Committee reports for the Council meeting in August 2017, and August 2022.



- **Our Commissioning Approach**

2022/23 saw a continued embedding of our Commissioning Approach. The approved strategic commissioning approach provided the basis for the development of the Council's planning and budgeting in 2020/21, continuing into 2022/23. The Strategic Commissioning Committee initially approved the Council's approach to outcome-based commissioning on 20 November 2018. Building on this, the Committee subsequently reviewed the implementation of the approach and approved a joint strategic commissioning approach for both the Council and Aberdeen Integrated Joint Board on 29 August 2019. On 6 October 2021 at the Strategic Commissioning Committee, Commissioning Intentions for 2022/23 were approved to provide direction to the design and delivery of services and the allocation of resources for 2022/23. The key documents can be found at the Council website in Committee reports for the Strategic Commissioning Committee in November 2018, August 2019, December 2020 and October 2021.

- **Regional Economic Plan**

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

- **Legislative duties**

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

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

### **Investing in our workforce**

Investing in the future is an important outcome for us. However, investing is not just about infrastructure and buildings. We recognise that the ultimate success of our plans for the city depends on the quality of our workforce – and that has been even more so in response to, and since the Covid-19 pandemic. We have continued to make significant investment in developing staff capability at all levels to ensure the long-term sustainability of our workforce. During 2022/23, under the responsibility of our Staff Governance Committee, we have continued to strengthen the ACC Workforce Plan, Capability Framework and our new approach to Leadership and Management Development. The Council Delivery Plans for 2021/22, 2022/23 and 2023/24 describe our continued activities in the section 'How we behave as an organisation'.

### **Engaging with our staff**

As well as investment in staff development we recognise the importance of an engaged and committed workforce. The Future of Work employee check in survey was carried out in 2021, the priorities raised in the survey results highlighted ten areas for action. These ten areas are Health & Safety, Mental Health & Wellbeing, Guiding Principles & Capability Framework, Future of Workspaces, Digital Skills & Adoption, Internal Communications & Employee Engagement, Leadership & Management, Employee Benefits & Reward, Energy & Climate Change and Equality, Diversity & Inclusion.

The Workforce Delivery Plan approved 30 January 2023 by the Staff Governance Committee forms part of the TOM 1.2. The purpose of our workforce strategy is to take the organisational learning from our transformation since 2017, an appreciation of the shifting local and national context, the challenges faced by all councils and the need to drive change, to set out our path of workforce transformation for the next 5 years that will build the workforce of the future. We will achieve these outcomes through the following levers with objectives aligned to each:

- Right structures – setting up our structures in a way that supports our cultural aspirations.
- Right people – building our capacity through attracting, recruiting, and moving talent.
- Right skills – building capability through awareness, desire, knowledge, and ability.

- Right place – working where and when is best for the work and the customer.
- Right support – supporting employees to thrive, personally and professionally.

### Diversity at work

As an equal opportunity employer, we comply with our obligations under the Equality Act 2010. As a diverse city we have a diverse workforce and operate with a culture which is open, fair, and transparent where any unlawful or unfair discrimination, prejudice, stereotyping, or harassment is challenged and addressed. We maintain pay equality within and across our workforce. Best Value Audit work on Equal Opportunities was reported to Urgent Business Committee on 30 June 2020 as part of the External Audit Annual Audit Report. On 12 April 2021 our Equalities, Diversity and Inclusion Action Plan was approved at Staff Governance Committee. This built on our Equality Outcomes and Mainstreaming Report 2021-25 that was approved on 11 March 2021 at Operational Delivery Committee. The 2023 Equality Outcomes Progress Report was approved at Anti-Poverty and Inequality Committee on 8 March 2023. Details can be viewed in Committee Reports for Urgent Business Committee in June 2020, Operational Delivery Committee in March 2021, and Staff Governance Committee in April 2021 and Anti-Poverty and Inequality Committee in March 2023.

### Our Relationship with Scottish and UK Governments

Annually, the Council receives grant funding from the Scottish Government. While core funding underpins many of the Council services, additional funding has been necessary to support us through the pandemic and in 2022/23 the support provided by both Governments to address the costs of the resettlement of refugees, in particular those fleeing the Russian invasion of Ukraine, has been vital.

We work closely with both governments and seek to help to deliver national policy decisions. Funding of £20 million, through the Levelling Up Fund, was awarded by the UK Government in support of city centre projects and funding has been drawn down during 2022/23 and will continue to fund our investment plans over the next couple of years. Furthermore, work continues to progress on the City Region Deal – a commitment from both governments to invest £125 million each, with Aberdeen City and Aberdeenshire Councils 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 2021/22 Annual Report on the City Region Deal Website at [Abzdeal.com](http://Abzdeal.com).

### Performance Management System

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

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

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

### Financial Performance

- **Balance Sheet**

The Balance Sheet on page 64 shows Net Assets of £1,880 million as at 31 March 2023 (£1,435 million at 31 March 2022), an increase of £445 million. Long Term Assets have increased by £480 million (from £2,923 million at 31 March 2022), reflecting a new pension asset of £364 million, a deferred charge of £9.2 million, and additions of £244 million to Property, Plant & Equipment (PPE), revaluation decreases of £56 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £7 million and depreciation of £91 million. Short Term Assets have decreased by £12 million from the previous year, reflecting a decrease in Cash & Cash Equivalents (£30

million), Short Term Investments (£8 million) and Assets Held for Sale (£10 million) an increase in Short Term Debtors (£35 million) and Inventories (£1 million). Current Liabilities have increased by £123 million from the previous year, mainly due to increases in Short Term Borrowing (£83 million), Short Term Creditors (£34 million). Long Term (LT) Liabilities have decreased by £100 million, due to a decrease in Pension Fund liability (£118 million), a decrease in Public Private Partnership (PPP) LT Liabilities (£5 million) and an increase in long term borrowing (£21 million).

The Council has continued to reflect the values of Long-Term Assets as at 31 March 2023 in line with current RICS guidance that has evolved throughout the year and provided additional assurance through more timely valuations of operational building assets and close attention being paid to the valuation method and assumptions around investment assets.

Future liabilities, anticipated as a result of past events, are recognised as Provisions, where reasonably certain and quantifiable, and Contingent Liabilities where there is less certainty and limited or no data available to quantify any future financial liability. Full details can be found at Note 36 on pages 133 – 135.

Total debt outstanding amounts to £1,371 million (2022 £1,266 million). The majority of borrowing comes from the Public Works Loans Board (PWLB) and a Bond Issuance, with the remainder coming from Market Loans and temporary borrowing from various public bodies and financial institutions. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

- **Reserves**

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

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

The requirement to retain and manage financial reserves is a critical element of robust financial management and has a basis in statute. In setting its budget the Council must take cognisance of this strategy. A revised Reserves Policy was approved by Council on 1 March 2023, and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 86 to 91.

- **Treasury**

It is important in terms of investor confidence in Aberdeen City Council that the authority maintains its credit rating level. The rating is reviewed by Moody's on an annual basis and the assessment involves an analysis of the Council's financial and institutional framework, as well as an assessment of the economic performance of Aberdeen and the wider region. In terms of the economic analysis, independent economic commentary in this report will be used to not only support the Moody's annual review, but also provide the city with assurance on the medium-to-long-term economic outlook of Aberdeen and the region to existing and future investors.

The annual review of the Council's credit rating was undertaken in December 2022 and an opinion provided on 10 February 2023. This was reported to Finance and Resources Committee on 29 March 2023. It affirmed the credit rating at A1 rating, with a change in the economic outlook to 'negative', in line with the changes made by Moody's to the UK sovereign rating in Autumn 2022. In its credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance". Full details can be viewed at the ACC website in Committee Reporting for the stated date.

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

The Council's Treasury Management Policy for 2023/24 to 2025/26 set the policies and boundaries for our investments and borrowings, with the stated investment priorities being a) security of capital; and b) the liquidity of investments. Full details can be viewed at the ACC website in Committee Reporting for the Council Meeting on 22 February 2023.

- **Revenue**

During 2022/23, the Council set a net revenue expenditure budget of £611 million (being £515 million on the General Fund and £96 million on the Housing Revenue Account). The performance during the year resulted in a deficit of £1.583 million (represented by a £2.083 million deficit on the General Fund and £0.500 million surplus on the

Housing Revenue Account). This reflects the service performance after year-end adjustments, such as the use of reserves and statutory funds, but excludes statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 92 and the Comprehensive Income and Expenditure Statement (CIES) on page 63 as follows:

Financial Performance 22/23	Quarter 4 Final Position	Transfers between funds & other adjustments	(Surplus)/ Deficit per EFA	Other Adjustments	Statutory Adjustments	(Surplus)/ Deficit per CIES
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	2,083	6,148	8,231	(12,586)	19,013	14,658
Housing Revenue Account	(500)	(13,335)	(13,835)	(7,704)	94,421	72,882
<b>(Surplus) /Deficit on provision of services</b>	<b>1,583</b>	<b>(7,187)</b>	<b>(5,604)</b>	<b>(20,290)</b>	<b>113,434</b>	<b>87,540</b>
Other Comprehensive Income and Expenditure						(532,022)
<b>Total Comprehensive Income &amp; Expenditure Surplus</b>	<b>1,583</b>	<b>(7,187)</b>	<b>(5,604)</b>	<b>(20,290)</b>	<b>113,434</b>	<b>(444,482)</b>

- **Capital**

The Capital budget for the period 2022/23 to 2026/27 was set at £1,135 million (General Fund £623 million, Housing £512 million). Capital expenditure during the year was £244 million, compared with anticipated expenditure for the year of £423 million. The capital programmes in 2022/23 were financed by capital grants (£19 million), borrowing (£152 million), revenue contributions from the Housing Revenue Account (£6 million) and other grant income / contributions (£66 million).

Spending of £244 million was recorded for the Capital Programme for the year, much lower than originally expected, which was a consequence of supply chain volatility but also due to active and careful decisions taken to defer, pause and stop capital projects following a full review in the first half of the year. Pricing for contracts was extremely volatile and substantially inflated ensuring the Council considered best value. The construction industry continued to experience shortages of products, raw materials, staffing and logistical support across the UK. The Russian invasion of Ukraine in February 2022 and resulting economic sanctions placed on Russia and Belarus further exacerbated supply chain issues for some commodities which were sourced from eastern Europe.

Contingent liabilities were identified considering additional project cost uncertainty, details can be seen on page 133. The changing profile of capital expenditure will be reflected in future capital financing plans and the capital programme adjusted accordingly.

- **Group Accounts**

The Aberdeen City Council Group consists of subsidiaries, joint ventures and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with total assets of £2.063 billion. This is an increase against the total assets of the Council, which are £1.880 billion, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2022/23. Details can be seen on page 163-182.

- **Common Good**

The Common Good recorded an operating deficit of £2.789 million. This deficit is before revaluation of assets, investments and other accounting adjustments are applied. The value of the Common Good is £121.8 million at 31 March 2023, a decrease of £5.976 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 157-159.

- **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 2023 was £11.014 million, an increase of £0.398 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 160 to 162.

## **Outlook including Risks and Uncertainties**

### **Outlook for the City Council**

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

Just as the uncertainty and effects of the Covid pandemic on people and the economy were starting to ebb, the Russian invasion of Ukraine, inflation pressures and rising borrowing costs brought about a potentially bigger challenge for the country. Inflation peaked at 11.1% (CPI) in October 2022, and remained high at year end, 10.1% in March 2023. Pressures have been experienced in the supply chain as a result of the Russian invasion impacting on such materials as steel, grain etc, adding to the inflation mix. In response to this the Bank of England raised the Bank Base Rate and interest rates increases followed. The “Cost of Living Crisis” continues to make headlines as rising inflation impacts on fuel, energy bills and everyday shopping costs to UK households. The government has taken steps to give households grants/rebates to offset some of these costs. The prevalence of strike action being taken across the country has been inescapable as employees have been looking for pay to rise in line with inflation, generally unaffordable to employers and the public sector. Holding back inflation busting pay awards is a part of managing inflation, reducing the ability for discretionary spending.

The budget for 2023/24 has been set based on what was known and anticipated to happen regarding costs and demand however much is uncertain including the time it will take to reset and reduce the financial pressures back to long-term targets. The Council continues to work to understand the impact of these new and emerging pressures on the budgets and is working on the Medium-Term Financial Strategy to be presented to Finance and Resources Committee in August 2023.

#### **b. Financial sustainability**

On 24 August 2022, the Council approved the Medium-Term Financial Strategy for the General Fund, that set out the funding context, the medium-term outlook and the impact of capital investment and funding. Several scenarios and responses were developed and principles relating to financial sustainability and managing reserves. The Strategy noted that the increasing demand and pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. From the Strategy the scenario plans revealed a budget gap range for 2023/24 of between £34m and £106m, with a central scenario of £53m.

The Council set its 2023/24 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 1 March 2023. The 2023/24 General Fund budget presented proposals to address a significant (updated) gap of £46.6 million to Elected Members. The gap is proposed to be met by redesign of Council services to address demand, in line with a commissioning led approach as described in the report. The Council agreed a 5% increase in Council Tax and an approximately 10% rise in fees and charges, where appropriate. The budget report and minute sets out the detailed proposals, risks, and assumptions behind the future financial proposals. The Council decided to increase rents by 4% on the Housing Revenue Account, following rent having been frozen for two years (2021/22-2022/23), this was specifically in response to the need for financial sustainability to be prioritised. The Common Good is to distribute over £4m. These can be found on the ACC website at Committee Reporting for Council meeting on 1 March 2023.

The Capital budget for the period 2023/24 to 2027/28 was set at £1,089 million (General Fund £533 million, Housing £556 million). This budget reflected an additional investment proposal of £372 million to regenerate the city centre and beach area and strategic housing investment.

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

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

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

### c. Environmental Sustainability

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

As detailed in the Council Delivery Plan (Council, 1 March 2023) the strengthened alignment of the commissioning intentions to support the Council's priorities of addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate are highlighted.

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

#### Outlook for the City

- Aberdeen Economy – General

Aberdeen is at the heart of one of the most prosperous regions in the UK outside of London. Comparatively, economic activity in Aberdeen and the North East is high due to a host of factors including the Energy Sector. Gross value added (GVA), productivity, disposable income levels, house prices and commercial property returns are significantly higher than Scotland and UK averages, however it has faced several challenging years. For example, over the last two years, the Aberdeen Economic Policy Panel notes that employment rates in the North East have fallen at a steeper rate than in Scotland and the UK. This is an export-led economy with the city region making a disproportionately positive contribution to Scottish exports demonstrating the international reach of the city region.

The diversity of the economy provides significant opportunities for investment and business growth in both the short and longer term. The strength of the recovery in Aberdeen City depends upon the recovery in the energy sector where the outlook continues to evolve. In the longer term the transition to Net Zero is both a challenge and an opportunity for the sector.



The Council recognises the economic challenges it operates within. It delivers a wider range of enabling services (transport / roads, housing, planning and education) that are crucial to the functioning of the North East of Scotland as a competitive business, investment, and visitor destination. In 2022/23, the city was home to 28,103 'businesses' (including public administration), generating £268 million in non-domestic rates.

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

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

- **Economic Recovery**

Aberdeen's economic performance has been adversely affected by the pandemic, the Russian invasion of Ukraine, and the rise in energy prices, due to the sector mix of the local economy. Factors critical for the long-term success of the region include economic diversification, skills, infrastructure investment and energy transition.

A recent assessment of the Economic Outlook for Scotland can be found in 'fifth Medium Term Financial Strategy' published by Scottish Government on 31 May 2022. It quotes:

'Global events have had a significant impact on the economic outlook and heightened fiscal risks. The situation in Ukraine coupled with soaring energy prices and supply chain disruption has meant that inflation reached a 40-year high. The Scottish economy is facing new challenges, with rising inflation placing significant pressure on households, businesses, and public services.' The Organisation for Economic Co-Operation and Development's (OECD) latest assessment from March 2023 highlights that the recovery remains fragile, with key risks stemming from uncertainty about the war in Ukraine and energy market developments, and significant financial vulnerabilities. It could intensify imbalances that are slowing growth, raising costs and could delay the world economy's return to pre-pandemic levels.'

The independent Aberdeen Economic Policy Panel produces an annual report on the state of the Aberdeen Economy. It was published in December 2022 and finds that like other economies in Scotland and the rest of the world, Aberdeen's economic performance has been adversely affected by the pandemic, the invasion of Ukraine and the rising energy prices. High inflation driven by surging food and energy prices and the implications for the cost-of-living. 'With the energy sector playing an important role in the local economy the impact of the recent spike in energy prices has brought renewed activity for many businesses, but other sectors have faced a considerable increase in costs, loss of earnings, and a further period of uncertainty and instability. The Panel maintains the view of the importance of maintaining a long-term focus for the strategic approach to Aberdeen's economic development. That is, a focus upon diversification, investing in key areas of comparative strength in the region and improving the core enabling factors of an economy – skills, connectivity, and an attractive sustainable environment to live and work.'

- **Supporting Recovery**

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

On 25 August 2021 the Council provide an update on the 2015 City Centre Masterplan (CCMP) review and what could be prioritised in the short term to support initial economic recovery within the City. A report to Council on 14 December 2022 on City Centre Masterplan, Aberdeen Market, Queen Street, and the Streetscape programme progresses these strategic work streams with a programme of works which in the long term support the recovery of the city.

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

### Conclusion

The Council reports a healthy credit rating of A1 with a negative outlook, one 'notch' below UK Sovereign rating and 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 2022/23 financial year results showed a small deficit of £1.583 million for the year across all Council accounts, this deficit will be funded from earmarked reserves. This shows another strong performance over what has been an exceptional year and demonstrates the Council's financial resilience and actions taken to maintain longer term stability in service delivery going forward.

This has been an extremely challenging year, with the Council continuing to respond to the long-term impact of the Covid-19 pandemic, deal with the consequences from the Russian invasion of Ukraine, including the resettlement of thousands of people, plan for financial settlements for Local government that will not increase funding to core services while at the same time react and adapt to inflation and interest rate pressures and the consequences for our people who continue to cope with a cost-of-living crisis. The Council governance arrangements for responding to the changing environment, and specific financial resilience plans we have evidenced our response to manage and mitigate risks in a robust way to protect the sustainability of Council finances throughout 2022/23 and into the future.

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

We will continue to invest in our staff and the infrastructure of the city in a financially sustainable way and the changes to the Council that are now aligned to the Target Operating Model (1.2) 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 2022/23 Annual Accounts to timescales.

Jonathan Belford CPFA  
Chief Officer – Finance

Angela Scott  
Chief Executive

Councillor Alex Nicoll  
Co-Leader of the Council

Councillor Ian Yuill  
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 Alex Nicoll  
Co-Leader of the Council

Councillor Ian Yuill  
Co-Leader of the Council

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

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

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

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

**I have also:**

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

I certify that these Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2023.

Jonathan Belford, CPFA  
Chief Officer – Finance

## 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 2022-2027, 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 any 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 2023 and up to the date of approval of the annual accounts.

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

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

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

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

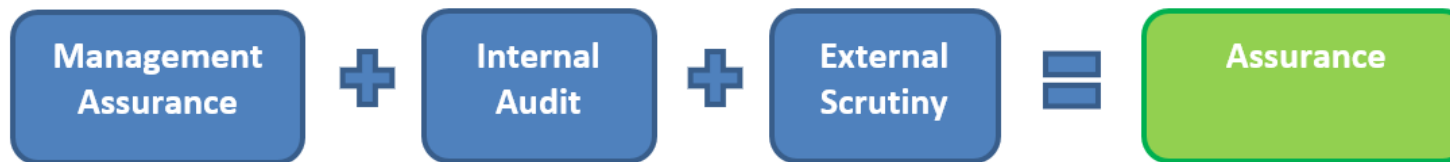
- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle B** Ensuring openness and comprehensive stakeholder engagement.
- Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits.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

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

## SECTION 2 REVIEW OF EFFECTIVENESS

### 2.1 SOURCES OF ASSURANCE

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



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

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

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

### 2.1.1 Management Assurance

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

These assurances include internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses are incorporated into the 'Significant Governance Issues' section (Section 4) further to assessment of returns by the Corporate Management Team. For 2022/2023, only one issue was highlighted, and corrective actions have been identified.

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

It has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer (CFO) in Local Government (2015). Furthermore, in relation to other statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the extended Corporate Management Team. In addition, the CFO and Monitoring Officer, or their nominees, were in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Finance and Resources Committee. In addition, the Chief Social Work Officer attends the Council's Communities, Housing and Public Protection Committee and Education and Children's Services Committee (and their respective predecessor Committees from 1 April to 14 October 2022, referenced below) and is an adviser to the Integrated Joint Board.

### Scheme of Governance

The Council undertakes an annual review of the Scheme of Governance, and this was approved at Council in February 2022, with mostly minor changes to the documentation to reflect any issues that had arisen throughout the previous year. The annual review is a structured process which considers how the Scheme has operated. Using a collaborative approach, feedback is sought from elected members and officers to ascertain any improvements that may be required.

As a result of the Local Government elections in May 2022, the new Partnership instructed officers to bring forward proposals to the meeting of Full Council in August 2022 with recommended changes to the Scheme of Governance. At the meeting of 25 August 2022, the Council agreed to:-

- Rename the City Growth and Resources Committee as the Finance and Resources Committee
- Disestablish the Capital Programme Committee and transfer the remit to the Finance and Resources Committee
- Disestablish the Strategic Commissioning Committee and transfer the remit to Full Council and any other committee as appropriate.
- Extend the scope of the Education Operational Delivery Committee to include children's services and rename it as the Education and Children's Services Committee to reflect its expanded remit.
- Disestablish the Operational Delivery Committee and the Public Protection Committee and create a new Communities, Housing and Public Protection Committee
- Establish a Net Zero, Environment and Transport Committee; and
- Establish an Anti-Poverty and Inequality Committee to address poverty and inequalities in the city.

The change to the committee structure required a further review of the Scheme of Governance, and amended governance documents, including changes to Standing Orders and a new set of Terms of Reference, were approved at the Council meeting in August 2022. The new committee structure came into effect as of 14 October 2022.

To allow time for the new committee structure to bed in, the annual committee effectiveness reports have been postponed to enable a full set of data to be presented to Members. The full annual review of the Scheme of Governance, scheduled for February 2023, has been postponed to June 2023 with the agreement of the Council Leaders, to enable the revised committee structure to bed in and inform any further adjustments.

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

### Group Entities

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

The Council also receives assurance from officers who attend board meetings and receive operational and performance information on a regular basis.

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

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

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

The annual Hub workplan for the year ending December was approved by Committee in February 2022.

Sport Aberdeen, Bon Accord Care Ltd, Aberdeen Performing Arts and Aberdeen Sports Village Ltd presented their annual reports to Full Council in October 2022 in respect of their contribution to the Council and the city's outcomes, highlighting the challenges posed due to energy price rises, following a difficult period for the ALEOs as a result of the pandemic. The annual reports are now submitted to Full Council in line with the new reporting arrangements following the disestablishment of the Strategic Commissioning Committee.

The Assurance Hub also continues to report to the Audit, Risk and Scrutiny Committee to ensure that Members have assurance on the governance arrangements, risk management, and financial management of the ALEOs. The most recent report to Committee in December 2022 reflected the continued recovery from the pandemic, energy market volatility and inflationary pressures/cost of living, which have affected each ALEO to varying degrees however, the Hub is satisfied that financial stewardship arrangements continue to be robust and present as low risk to the Council.

ALEOs attended scenario planning sessions with Extended Corporate Management Team (ECMT) in November and December 2022, based on the potential for planned power outages over the winter months. ECMT and ALEOs considered the potential implications for their operations and made adjustments to business continuity plans and risk registers as required, in order to provide collective assurance that they could respond to disconnection if required, over the winter period. The Hub will review any activation of these plans, and their effectiveness, in the next cycle of meetings.

The Assurance Hub undertakes an annual review of its Terms of Reference to ensure they remain fit for purpose. This was completed in February 2022 when minimal changes were made, and again in March 2023 to add the bp Joint Venture to the remit of the Hub.

BP Aberdeen Hydrogen Energy Limited was incorporated on 10th March 2022 between Aberdeen City Council and bp International Limited and secured through public procurement. The company has been set up to establish a commercially investable, scalable hydrogen production and distribution facility that makes best use of the region's renewable energy resources. Under the project name of the 'Aberdeen Hydrogen Hub', the company aims to provide green hydrogen for use in transport, with future expansion to supply hydrogen fuel into heating, industrial and export demands.

### Integration Joint Board

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2022/2023 to further strengthen its governance arrangements. These include:-

- Scheme of Governance Review
- Approval of ACHSCP's Strategic Plan 2022-2025
- Annual Resilience Report – approved first annual assurance report on the Integration Joint Board's (IJB's) resilience arrangements in fulfilment of its duties as a Category 1 responder under the Civil Contingencies Act 2004
- Approval of Strategic Risk Registers and Risk Appetite Statements following a Members' Workshop - to help the Board in decision-making and to enable members to consider the risks to organisational goals.
- Approval of ACHSCP Annual Performance Report for 2021/22
- Equality and Human Rights Annual Performance Report –
- IJB Developmental Workshop sessions – regular focus on the development of the Strategic Plan and areas of importance to the members
- Annual Report on progress against the Locality Plans presented to Community Planning Aberdeen, IJB endorsed the further development of locality working including the continued delivery of Locality Planning and the Aberdeen City Health and Social Care Partnership (ACHSCP) Strategic Plan.
- Workforce Plan 2022-2025 approved.
- Fast Track Cities – received annual update on the actions against the action plan pledging support to the Fast Track Cities initiative as part of the global focus on Human Immunodeficiency Virus (HIV), prevention, diagnosis and treatment. The signing of this declaration indicates the commitment of Aberdeen City in zero stigma, zero new HIV infections and zero AIDS-related deaths by 2030.
- Surge Plan, focussing on (1) prevention and anticipating demand; (2) operational resilience; (3) increase capacity; (4) staff health and wellbeing; and (5) communication – in previous years the Partnership has developed a winter plan to prepare for additional demand in the health and social care system over the winter period. Following the response to the pandemic and the various waves of Covid infections, a more generic approach to surge planning is required Covid infections in March/April 2022 and the sustained pressure on the system during the summer of 2022 is evidence that this type of planning is required.
- Primary care Improvement Plan – update on refreshed plan for financial year 2023- 2024.
- Annual Procurement Workplan approved - Direct award of contracts for expenditure on social care services for the community.
- Carers Strategy for 2023-2026 Approved, following 18 months of consultation and engagement.
- Climate Change Project for 2022-2025 approval for the submission of the attached climate change report to the Scottish Government
- New Vice Chair to IJB and Chairs to RAPC and CCG following local elections.
- New Chief Operating Officer, Chief Finance Officer and Commissioning Lead

The IJB Chief Officer considers:-

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

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

## 2.1.2 Internal Audit

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

In 2023, the Chief Internal Auditor provided the Council with their annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2023. In the Chief Internal Auditor's opinion, Aberdeen City Council had an adequate framework for Governance, Risk Management and Control, covering the period 1 April 2022 to 31 March 2023. The report provided details of the position relating to the audits contained within the 2022/23 audit plan, part of the wider 2022-25 audit plan, and highlighted that recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment and lower the overall risk profile. The report also further confirmed the organisational independence of Internal Audit.

The Internal Audit plan for 2022-25 was agreed by the Audit, Risk and Scrutiny Committee on 22 February 2022.

The Committee received a range of reports during the year produced by Internal Audit that enabled scrutiny and questioning of officers to take place. This helped the Committee to gain positive assurance over the adequacy of the control environment and further assurance about identified weaknesses and actions being taken to address them. The volume of work completed during 2022/23 was more than seen in the previous year and the Chief Internal Auditor communicated their pleasure in seeing the level of work continue to increase.

The Chief Internal Auditor confirmed that through various additional sources such as: the previous body of audit work, follow up action, and wider assurance work completed during the year, they were satisfied that sufficient internal audit and assurance work has been undertaken to give an overall opinion.

During the previous financial year, 82 recommendations were made, all of which were agreed with management in reports finalised during the year. One was rated as major at corporate level that related to compliance with procurement regulations and has been addressed. The remainder were either significant within the audited area (55) or important within the audited area (26).

For 2022/23, Internal Audit rolled out a new methodology, including a change in approach to reporting and grading of issues. This resulted in different levels of risk and levels of reporting overall, and as such caution should be exhibited when comparing year on year. During 2022/23 115 recommendations were agreed by Management; none rated as Severe, 11 rated as Major, 61 rated as Moderate and 43 rated as Minor. In the limited instances where Management did not agree to actions, these were seen as risk-based decisions by Management, which were accepted by Committee.

Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to the Audit, Risk and Scrutiny Committee each cycle and on an ongoing basis by Management. 85 actions were concluded within the year. The number of recommendations that had not met their initial timescale for implementation was 12 at the end of the previous year. The equivalent figure for the year end was 13. However, two of the actions have been overdue since 2021/22, with a further recommendation due since 2020/21. Management has highlighted in update reports that, where necessary, progress with implementing actions has continued but has taken longer than expected due to factors such as resourcing and delivery of other priority areas. Internal Audit considers this an appropriate and proportionate response to the management of risk overall.

The Internal Audit plan for 2023-25 was approved by the Audit, Risk and Scrutiny Committee on 23 March 2023. This continues the trend of a three-year rolling plan that allows Internal Audit and the Council overall to gain a better understanding of the wider operating environment and to ensure that on a continuous basis it is covering off a sufficient range of the Council's operations.



### 2.1.3 External Audit and Inspections

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

The External Audit annual report was presented to Audit, Risk and Scrutiny Committee in September 2022. The annual report found that the Council had put in place savings plans and prepared short, medium and long term financial forecasts, and the Council was, at the time of the audit, performing broadly in line with budget. The report considered that Management had demonstrated strong leadership in taking action on overspends to ensure tight budgetary control. The report also considered the governance framework and annual governance statement to be appropriate for the Council and in accordance with guidance.

The report stated that the Council had robust financial management arrangements, including effective monitoring and reporting and medium-term financial planning, and that savings had been delivered in years one to four of its ongoing transformation programme. External Audit considered that the Council was well placed to address projected funding gaps through its transformation programme and medium-term financial plan. The report also noted that the Council had well developed arrangements in respect of fraud and corruption and risk management. There was a high degree of scrutiny and challenge exercised by officers and members, facilitated through the revisions to the committee structure and Terms of Reference which were regularly reviewed.

External Audit considered that there were appropriate arrangements for the prevention and detection of bribery and corruption. It was also considered that the Council exhibited strong and effective governance and had engaged with stakeholders to conduct self-assessment and identify improvement opportunities.

External audits and inspections were reported to the Risk Board according to an Inspections Planner which monitors all activity across services and reviews inspection reports based on the Council's agreed risk appetite. For the reporting period, the following was reported to the Board:-

- Inspection of Crematoria – 11 October 2022

### Education Scotland / Care Inspectorate Inspections

Education Scotland offered 'Recovery Visits' to schools from the end of February 2022 through to the end of the summer term of 2022, rather than resume the full inspection programme due to the ongoing impact of the Omicron variant. The visits aimed to provide HM Inspectors with an opportunity to reflect on how Early Learning and Childcare (ELC) settings and schools continued to address the impact of COVID-19 and share best practice nationally. Inspectors also explored with staff the range and quality of learning children and young people were experiencing; and the work being done to meet children's and young people's learning and wellbeing needs. Given the focus on recovery, these visits did not result in a published report, but provided an opportunity for schools to seek advice and guidance from the Inspectorate and potentially validate the school's own self-evaluation to support the work of the school moving forward. Each visit was undertaken in close collaboration with central officers who worked with the Inspectorate throughout each Recovery Visit. All schools involved found the process invaluable and welcomed the engagement with Inspectors. His Majesty's Inspectors of Education (HMIe) then conducted a series of 'return' inspections to schools who had previously been graded below satisfactory against one of the core quality indicators. 8 city schools were visited. The majority of schools were signed off by inspectors at this point, with a progress reports sought for three and one outstanding return inspection.

Education Scotland have since resumed their full inspection regime and inspection reports are submitted to the Education and Children's Services Committee for review each cycle. A high volume of school inspections have been undertaken as Inspectors seek to visit all schools who have not been visited for a considerable period of time. Prior to the pandemic, schools were most likely to require a return inspection to monitor progress against HMIe recommendations due to 'weak' or 'unsatisfactory' evaluations. There is clear evidence that improved quality assurance and improvement arrangements have impacted positively with less school return inspections required now. However, improvements are not universal as evidenced by the poor inspection outcome for Northfield Academy. The service has since identified further adapted quality assurance and improvement arrangements to take a more proportionate risk-based approach and will make use of peer review to help drive improvement more consistently in 2023/24 and beyond.

The Care Inspectorate continue to inspect on a risk basis, leading to a higher proportion of settings being inspected where complaints or issues have been raised with them. Engagement includes a mix of in person and digital engagement although expectations are consistent with those in place prior to the pandemic. Again, these reports are

submitted to the Education and Children's Services Committee (Educational Operational Delivery until October 2022). The quality of evaluations from the Care Inspectorate reduced as staff responded to the challenges of the Covid-19 pandemic, however there is evidence that evaluations are now improving steadily. Quality assurance and improvement arrangements continue to be kept under review to ensure that they are agile and responsive.

As a result of the Education Reform Bill, a new independent inspectorate body is currently being developed to replace Education Scotland, expected to be operational in 2024. A consultation on options for inspection of the ELC sector has been undertaken with a commitment to shared inspections (Education Scotland and Care Inspectorate) in the short term, and the Council engaged with this consultation. Members of the Education and Children's Services Committee are kept aware of the Education Reform Bill through reports to committee.

### **Adult Support & Protection Joint Inspection**

A joint inspection of the Aberdeen City Partnership's Adult Support and Protection arrangements will commence in February 2022 and the final report was published in June 2022. The inspection found clear strengths in ensuring adults at risk of harm were safe, protected and supported.

Inspectors found there was effective communication and information sharing between agencies at every stage of adult support and protection activity. The quality of risk assessment work was central to improvements in nearly every adult's safety and protection. Working relationships across the strategic leadership team had strengthened during the last few years. They worked closely together to address priority areas of work collaboratively and effectively.

The inspection found that some adult support and protection investigations and initial case conferences took too long to be initiated or concluded and considered that this exposed a few adults to ongoing risk. Health staff played a key supporting role in adult protection work but were not consistently or accurately recording this in their records. Increased oversight should be introduced to ensure the necessary change. Staff have prepared a plan to address the priority areas for improvement and this is to be monitored by the Care Inspectorate, Healthcare Improvement Scotland and HMICS.

### **Best Value Assurance Report**

Each local authority in Scotland receives a Best Value audit every five years as part of a rolling programme of audits established by the Accounts Commission, and Aberdeen City Council was audited from December 2020 to April 2021, with the Interim Controller of Audit's report presented to the Accounts Commission on 10 June 2021. In the case of Aberdeen City Council, the Commission accepted the Controller of Audit's report and recommendations. An update on progress with these is included within Appendix A.

## **2.1.4 COVID-19**

### **Governance Arrangements**

Following the revised governance arrangements put in place to facilitate decision-making in light of the pandemic, Committee meetings in 2022/2023 were held in a hybrid manner, with some Councillors and officers participating remotely via Microsoft Teams and the rest physically present in the Council Chamber. All meetings were webcast, allowing the public access when it was not possible for them to be present in the Town House. Notwithstanding these hybrid arrangements, the decision making of Council and Committees were recorded in the normal way. The Council agreed on 1 March 2023 to extend webcasting facilities across its assets to enable hybrid meetings as a permanent option.

The Council has also engaged in the initial stages of both COVID Inquiries, submitting a Rule 9 response to COSLA as part of the UK Government Inquiry and a Rule 8 response to the Scottish Government.

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

An updated Mental Health Action Plan was presented for approval at the Staff Governance Committee in February 2022. To facilitate the review of the Plan, focus groups were set up to gather feedback, including employees from frontline services (Education, Trades, Environmental, Waste, Communities) as well as including Trade Union Representatives

to ensure a broad understanding of the organisation’s needs and wants. A range of data, research and strategic drivers were also reviewed and analysed to identify the most appropriate areas of focus and to target support where it was most needed and would be most effective.

Outcome areas from this work were:- (a) reducing the total overall absences due to psychological reasons; (b) targeting interventions proactively, using data reporting and interrogation; (c) a programme of support and tools easily accessible by all staff; (d) a culture within which mental health and substance misuse issues were proactively supported and destigmatised; and (e) management training, support and development which empowered managers to support their teams confidently and appropriately.

The feedback from employees and Trade Unions also identified four key areas to be built into plans going forward, in a way which enables the achievement of the above outcomes, namely (1) continuing to build upon and develop the Mental Health First Aider network; (2) ensuring that communications and engagement on issues of mental health were aimed directly and effectively at front line colleagues; (3) using the insight from data which shows trends in absence to target interventions appropriately; and (4) using the differing trends within functions and services to target the actions and activities where they are needed most. The next review of the Mental Health Action Plan will be at Staff Governance Committee in March 2023.

A Health and Wellbeing Summit was held in October 2022, enabling around 60 decision makers (from Community Planning Partners including Elected Members, Public Health, the Third Sector as well as representatives from the Scottish Government and its agencies) to come together to explore data which had been presented in a report to the former Education Operational Delivery Committee in respect of health and wellbeing. Attendees heard directly from children and young people of Aberdeen and considered how best to respond to health and wellbeing needs together.

Given the changing needs of children, young people, and families, it was agreed to form a Mental Health Collaborative which will take lead responsibility for considering a number of key improvement outcomes identified through the summit, ongoing review of work and support engagement of agreed actions required to enable sustainable and evidence-based impact. A follow up summit is to be held before the end of the school session.

## 2.2 Assessment of Governance Activity

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

Table A below summarises sources of assurance against the requirements of the Local Code of Governance for the period 1 April 2022 to 31 March 2023. This includes a self-evaluation of effectiveness as at 31 March 2023 thereby providing assurance around our systems of internal control.

Also included are the scores from CIPFA’s review of progress 2022. Our evaluation is that these have been maintained with the evidence for this set out below.

Table A

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p><b>CIPFA score 2022 – 92%</b></p>	<ul style="list-style-type: none"> <li>➤ Annual Scheme of Governance Review, including any changes required following the May 2022 local government elections.</li> <li>➤ Delivery of May 2022 local government elections</li> <li>➤ Delivery of by-election in February 2023</li> <li>➤ Statutory Council meeting including required reports around committee composition and appointment or nomination of members to committees, sub-committees, working groups and other bodies.</li> <li>➤ New Committee Terms of Reference, Delegated Powers and Standing Orders agreed at Council in August 2022</li> <li>➤ Review and update of key policies and strategies including key enabling strategies for Workforce, Estates and Assets, Prevention and Intervention, and Customer, Digital and Data, as part of the Target Operating Model 1.2</li> <li>➤ Development of new intranet pages for committee reporting, Scheme of Governance and guidance</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>B - Ensuring openness and comprehensive stakeholder engagement</b></p> <p><b>CIPFA score 2022 – 91%</b></p>	<ul style="list-style-type: none"> <li>➤ Monitoring of committee reports by legal advisers, legal adviser at each committee meeting</li> <li>➤ Consultation and Legislation trackers and other horizon scanning activity.</li> <li>➤ Legal News Bulletin (including details of new legislation and consultations) issued every 2 months to members and staff.</li> <li>➤ Presentation of Information Governance Annual Report to Audit, Risk and Scrutiny Committee</li> <li>➤ Providing training to members on various topics, including the Code of Conduct for Councillors and their responsibilities as members, directors or trustees of outside bodies</li> <li>➤ Quarterly and annual reporting to the Audit, Risk and Scrutiny Committee on the Council's use of covert surveillance activity and compliance with regard to the Council's Use of Investigatory Powers Policy</li> </ul> <ul style="list-style-type: none"> <li>➤ Customer Feedback Team and Access to Information Team have continued to engage and support services to drive improvement in the quality and speed of responses to customers.</li> <li>➤ Ongoing development of an integrated access approach with Housing Management and with Police Scotland to streamline access to services and enhanced partnership working.</li> <li>➤ We Care Charter improvement activity has been ongoing and increased focus on the Customer Academy to help embed organisation wide customer centricity.</li> <li>➤ The new Community Empowerment Strategy published in November 2022 is a demonstration of the continued commitment to working with communities to tackle the issues that matter most to them. The ambition of the strategy is for all communities across Aberdeen to be equal community planning partners. It presents an exciting opportunity to explore new ways of ensuring all people's views are listened to and decisions about priorities are informed by people's feedback.</li> <li>➤ Further work undertaken with partners to establish commitment to the governance of the Net Zero Vision and Infrastructure Plan (covered in Principle C below)</li> <li>➤ Checks to ensure that all reports evidence that an Integrated Impact Assessment has been appropriately considered by the author.</li> <li>➤ Following approval of a Net Zero Empowerment Strategy in February 2022, an initial Engagement Plan has been produced, monthly communication meetings take place to progress implementation.</li> <li>➤ Former Education Operational Delivery Committee considered initiatives and ideas from children and young people in respect of climate change, following pupil COP26 style event held in March 2022, and the funding agreed at Council Budget meeting March 2022 to take forward these initiatives.</li> <li>➤ Terms of Reference for new Net Zero, Environment &amp; Transport Committee include provision for Pupil Climate Change Champion to be invited to meetings.</li> <li>➤ Continued roll out of the approved Council Carbon Budget with development of phase 2 of the Carbon Budget in 23/24.</li> <li>➤ Monthly meetings of the Council Climate Oversight Group to progress and monitor implementation of the Council Climate Change Plan, against the project dashboard.</li> <li>➤ Engagement of relevant stakeholders for the development of work programmes for the delivery of Net Zero Aberdeen and Aberdeen Adapts.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
	<ul style="list-style-type: none"> <li>➤ Ongoing engagement exercise on the future of the George Street area, with next steps including a full engagement programme to inform preparation of a mini masterplan to highlight renewal projects for the area and with wider area connectivity – report considered and approved at Council in December 2022 and public consultation to be undertaken.</li> <li>➤ Further engagement undertaken in relation to the Beach Masterplan as follows:- <ul style="list-style-type: none"> <li>○ Feedback calls to all the Primary 6 classes who took part in the classroom exercises undertaken in October 2022</li> <li>○ A 'postcard back' exercise to the high schools/youth groups/others invited to take part in the 'send a postcard exercise' – including a QR code for the feedback video.</li> <li>○ More in-depth, geographically focused engagement with certain schools undertaken on site with initial focus on Hanover Street, Seaton and St Peter's Schools</li> <li>○ Further engagement with the other schools to see what existing groups are established and possible development of a Beach Ambassador network with pupils from schools across the city.</li> <li>○ Individual session held with Bucksburn ASN pupils on the Beach.</li> </ul> </li> <li>➤ Various consultations undertaken throughout the year, namely:- <ul style="list-style-type: none"> <li>○ Summer in the City</li> <li>○ Cairngorm Greenspace 2022</li> <li>○ New Tenants Survey</li> <li>○ Street Trader Policy Consultation</li> <li>○ Westhill to Aberdeen Transport Study</li> <li>○ A92 (S) Bridge of Don to Bridge of Dee Multi-Modal Transport Study</li> <li>○ Transitions for Young People with a Disability</li> <li>○ Ashgrove Connects - Ashgrove Road and Ashgrove Road West - Design Options</li> <li>○ Short-Term Lets Consultation – Aberdeen City</li> <li>○ A947 Bucksburn Roundabout to Parkhill Junction Multi-Modal Corridor Study</li> <li>○ A93 Banchory to Aberdeen Multi-Modal Corridor Study</li> <li>○ Taxi and Private Hire Street Knowledge Test – survey</li> <li>○ Autumn in the City</li> <li>○ Gaelic Medium Education Survey</li> <li>○ Licensing Board Policy Statement Consultation 2022</li> <li>○ Aberdeen Beachfront Development Framework and Strategic Environmental Assessment Consultation</li> <li>○ Aberdeen Planning Guidance: Outdoor Seating</li> <li>○ Health Improvement Fund - Citywide Screening Panel 2022 – opportunity to join.</li> <li>○ Draft Community Empowerment Strategy</li> <li>○ Aberdeen City Revised Integration Scheme (Health and Social Care)</li> <li>○ A96 Dyce Active Travel Link - Public Consultation</li> <li>○ Greenbrae and Glashieburn School Rezoning 2022</li> </ul> </li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p> <p><b>CIPFA score 2022 – 89%</b></p>	<ul style="list-style-type: none"> <li>○ Aberdeen City Council School Estates</li> <li>○ 'A City for all Carers' Aberdeen City Health and Social Care Partnership (ACHSCP) Carer Strategy</li> <li>○ Central Priority Neighbourhood Partnership Community Ideas</li> <li>○ Walker Road School – School Estate consultation</li> <li>➤ Inclusion of External Advisers on new Anti-Poverty and Inequality Committee</li> <li>➤ Pre-committee briefings organised and held for Education and Children's Services Committee External Members</li> <li>➤ Regular meetings/briefings with Trade Unions, and continued participation of Trade Union Advisers on Staff Governance Committee</li> <li>➤ Ongoing work to facilitate the introduction of citizen assemblies</li> <li>➤ Finance and Resources Committee and Full Council monitored and approved commissioning activity to help ensure that the needs and outcomes specified in the LOIP were being achieved and the impact of activity on outcomes through annual performance reports for community planning, Council and ALEOs.</li> <li>➤ Improvement Plans in relation to performance across some housing services, following the Best Value Audit recommendations.</li> <li>➤ The City Centre and Beach Masterplan were approved by Council in August 2022 with Net Zero specifically highlighted as one of the four key objectives for this transformational programme or works.</li> <li>➤ Annual reports to Net Zero, Environment and Transport Committee on collaborative progress towards place-based climate objectives under the Net Zero Aberdeen Routemap and Aberdeen Adapts; as well as on progress with implementation of the Council Climate Change Plan (Council assets and operations), as part of the statutory annual Climate Change Report.</li> <li>➤ Continued expansion and population of a microsite for Net Zero Aberdeen and Aberdeen Adapts, this live digital platform enables engagement with communities, business and third sector partners.</li> <li>➤ Following launch in November 2022 of a Climate and Nature Pledge scheme for Aberdeen, continued promotion of the scheme to invite wider participation from businesses, organisations and individuals.</li> <li>➤ Work undertaken with Aberdeen's Net Zero Leadership Board, Delivery Unit, the Local Resilience Partnership and other groups as appropriate to develop city climate change governance structure/s appropriate for meeting the aims of the Route-Map and Aberdeen Adapts Framework and report back in 2023.</li> <li>➤ Report on place-based climate governance proposals to Council 22 February 2023 to approve the climate change (place) governance proposals and refreshed Terms of Reference for a Governance Framework to support Net Zero Aberdeen and Aberdeen Adapts.</li> <li>➤ Plan on Community Wealth Building and local economic development presented to committee in June 2022</li> <li>➤ Report to Committee in June 2022 on uptake of Free School Meals</li> <li>➤ Report to committee in August 2022 on the impact of Digital Support for Care Leavers funding</li> <li>➤ Report to committee in August 2022 on the progress with the Child Poverty Action Plan</li> <li>➤ Presentation of the Annual Procurement Performance Report, including an annual report on the incorporation of community benefit clauses into new contracts with a view to increasing the contribution of the Council to the Local Outcome Improvement Plan outcomes</li> <li>➤ Consolidation of learning following Storms Frank, Arwen, Malik and Corrie in relation to further developing community resilience by working alongside communities to develop and embed community resilience plans.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p><b>CIPFA score 2022 – 87%</b></p>	<ul style="list-style-type: none"> <li>➤ Establishment of additional Community Resilience Group in Bridge of Don and Danestone.</li> <li>➤ Emergency Grab Boxes were delivered to 50 community locations in December 2022 to enable communities affected by weather incidents and power outages to support themselves locally.</li> <li>➤ The Business Gateway service provider has employed a Community Business Adviser to target engagement and support for those considering establishing or growing a business in the City's priority areas and has also provided support to people coming off or significantly reducing benefits, to start a business.</li> <li>➤ Development of a new reporting tool and website to demonstrate our work on tackling poverty in all its forms and tracking our Participatory Budgeting approach to link revenue to spend to community determined outcomes.</li> <li>➤ Redundancy Support and Jobs Fair events organised.</li> <li>➤ Pilot employability projects in development for delivery in priority areas</li> <li>➤ A Dynamic Purchasing System developed for the procurement of employability services.</li> <li>➤ An Employer Recruitment Incentive scheme was launched, offering premium rate to SMEs, including third sector, employers paying the Real Living Wage</li> <li>➤ A paid work experience scheme developed to support unemployed people move into employment, particularly in the health and social care sector. With another created specifically for care experienced young people, offering paid placements within the Council.</li> <li>➤ The North East Economic Recovery and Skills Fund, which supported c3,900 people to access training, employment, and paid work placements, concluded with the evaluation report expected later this year.</li> </ul> <ul style="list-style-type: none"> <li>➤ Update of Transformation Blueprint and consideration and approval at Corporate Management Team in 2022</li> <li>➤ Agreement of Target Operating Model 1.2 at Council in August 2022, to support the necessary scale of transformation that would contribute to the level of savings required over the next 5 years, as outlined in the Council's Medium Term Financial Strategy</li> <li>➤ Continued work to support recovery of economy through working with the business community, promoting opportunities in digital to enable new ways of working, and skills development to address employment gaps in sectors such as health and care.</li> <li>➤ A survey of employers to identify skills and training gaps was developed and results will inform commissioning and training activity.</li> <li>➤ Pilot of an accredited course for young parents to aid them back into education or employment using Google classroom.</li> <li>➤ Development of ABZ Campus which provides a range of citywide courses aligned to growth sectors for all secondary senior phase students. The Campus is also driving developments in the curriculum to address the needs of children with complex additional support needs / disability and of looked after children.</li> <li>➤ Completion of two health and wellbeing surveys which has provided a robust data set which gives a clear sense of the needs of children and young people.</li> <li>➤ Work undertaken with partners to understand the physical and mental wellbeing needs of children and young people, which has led to the establishment of a Physical Education, Physical Activity and Sport Group, driving multi-agency activity to increase levels of physical activity across all city schools. Continued interventions alongside partner organisations in relation to Afghan Resettlement Scheme, as well as any interventions required as a result of the current situation in Ukraine, including the approval of £25,000 to support Ukrainian refugees in Aberdeen and the opening of a Community Centre for all Ukrainian refugees and host families each Friday to give support, information and also to help allow relaxation and socialisation. Support has been provided to around 1500 Ukrainians who have fled the conflict in their homeland. Development of new Family Support model to allow a more coherent approach to early intervention and</li> </ul>



CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p> <p><b>CIPFA score 2022 – 90%</b></p>	<p>prevention, enhancing and improving the early intervention and prevention offer, and seeking to prevent harm from occurring and concerns escalating to the level where child protection measures are required.</p> <ul style="list-style-type: none"> <li>➤ Two Edge of Care Pilots underway in secondary schools, testing approaches to those thought to be most at risk. These pilots will help the service develop an approach to supporting those who are looked after or on the edge of care as we move towards implementation of a Family Support Model.</li> <li>➤ Delivery of “Fit Like” service has ensured that families are enabled to identify their own support needs and shape intervention plan. This has positively prevented escalation of need, whilst ensuring appropriate support is available when required.</li> <li>➤ Development of the Council’s proposed delivery plan for 23/24 taking into account past and present performance against outcomes and commissioning intentions, approved by Council in March 2023</li> <li>➤ Introduction of Housing Support Service, combining the roles of Housing Officer and Support Officer, to provide a more consistent level of housing and support, through a single contact, to all tenancies in a specific area, with a concentration on those households who need some additional support to maintain their tenancy, including rent management.</li> <li>➤ Housing Support has been embedded within Youth Services. This has enabled early and proactive engagement with young people with data indicating increased tenancy sustainment.</li> <li>➤ Monitoring at committee level throughout the year of work agreed through the Memorandum of Understanding signed with the Department of Work and Pensions in relation to homelessness support; support for those in receipt of Universal Credit; support for those at risk through alcohol or drugs dependency; planned support for people ahead of liberation and for ex-offenders; support for families involved in the Afghan resettlement scheme; support for lone parent families; and employability support for adults and young people.</li> <li>➤ Partnership formed with BEAM, providing a facility to crowd fund to resolve homelessness, helping those experiencing homelessness into employment.</li> <li>➤ Presentation of Early Learning and Childcare Delivery Plan to committee in June 2022 for approval</li> <li>➤ Presentation of Integrated Children’s Services Plan to committee in March 2023</li> <li>➤ Annual report on Outcomes for Care Experienced Children and Young People presented to committee in September 2022</li> <li>➤ Continuing support to communities in the preparation of Community Resilience Plans to enable them to be fully resilient in the face of weather events and other civil contingencies incidents.</li> <li>➤ Building business resilience for emergencies in the city in partnership with Aberdeen Inspired and Aberdeen and Grampian Chamber of Commerce</li> <li>➤ Updates considered at Anti-Poverty and Inequality Committee on progress against the Child Poverty Action Plan, including approval of a refreshed Plan in January 2023 following the launch of the Scottish Government’s ‘Best Start, Bright Future’.</li> <li>➤ Establishment of a child poverty sub group of the Anti-Poverty Outcome Improvement Group</li> <li>➤ Monitoring of progress with the Equality Outcomes and Mainstreaming outcomes via the Anti-Poverty and Inequality Committee and Staff Governance Committee</li> </ul> <p>➤ Presentation of five-year Workforce Strategy included within Target Operating Model 1.2</p> <p>➤ Workforce Delivery Plan approved by Staff Governance Committee in January 2023</p> <p>➤ “Trauma Enhanced” training being provided to social work staff to enable greater capacity to support young people to understand their needs and develop skills to manage behaviours.</p> <p>➤ Council’s approach to Job Families and refreshed Capability and Development frameworks taken to Staff Governance Committee and approved in January 2023</p> <p>➤ Council’s approach to leadership and management development approved by Staff Governance Committee in October 2022</p>



CIPFA Principle of Good Governance	Sources of Assurance 2022/23
	<ul style="list-style-type: none"> <li>➤ Proactive programme around internal communications and engagement for staff, including taking our Future of Work programme into Smarter Working comms tools and resources.</li> <li>➤ Launch of Aspiring Senior Leaders Programme for development of employees aspiring to be Chief Officers</li> <li>➤ Procurement of coaching training provider for the organisation to support creation of coaching banks and development of coaching skills for leaders across the organisation.</li> <li>➤ Continuation of Chief Officer development programme, including group coaching development</li> <li>➤ Following May 2022 elections, there was a major focus on Elected Member participation in development opportunities and training, and member briefings were held to convey important understanding about the Council's continuing commitment to, and the implications of, good governance training for Elected Members. In addition, this development and training was also provided following the by-election of 23<sup>rd</sup> February 2023.</li> <li>➤ Regular development opportunities for staff throughout the year including through the Council's online learning platform, ACC Learn as well as through the Leadership Forum</li> <li>➤ Continuous Professional Development, Corporate Training and Health &amp; Safety Training budgets used for job-specific and corporate training needs.</li> <li>➤ Regular support from People and Organisational Development and Customer Experience for recruitment and selection activity across the organisation</li> <li>➤ Collaboration with partner organisations such as DYW Northeast and Skills Development Scotland to promote our vacancies and opportunities for young people to work with the Council and to work jointly on new employability programmes or initiatives.</li> <li>➤ Establishment of a DYW Influencing Partnership with one of our academies, through which we have provided a series of employability workshops, mock interview sessions and work experience placements, with the possibility of providing this at other Schools or having a central resource for Schools to access.</li> <li>➤ Participation in jobs and career related events at schools across the city, colleges and universities promoting the range of jobs and careers that the Council can offer as well as internship, apprenticeship and entry level roles.</li> <li>➤ Support of the MCR Pathways mentoring programme across 6 of our schools</li> <li>➤ Support of the Career Ready Programme, including workplace mentors for students</li> <li>➤ All our apprentices have a mentor allocated to support them throughout their apprenticeship.</li> <li>➤ A number of established Traineeship roles focused on areas with hard to fill roles and ageing team profiles, including Trainee Planner, Trainee Engineer, Trainee Social Worker and Trainee Accountant. Where possible, we also build in Modern Apprenticeships (MAs) within these career pathways, for example, in the Accounting career progression scheme there is a Modern Apprenticeship route, with various career options available following successful completion of the MA. We are also continuing to develop Traineeships and are currently working with Environmental Health and Trading Standards and Digital and Technology. These traineeships provide pathways to attract young people to Council roles as well as career opportunities for existing young employees.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>F - Managing risk and performance through robust internal control and strong public financial management</b></p> <p><b>CIPFA score 2022 – 94%</b></p>	<ul style="list-style-type: none"> <li>➤ Review of Performance Management Framework to evidence the delivery of better outcomes.</li> <li>➤ The Performance Board oversees a continuous programme of performance review and improvement focussed on benchmarking, key performance indicators and standards at a service level.</li> <li>➤ Successfully led an application for funding to establish a “Health Determinants Research Collaborative” in the City to enable harnessing of data which will drive the research agenda and ensure it matches the needs of the city</li> <li>➤ Risk Appetite Statement revised in March 2023 to recognise changes in risk operating environment due to external factors.</li> <li>➤ Updated Risk Management Guidance, Committee Report, Business Case and Executive Board templates and guidance documentation to reflect Risk Appetite Statement. Support to officers provided as and when required – no amendment requested to any of the documents following roll out.</li> <li>➤ Introduction of revised committee report template and monitoring for any amendments required.</li> <li>➤ Development and roll out of “Managing Risk” Intranet pages accessible to Officers and Elected members. Pages host, risk management guidance, policy and training documentation and information.</li> <li>➤ Continued development of the new Corporate Debt team to provide dedicated support to the Housing and Support service over rent arrears.</li> <li>➤ Presentation of Council Delivery Plan, Housing Revenue Account, Common Good, General Fund Revenue and Capital Programme 22/23 reports to Council</li> <li>➤ Governance Review of Trusts reported to Council in December 2022</li> <li>➤ Presentation of Flood Risk Management Strategies and Plans report to City Growth and Resources Committee in June 2022</li> <li>➤ Implementation of Aberdeen Adapts – updated climate adaptation framework.</li> <li>➤ Following approval of the approach to carbon budgeting for the Council Climate Change Plan, progression of a phased roll out of the carbon budget, including integration of carbon reduction in Service Re-design</li> <li>➤ Engagement with the Council’s current technology partner Microsoft and bp, its Joint Venture Partner, as well as relevant Chief Officers, on a process for managing and modelling climate data as well as filling existing data gaps with a report back on progress as part of the annual update report to Council.</li> <li>➤ Latest 5-year Medium Term Financial Strategy (MTFS) approved at the former City Growth and Resources Committee on 24 August 2022. This set out the commitment to provide services that meet the needs of people locally and represent good value for money. The MTFS is aligned to the Council Delivery Plan, which in turn aligns the Council’s commitments to the vision and priorities of the Local Outcome Improvement Plan.</li> <li>➤ The Target Operating Model (TOM) 1.2 report, describing the Council’s approach to transformation and redesign to contribute to balancing the medium-term financial position, was considered alongside the MTFS.</li> <li>➤ The current MTFS utilises 3 scenarios to describe a range of income possibilities. These scenarios are refreshed regularly as part of the budget setting and strategic planning processes.</li> <li>➤ The Financial Resilience Framework, updated and approved at Committee as part of the MTFS, shows that the Council has insight into key indicators of resilience and can understand what it means if retained resources are eroded.</li> <li>➤ Former City Growth and Resources Committee/ new Finance and Resources Committee considered regular reports during the financial year 2022/23 on the financial position of the Council</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2022/23
<p><b>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</b></p> <p><b>CIPFA score 2022 – 95%</b></p>	<ul style="list-style-type: none"> <li>➤ Reporting to Audit, Risk and Scrutiny on all planned audit and inspection activity, both internal and external, to ensure that there is clear understanding of the wider control environment.</li> <li>➤ The volume of performance information reviewed to ensure the balance between the right amount of detail and the assurance required for accountability.</li> <li>➤ Three-year internal audit plan for 2022/23 to 2025/26</li> <li>➤ Appointment of new External Auditor for period 2023/24 to 2028/29 (Audit Scotland)</li> <li>➤ Adult Support and Protection Joint Inspection concluded that key processes and strategic leadership were effective and demonstrated major strengths in supporting positive experiences and outcomes.</li> <li>➤ Monitoring and reporting of Capital Programme through former Capital Programme Committee until October 2022</li> <li>➤ Monitoring of the governance arrangements of the JV established by the Council and bp through the ALEO Assurance Hub in December 2022.</li> <li>➤ Appointment of Shareholder Representative for Aberdeen City Council's interests in the bp Joint Venture.</li> <li>➤ Creation of the Aberdeen Hydrogen Hub Programme Board internally within Aberdeen City Council to manage overall project delivery, budgets and Shareholder decision making.</li> <li>➤ Completion of CIPFA disclosure checklist for the 2022/23 financial statements, including requirement for ALEOs to complete the checklist.</li> </ul>

### SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENT

In 2023/2024 we will continue to progress with the review and monitoring of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Risk Board, Transformation Board, Strategy Board and Performance Board, all reporting into Corporate Management Team.

The table below highlights the primary actions planned in 2023/2024.

**Table B**

CIPFA Principle of Good Governance	Primary Actions Planned 2023/24
<p><b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>➤ Preparation of next annual Committee Effectiveness Reports – the presentation of these was delayed for 2022 to take account of the new committee structure and ensure sufficient data was available.</li> <li>➤ Annual review of Scheme of Governance following implementation of new committee structure in October 2022</li> <li>➤ Continuation of report monitoring, committee attendance and horizon scanning activity previously mentioned.</li> <li>➤ Quarterly and annual reporting to the Audit, Risk and Scrutiny Committee on the Council's use of covert surveillance activity and compliance with regard to the Council's Use of Investigatory Powers Policy</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2023/24
<b>B - Ensuring openness and comprehensive stakeholder engagement</b>	<ul style="list-style-type: none"> <li>➤ Survey of participants in Easter in the City programme following delivery, to inform future programming.</li> <li>➤ Consideration of an updated Beachfront Masterplan Draft Development Framework at Council in April 2023, taking on board the consultation and the findings from the engagement report</li> <li>➤ Consideration of outcomes of statutory public consultation on proposals to introduce a city-wide catchment area for Gaelic Medium Education provision – at Education and Children’s Services Committee in May 2023</li> <li>➤ Report back to Council by December 2023 on the results of the public consultation on the Draft George Street Mini Masterplan</li> <li>➤ Ongoing statutory public consultation throughout the year in relation to proposals for the School Estate</li> <li>➤ Consideration of proposals for Citizens’ Assemblies – to be presented to the Anti-Poverty and Inequality Committee in August 2023</li> <li>➤ In conjunction with relevant stakeholders, exploration of options towards developing a locality-based approach to deliver net zero and adaptation, taking into account allied approaches and commitments, such as locality plans, local place plans, 20-minute neighbourhoods, etc., and to begin this process with a pilot reporting back to Council (moved from 21/22)</li> <li>➤ Develop Citizen; Education; Tenant; and Business Customer Portals with self-serve on-line services. Integrate access across Council &amp; partners.</li> <li>➤ Deploy ‘Assisted Digital’ Customer Delivery Model</li> <li>➤ Develop customer service, digital &amp; data skills.</li> <li>➤ Enhance citizen feedback and community engagement and deploy an on-line Community Platform</li> <li>➤ Improve process for the publication of Integrated Impact Assessments alongside Committee reports where proposals require one to be in place.</li> <li>➤ Enable automated efficient processes to improve responsiveness.</li> <li>➤ Extend deployment of robotic process automation, AI &amp; Machine Learning</li> <li>➤ Deploy a modern data platform, embed consistent data standards, appropriate data quality and information.</li> <li>➤ Review of Community Council Governance and Boundaries – Stage 1 to be presented to Council in August 2023, to then be issued for public consultation, followed by Stage 2 to be presented in December 2023 and further consultation to be undertaken.</li> <li>➤ A report will be taken to the Communities, Housing and Public Protection Committee outlining a scheme of public engagement, ahead of the 2024/25 budget setting process</li> </ul>
<b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	<ul style="list-style-type: none"> <li>➤ Presentation of Annual Procurement Performance Report to Council in June 2023</li> <li>➤ Improving the outcomes for care experienced young people will continue to be a priority focus in the refreshed Children’s Services Plan 2023-26, to be presented to committee in 2023. This will align to The Promise and the priorities identified in the existing Plan. Our Corporate Parenting improvement priorities will continue to be driven by our care experienced young people.</li> <li>➤ Assisting local business through progression of engagement events with local supply chains and providers through a dedicated supplier development programme.</li> <li>➤ Support of Aberdeen Inspired 2021-2026 Business Plan</li> <li>➤ Progress agreed actions of City Centre Masterplan (T1) including: - Queen Street; a new Aberdeen Market; Beach Masterplan; City Centre Streetscape</li> <li>➤ Implement the Empty Shops Plan</li> <li>➤ Delivery of Support delivery of and attraction of new Events, Festivals and Conferences to the City</li> <li>➤ Delivery of Aberdeen Art Gallery, Archives and Museums exhibition, activity, and digital programme</li> <li>➤ Support work by stakeholders to attract new inward investment to the city – Invest Aberdeen</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2023/24
<p><b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<ul style="list-style-type: none"> <li>➤ Further actions to secure community benefits through ACC procurement (incorporating/using a Community Wealth Building approach). Including development of an Aberdeen CWB Action Plan that will seek to encompass key partners and look to maximise the local impact of procurement activity.</li> <li>➤ ETZ Jobs Plan – liaise with ETZ Ltd to deliver community benefits with each development undertaken.</li> <li>➤ Work with key partners to review business support activities and work towards ensuring a comprehensive, easily accessible service is available to all businesses / social enterprises and universities / college and those thinking of starting up a business or social enterprise.</li> <li>➤ Seek to develop local business support activity in regeneration areas applying for funding from UK and Scottish Government Prosperity Fund to deliver activities where appropriate.</li> <li>➤ Work with partners to approve and deliver the new Regional Economic Strategy</li> <li>➤ Support for and challenge of schools in their use of Pupil Equity Fund to make progress in improving the health and wellbeing and educational outcomes of children and young people impacted by poverty.</li> <li>➤ Plan school leaver fortnight to support positive destinations.</li> <li>➤ Support care experienced young people access supports which enables and offers them physical and emotional wellbeing benefits, including Sport Aberdeen &amp; other ALEO activities.</li> <li>➤ Support the health and wellbeing outcomes of people living with long-term conditions to get active and remain active through targeted sport and physical activity programmes throughout the city.</li> <li>➤ Support older adults improve their mental and physical wellbeing through the delivery of Walk Aberdeen programmes in community settings.</li> <li>➤ Community Hosting Project to respond to and prevent incidences of youth homelessness</li> <li>➤ Consideration of Council Delivery Plan Annual Report at Full Council in October 2023</li> <li>➤ Consideration of Community Planning Aberdeen Annual Outcome Improvement Report 2022/23 at Full Council in October 2023</li> <li>➤ A tiered analysis of resource requirements in the refreshed Local Housing Strategy to be presented for approval to the Communities, Housing and Public Protection Committee, noting the significance of housing as one of the key determinants of population health.</li> <li>➤ A tiered trend analysis of the Housing Revenue Account budget to be included in the 2024/25 budget process, ensuring an appropriate focus is placed on prevention and early intervention when investing in tenant funds.</li> <li>➤ Delivery, and subsequent review, of the strategy framework is an ongoing process and the commissioning and recommissioning of strategies will continue throughout 2023/24 – including the Regional Economic Strategy and the Children’s Service Strategy. Following this, officers will review the Council’s commissioning intentions with any necessary amendments reported to the Council.</li> <li>➤ Work is underway to agree a scope to evaluate the performance of the new Early Learning and Childcare Service including how to seek the feedback of staff, parents and children in assessing the extent to which the original key performance indicators from the Scottish Government in respect of ELC are being met.</li> <li>➤ Establishment of Aberdeen Computing Collaborative will ensure our young people leave school with the Computer Science skills they need to thrive in adulthood.</li> <li>➤ Development and implementation of a literacy and numeracy framework to support improvement.</li> <li>➤ Multi agency support provided in partnership with the virtual school to improve outcomes for those on the edge of care.</li> <li>➤ Work with leased community centres to ensure that development programmes being established by Management Committees are aligned with Locality and Community Plan outcomes and targeted to achieve maximum benefit.</li> <li>➤ Work with City Growth on the implementation of the approved community wealth building action plan.</li> <li>➤ Delivery of Employability Action Plan to support employment Pathways.</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2023/24
<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>➤ Focus support towards groups (women, young people and people from ethnic minority backgrounds) that have been disproportionately disadvantaged by the pandemic and cost of living.</li> <li>➤ Utilise the learning from evaluation of the North East Economic Recovery and Skills Fund to develop further interventions and seek funding through the UK Prosperity Fund</li> <li>➤ Work with key employability partners through the Local Employability Partnership to ensure a more aligned and coherent approach to local employability support using the principles of "No One left Behind".</li> <li>➤ Work with the Aberdeen Hydrogen Hub Joint Venture to develop and deliver a skills action plan.</li> <li>➤ Self-evaluation for improvement will actively seek and take account of the views of children and young people to enable children and young people to inform and support change.</li> <li>➤ School Improvement Plans will reference children's rights and take account of learner voice.</li> <li>➤ Co-ordinated whole family early intervention and prevention services to increase benefits uptake and improve debt management, including availability of debt advice in schools.</li> <li>➤ Support for schools to identify poverty-related gaps through coaching, professional learning and access to tracking and monitoring and data analysis tools.</li> <li>➤ Co-ordinated whole family early intervention and prevention services to support Drugs &amp; Alcohol; Mental Health; Physical wellbeing; Domestic Abuse</li> <li>➤ Increased capacity across the universal services to identify and support children and young people and their families with emerging mental health needs and deliver bespoke targeted support</li> </ul> <ul style="list-style-type: none"> <li>➤ Report to Council meeting in December 2023 which will review the existing organisational structure in light of the approved budget, with proposals for any suggested amendments in relation to organising capacity, taking into consideration the sustainability of future Council operations.</li> <li>➤ Regular support from People and Organisational Development and Customer Experience for recruitment and selection activity across the organisation</li> <li>➤ Work on the introduction of 'reverse mentoring' - where our new young employees will be matched to our older, longer-serving employees.</li> <li>➤ ABZ Campus – Employment Pathways Work Experience Programme currently being developed with the aim of being introduced as a pilot in academic session 2023/24</li> <li>➤ Continuation of learning programme for Chief Officers</li> <li>➤ Continuation of learning programme for Elected Members</li> <li>➤ Delivery of Aspiring Senior Leaders Programme for aspiring Chief Officers</li> <li>➤ An "accelerator" programme for leadership and management development for underrepresented groups</li> <li>➤ Full learning and development programmes available to the whole organisation, particularly through the Council's online learning platform, ACC Learn as well as through the Leadership Forum – tailored to specific job families.</li> <li>➤ Continuous Professional Development, Corporate Training and Health &amp; Safety Training budgets used for job-specific and corporate training needs.</li> <li>➤ Proactive programme around internal communications and engagement for staff, including ensuring dedicated comms and engagement spaces for current and potential future transformation projects as well as our developing Organisational Design.</li> <li>➤ Change toolkits and resource pages to accompany coaching, advice and guidance from People &amp; Organisational Development around best practice in managing people change.</li> </ul>



CIPFA Principle of Good Governance	Primary Actions Planned 2023/24
<p><b>F - Managing risk and performance through robust internal control and strong public financial management</b></p>	<p>In addition, delivery of the 23/24 strategic objectives within the Council's Workforce Delivery Plan which includes:</p> <ul style="list-style-type: none"> <li>➤ Organisational design principles are in place that ensure flat structures and empowered colleagues; embed 'digital first'; reduce demand through early intervention and prevention and focus on our customer.</li> <li>➤ Governance systems are in place that mean people are not impeded by hierarchy and are empowered within our structures to take decisions at the lowest appropriate level.</li> <li>➤ Visibility of jobs through social media and community interaction including schools</li> <li>➤ Development of broader partnerships with third sector and others for employability within diverse groups</li> <li>➤ Engage in further employability schemes.</li> <li>➤ Develop further relief pools.</li> <li>➤ Our approach to recruitment and selection is best practice, streamlined, understood and transparent and it utilises a range of assessment tools together with competency-based interview techniques; is inclusive, addresses unconscious bias and barriers and includes positive action initiatives where they are most needed.</li> <li>➤ Expand re.cr.uit scheme to enable the career progression scheme element and increased use of alternative duties.</li> <li>➤ Ideas Hub utilised to garner widespread employee ideas.</li> <li>➤ Frontline "Digital Awareness Days" Roadshows completed across services.</li> <li>➤ Management development around Change</li> <li>➤ A capability framework that is tailored to our key Job Families that provides clarity; embeds strategic goals such as digital transformation, climate change awareness and equality, diversity and inclusion.</li> <li>➤ All employees have the opportunity and access to personal and professional development through delivery of workforce learning and development that is tailored to job roles and job families and their access needs; makes use of emergent technology and best practice delivery and exemplifies ACC as a learning organisation.</li> <li>➤ Launch of leadership and management development frameworks, with coaching at the heart</li> <li>➤ A mentoring scheme and a coaching network are in place that support colleagues' development.</li> <li>➤ Our digital workplace ensures online collaboration is effective through use of digital tools and the ability of staff to use them.</li> <li>➤ Refreshed appraisal based on feedback including 1:1 template and guidance launched, and progress supported.</li> <li>➤ Create "alumni" style groups – communications, ongoing learning, benefits, shared learning and development, ongoing involvement and engagement.</li> <li>➤ All school teaching staff will receive training inputs on the UNCRC/children's rights to empower staff to consider, protect and enable the rights of children and young people</li> </ul> <ul style="list-style-type: none"> <li>➤ Following consideration of the 2022 Governance Review of Trusts, Council has instructed a report to Council no later than December 2023 on future activity in relation to trusts to which the Council is connected.</li> <li>➤ Presentation of Council Delivery Plan, Housing Revenue Account, Common Good, General Fund Revenue and Capital Programme 23/24 reports to Council</li> <li>➤ Presentation of a revised Performance Management Framework reflecting the LOIP and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan to Council in April 2023</li> <li>➤ Regular reporting against performance management framework through appropriate service committees</li> <li>➤ Work to be undertaken throughout 2023 to update the Population Needs Assessment in line with the refresh of the Local Outcome Improvement Plan which is planned for the beginning of 2024.</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2023/24
<b>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	<ul style="list-style-type: none"> <li>➤ Treasury Management – Year-end Review to be presented to Full Council in June 2023</li> <li>➤ Regular reporting of Capital Programme Delivery: Projects update to Finance and Resources Committee to allow monitoring and scrutiny.</li> <li>➤ Quarterly financial performance reports to Finance and Resources Committee</li> <li>➤ SPSO Decisions, Inspector of Crematoria Complaint Decisions reported through Audit, Risk &amp; Scrutiny Committee, in order to provide assurance that complaints and Scottish Welfare Fund applications are being handled appropriately.</li> <li>➤ Regular reporting through Audit, Risk and Scrutiny Committee and Pensions Committee of progress with Internal Audit recommendations</li> <li>➤ Presentation of Internal Audit Plan 2023-2026 to Audit, Risk &amp; Scrutiny Committee for approval.</li> <li>➤ Presentation of ALEO Workplan 2023 and Terms of Reference to Audit, Risk &amp; Scrutiny Committee for approval</li> <li>➤ Business Continuity Annual Review – presented to Committee.</li> <li>➤ Risk Appetite Statement – Annual Review – presented to Committee.</li> <li>➤ Regular updates to Audit, Risk &amp; Scrutiny Committee on any use of Investigatory Powers</li> <li>➤ Information Governance Annual Report to be presented to Audit, Risk &amp; Scrutiny Committee</li> </ul>

#### SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2022/2023 identified no significant governance issues.

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Groups', systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising. One significant governance issue for the reporting period 2022/2023 has been included below, alongside actions taken to date and those planned for 2023/24.

Table C

Issue Ref.	Issue Description	Source of Evidence	Action
1	<b>New issues in 2022/23</b>		
	<b>Crematorium Incident</b>	Self-assessment	Self-reported to Inspector of Crematoria. Corrective measures taken with immediate effect to minimise harm; Improvements to process agreed and implemented immediately.



## SECTION 5 LEVEL OF ASSURANCE OBTAINED

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2023. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance.

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

### Appendix A

#### Best Value Audit Action Plan

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
Community Empowerment and Early Intervention	To fulfil its duties under the Community Empowerment Act 2015, the council should continue to consult with communities and articulate how it intends to meet its target to allocate one per cent of revenue funding through participatory budgeting.	Continue to develop: The delivery of our Engagement, Participation and Empowerment Strategy. "YouDecide" approach to Participatory Budgeting and our Fairer Aberdeen Board to allocate funds to support community regeneration to meet our 1% target. (March 2023)	The Community Empowerment Strategy was approved in November 2022. The Participatory Budgeting toolkit will be launched on the 17/4/23 and will raise an awareness of participatory budgeting for officers who have not been involved in participatory budgeting process previously and provide officers across services with the resources to deliver different types of participatory budgeting activities across the City following "UDecide" approach.	17/04/23	20/03/23		Open
People & Org Development	To help them carry out their Best Value responsibilities,	Continue to Develop: Members' Services Working Group focus on	Terms of Reference for the Members Services Working Group have been updated to	31/05/23	20/02/23		Open

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
	<p>elected members should:</p> <p>Look to build upon the broad consensus relating to the council and LOIP vision and priorities to explore the potential for creating more opportunities for cross party working.</p> <p>Take advantage of the learning and development opportunities provided by the council</p>	<p>learning and development. (Sept 2021)</p> <p>Personal Development Plans being developed for each elected member to feed into the identification of training needs and learning programme.</p> <p>MS Teams site has been created to cover all aspects of elected member development providing a central point for up-to-date information and booking onto virtual sessions. (Dec 2021)</p> <p>A method to record elected members CPD established to enable a single point of reference and for reporting purposes.</p> <p>To be developed:</p> <p>Refresh of Terms of Reference of Members' Services Working Group. (December 2021)</p> <p>Induction programme for newly elected members in May 2022. (May 2022)</p>	<p>incorporate learning and development for members.</p> <p>Existing intranet/teams' site has been expanded to host elected member development resources and content created and uploaded by subject matter experts.</p> <p>"Live" Personal Development Plans (PDP's) will be updated to record training needs analysis, training undertaken and CPD by May 2023. PDP's will be reviewed and supported by Members Support and People Development</p>				
Capital	The council should carry out post project reviews of major projects,	<p>Continue to develop:</p> <p>Close out Project Evaluation and Post</p>	The Council is committed to carrying out post project reviews to learn lessons and inform future activity. While			28/10/22	Closed

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
	including capital developments, to ensure lessons can be learned timeously and applied to future projects.	<p>Occupancy review and benefits realisation post Covid-19 impact. (June 2022)</p> <p>To be developed: Timing of project reviews and consideration of project type. (June 2022)</p> <p>Lessons learned (hold points) throughout a project's life cycle. (June 2022)</p> <p>Consideration of project reviews to capture all relevant issues and wrap together in a single document. (June 2022)</p>	<p>Covid-19 delayed the beginning, completion and opening of some recent developments, work is underway to ensure that formal post project reviews are timeously carried out for all major projects.</p> <p>Reports are now coming through and are being reported to the Capital Board.</p> <p>Template for lessons learned has been added to PMO Toolkit for roll out.</p>				
Finance	The council should ensure that its longer-term financial plan is regularly reviewed (paragraph 86) and that it continues to develop how it reports aspects of the complex capital programme within their accounts.	<p>Continue to develop: Continue to develop the long-term financial planning put in place in 2016, to bring it up to date and reflect current situation and scenarios. (Sept 2022)</p> <p>Year-end timetable and tasks to capture emerging accounting issues arising from the approved capital programme. (Dec 2021)</p> <p>To be developed: Early identification and consideration of accounting</p>	<p>Medium Term Financial Strategy to be refreshed and reported to Council by the end of August 2022. Community Engagement work has been undertaken to ensure insight into the priorities of our communities. This is further supplemented through the refresh of the Population Need assessment and the insights gathered in terms of the harm created by Covid-19 through the socio-economic rescue-plan. The refreshed LOIP, a 10-year plan, will inform the</p>			09/09/22	Closed

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
		<p>implications as part of the business case process. (March 2022)</p>	<p>work undertaken to produce the Council's commissioning intentions for 2023/24 as well as the refresh of Council's own long-term strategies.</p> <p>Due to the ongoing impact of the pandemic on the time taken to progress construction projects, as well as cost inflation in construction, the City Growth and Resources Committee instructed that a recommendation be made on a sum to be included as a contingency in the Capital Programme to provide resilience to the programme. Project progress continues to be is monitored through the Capital Programme Committee</p> <p>Profiling of the capital programme has been updated to reflect the latest information, including forecasting the impact of underspending in 2021/22 as a result of delays to construction on 2022/23 to 2026/27.</p> <p>Consideration has been given to ensuring that the Council's Capital Investment Plan is central to the delivery of future planning activities and is adaptable to the changing</p>				

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
			<p>environment in which the Council operates, including ensuring that stretch outcomes in the LOIP and Council strategic framework are supported appropriately.</p> <p>When making capital decisions, careful consideration is also given to the Financial Resilience Framework and Prudential Indicators as this provides current and forward-looking data that aids understanding of the implications of capital investment.</p> <p>There will be consideration of investment opportunities that are available via a report back on the methodology and approach to bring investor ready proposals to market, including resource implications and timescales for developing opportunities described within the various economic and infrastructure strategies.</p> <p>The Chief Officer - Finance is represented at the Demand Management Control Board and Capital Board where business cases are given early consideration, as well as being consulted ahead of Board</p>				

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
			<p>meetings and signing off on financial implications sections in the draft business cases.</p> <p>The long-term financial plan is refreshed annually and was last presented to Full Council in August 2022. The Year-end timetable and task list covers any emerging accounting issues including those relating to the capital programme. The timetable and task list is produced annually in February.</p> <p>The capital programme was re-profiled to consider the implications relating to inflationary pressures and this approach has also been applied as part of the Business Case process.</p>				
Data & Insights	<p>The council should review the number and focus of their improvement projects to:</p> <p>(1) focus on improving core services areas that support the longer-term ambitions of the LOIP;</p>	<p>Continue to develop:</p> <p>Scrutiny of core services performance through reporting to and review by Committees, quarterly reports to the Performance Board and ECMT, identifying formal improvement project as required.</p> <p>The Housing Improvement Group will oversee a programme of required</p>	<p>Performance report presented each cycle to Committees, allowing scrutiny and challenge by Members, and Performance Board will continue to monitor and identify any additional improvement projects.</p> <p>Reports have been submitted to Operational Delivery Committee in September and January providing additional performance data and</p>			01/08/22	Closed

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
	<p>(2) reflect the views of residents; and</p> <p>(3) respond to short-term priority responses to Covid-19</p>	<p>improvements in housing. (March 2023)</p> <p>Void Property Management and Complaints Management action plans will be implemented and performance scrutinised. (October 2022)</p> <p>The Tenant Participation and Engagement Strategy will be refreshed and implemented.</p> <p>Tenant Participation Group and Tenant Groups will continue to scrutinise and drive performance improvement. (March 2023)</p> <p>Commissioned Void Property repairs will be scrutinised and completed. (March 2022)</p> <p>Reporting of education service performance to Education Operational Delivery Committee (EODC). (November 2021)</p> <p>Put in place reporting arrangements to monitor the response to the recommendations of the Organisation for Economic Co-operation and Development on the</p>	<p>narrative on void property performance.</p> <p>Void property is a standing item on the monthly Performance Board.</p> <p>Commissioned contracts for void repairs have been agreed.</p> <p>A new letting standard has been agreed for all council properties, with Building Services and contractors now working to that standard.</p> <p>Operational Delivery Committee agreed in January to implement a Choice Based Letting system to transform our allocations process.</p> <p>There have been regular meetings with tenant groups throughout the year.</p> <p>A programme of resident led inspections has been developed, with two already undertaken.</p> <p>EODC in November 2021 considered an interim tracking report for the 2020-21 academic year, against the suite of Educational Improvement Journey Key Performance Indicator measures, supporting the Excellence and Equity agenda</p>				

Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
		<p>Curriculum for Excellence. (September 2021)</p> <p>To be developed:</p> <p>Identification, through the Performance Board, of any additional improvement projects for 2022/23. (March 2022)</p> <p>Review of LOIP and rationalisation of improvement projects to ensure the Council and Partnership are focused on priority issues for improvement.</p> <p>Revised CPA Improvement Programme to support delivery of the LOIP and achievement of the improvement aims over the next two years.</p>	<p>within the Aberdeen City Council National Improvement Framework Plan; which also outlined the progress of actions supporting the Education Improvement Journey presenting the pre-review outcomes from the 2021 Alternative Certification Model, releases provided through the Insight Tool, and Attendance and Exclusion information.</p> <p>Initially reported to Education Operational Delivery Committee in September 2021, Chief Officer – Education instructed to keep Committee apprised of resultant changes in Scottish Government policy; and how changed national policies are being implemented locally.</p> <p>Review of LOIP and rationalisation of improvement projects to ensure the Council and Partnership are focused on priority issues for improvement (Complete)</p> <p>Revised CPA Improvement Programme to support delivery of the LOIP and achievement of the improvement aims over the next two years. (Complete)</p>				



Lead Service	Recommendation	Agreed Management Actions	Update/Comments	Target Completion Date	Date of Last Update	Completed Date	Status
			Data led review of performance to establish additional 2022/23 improvement projects completed and agreed by ECMT.				
Data & Insights	To supplement current council and CPP performance reports, and aide public understanding and scrutiny, the council should produce an annual performance report more clearly reporting the longer-term progress made in improving outcomes. This should include a high-level multi-year trend summary of performance against priority indicators and supporting narrative.	<p>Continue to develop:</p> <p>Review of existing annual performance reports for the LOIP, Locality Plans and the Council Delivery Plan (nb. given the publication of the Population Needs Assessment and the refresh of the LOIP and Locality Plans in 2021, it is not proposed to prepare annual reports in 2021 for these). (March 2022)</p> <p>Preparation of Council Annual Report 2020/21 considering the review above. (October 2021)</p> <p>To be developed:</p> <p>Strategic Commissioning Committee October 2021 agreed revised Performance Management Framework and Annual review of Council Delivery Plan with updated RAG status reporting. (October 2021)</p>	A revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan 2021/22, as well as comments and recommendations made within Audit Scotland's Best Value Audit of the Council was approved at Strategic Commissioning Committee in October 2021.			06/10/22	Closed

On behalf of Aberdeen City Council:

Angela Scott  
Chief Executive

Councillor Alex Nicoll  
Co-Leader of the Council

Councillor Ian Yuill  
Co-Leader of the Council

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## Remuneration Report

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

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 2022 (SSI No. 2022/18) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2021 (SSI No. 2020/26). The Regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2022/23, the salary of the Leader of Aberdeen City Council is £45,669. 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, £34,254.

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 its Senior Councillors shall not exceed £511,316. 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 was to pay each of the five principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £34,254, with the remaining Senior Councillors receiving 75 per cent of that sum, £25,690. This policy was revised in May 2022. From 18 May 2022 Committee Conveners are paid 74 per cent of the total yearly amount payable to the Leader of the Council, £33,795, with the remaining Senior Councillors receiving 74 per cent of that sum, £25,348.

In 2022/23, Aberdeen City Council had 16 Senior Councillor posts. The salary and allowances paid to them totalled £481,567 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, Bon Accord Support Services Ltd and Aberdeen Heat and Power 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.

	2021/22	2022/23		2021/22	2022/23
Remuneration Band	Number of Employees		Remuneration Band (cont'd)	Number of Employees	
£50,000 - £54,999	232	257	£155,000 - £159,999	-	-
£55,000 - £59,999	152	120	£160,000 - £164,999	1	-
£60,000 - £64,999	58	136	£165,000 - £169,999	-	2
£65,000 - £69,999	40	44	£170,000 - £174,999	-	-
£70,000 - £74,999	7	12	£175,000 - £179,999	-	-
£75,000 - £79,999	8	11	£180,000 - £184,999	-	1
£80,000 - £84,999	5	8	£185,000 - £189,999	-	-
£85,000 - £89,999	16	7	£190,000 - £194,999	-	-
£90,000 - £94,999	5	11	£200,000 - £204,999	-	-
£95,000 - £99,999	1	3	£205,000 - £209,999	-	-
£100,000 - £104,999	-	1	£210,000 - £214,999	-	1
£105,000 - £109,999	-	3	£215,000 - £219,999	-	1
£110,000 - £114,999	1	-	£225,000 - £229,999	-	-
£115,000 - £119,999	1	-	£230,000 - £234,999	-	2
£120,000 - £124,999	1	-	£235,000 - £239,999	-	-
£125,000 - £129,999	3	-	£240,000 - £244,999	-	-
£130,000 - £134,999	-	3	£255,000 - £259,999	-	-
£135,000 - £139,999	-	-	£260,000 - £264,999	1	-
£140,000 - £144,999	-	-	£270,000 - £274,999	-	1
£145,000 - £149,999	-	-	£280,000 - £284,999	-	1
£150,000 - £154,999	-	-	<b>Total</b>	532	625

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 £135,000 (excluding the Chief Executive) are as a result of including pension strain costs.

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

	2021/22 £	2022/23 £
Salaries	1,041,555	1,097,465
Allowances	-	-
Expenses	20,291	8,022
<b>Total</b>	<b>1,061,846</b>	<b>1,105,487</b>

**Table 3: Details of exit packages.**

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'000					
	2021/22	2022/23	2021/22	2022/23	2021/22			2022/23		
					Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	-	10	-	39	57	96	-	-	-
£20,000 - £39,999	-	-	6	1	50	108	158	9	24	33
£40,000 - £59,999	-	-	2	4	56	48	104	90	124	214
£60,000 - £79,999	-	-	3	1	105	100	205	21	40	61
£80,000 - £99,999	-	-	-	-	-	-	-	-	-	-
£100,000 - £149,999	-	-	2	1	40	177	217	18	107	125
£150,000 - £199,999	-	-	-	4	-	-	-	73	628	701
£200,000 - £249,999	-	-	1	3	16	214	230	50	595	645
<b>Total</b>	-	-	<b>24</b>	<b>14</b>	<b>306</b>	<b>704</b>	<b>1,010</b>	<b>261</b>	<b>1,518</b>	<b>1,779</b>

**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.

2021/22	Councillor Name	Responsibility	2022/23				Notes
			Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	
32,639	Alex Nicoll	Council Co-Leader (from 18 May 2022)	43,091	56	-	43,147	1
24,420	Ian Yuill	Council Co-Leader (from 18 May 2022)	31,920	-	372	32,292	2
44,014	Jennifer Laing	Council Leader (until 5 May 2022)	4,420	31	-	4,451	3
3,773	Douglas Lumsden	Council Co-Leader (until 12 May 2021)	-	-	-	-	
-	David Cameron	Lord Provost (from 18 May 2022)	29,834	52	3,156	33,042	
41,113	Barney Crockett	Lord Provost (until 5 May 2022)	3,315	16	-	3,331	
-	Steven Delaney	Depute Lord Provost (from 18 May 2022)	29,434	-	38	29,472	4
32,977	Jennifer Stewart	Depute Lord Provost (until 5 May 2022)	3,315	4	149	3,468	5
-	Christian Allard	Convener, Anti-Poverty & Inequality Committee (from 14 October 2022)	29,434	52	-	29,486	6
-	Gillian Al-Samarai	Convener, Licensing Committee (from 18 May 2022)	29,434	-	-	29,434	7
-	John Cooke	Convener Pensions Committee (from 18 May 2022)	29,434	52	150	29,636	8
-	Neil Copland	Convener of Staff Governance (from 18 May 2022)	29,434	52	-	29,486	9
-	Martin Greig	Convener, Education & Children's Services Committee (from 14 October 2022)	29,434	52	-	29,486	10
-	Del Henrickson	Convener, Planning Development Management (from 18 May 2022)	29,434	52	79	29,565	11
21,667	Sandra MacDonald	Convener, Audit, Risk & Scrutiny Committee (from 18 May 2022)	31,920	56	193	32,169	12
-	Alexander McLellan	Convener, Finance & Resources Committee (from 14 October 2022)	29,434	52	-	29,486	13
-	Miranda Radley	Convener, Communities, Housing & Public Protection Committee (from 14 October 2022)	29,434	52	116	29,602	14
-	Desmond Bouse	Vice Convener Planning Development Management (from 18 May 2022)	22,077	-	-	22,077	15
32,822	Ryan Houghton	Vice Convener, Audit, Risk & Scrutiny (from 18 May 2022)	25,392	56	-	25,448	16
-	Neil MacGregor	Vice Convener Pensions Committee (from 18 May 2022)	22,077	52	150	22,279	
-	Ciaran McRae	Vice Convener, Communities, Housing & Public Protection Committee (from 14 October 2022)	25,563	52	-	25,615	17
-	Jessica Mennie	Vice Convener, Education & Children's Services Committee (from 14 October 2022)	22,077	52	-	22,129	18
32,639	Yvonne Allan	Convener, Staff Governance (until 5 May 2022)	3,315	3	-	3,318	19
31,747	Philip Bell	Convener, Operational Delivery (until 5 May 2022)	3,315	31	-	3,346	
32,639	Marie Boulton	Convener, Capital Programme (until 5 May 2022)	3,315	4	-	3,319	20
34,820	Mohammad Tauqueer Malik	Convener, Education Operational Delivery (until 5 May 2022)	3,315	4	-	3,319	21
36,473	John Reynolds	Convener, Licensing Committee (until 5 May 2022)	3,315	31	603	3,949	22
32,764	John Wheeler	Convener, Strategic Commissioning (until 5 May 2022)	3,315	31	-	3,346	
24,504	Lesley Dunbar	Vice Chair of the Integration Joint Board (until 5 May 2022)	2,486	34	-	2,520	
24,202	Gordon Graham	Vice Convener, Capital Programme (until 5 May 2022)	2,486	4	-	2,490	23
24,420	Ross Grant	Vice Convener, Strategic Commissioning (until 5 May 2022)	2,486	-	-	2,486	
23,952	Claire Imrie	Vice Convener, Education Operational Delivery (until 5 May 2022)	2,486	31	-	2,517	
24,499	Freddie John	Vice Convener, Operational Delivery (until 5 May 2022)	2,486	31	-	2,517	
3,819	Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 27 May 2021)	-	-	-	-	
<b>559,903</b>	<b>Total</b>		<b>562,227</b>	<b>995</b>	<b>5,006</b>	<b>568,228</b>	

<b>Note 1:</b>	Councillor Nicoll is also Convener of Aberdeen City Region Deal and Vice Convener of Urgent Business Committee. Prior to this Councillor Nicoll was Convener of Audit, Risk and Scrutiny Committee until 5 May 2022.
<b>Note 2:</b>	Councillor Yuill is also Convener of Urgent Business Committee, Net Zero, Environment & Transport Committee (from 14 October 2022) and Vice Convener of Finance & Resources Committee (from 14 October 2022). From 18 May to 13 October 2022, he was Convener of Strategic Commissioning, Vice Convener of City Growth and Resources Committee and Operational Delivery Committee. Prior to these appointments he was Vice Convener of Audit, Risk and Scrutiny Committee until 5 May 2022.
<b>Note 3:</b>	Councillor Laing was also Convener of Urgent Business Committee and Aberdeen City Region Deal and Vice Convener of City Growth & Resources until the 5 May 2022.
<b>Note 4:</b>	Councillor Delaney is also Vice Convener of Licensing from 18 May 2022.
<b>Note 5:</b>	Councillor Stewart was also Convener Public Protection and Vice Convener Planning Development Management until 5 May 2022.
<b>Note 6:</b>	Prior to his appointment to Convener of Anti-Poverty & Inequality Committee Councillor Allard was Convener of Capital Programme from 18 May 2022 to 13 October 2022.
<b>Note 7:</b>	Councillor Al-Samarai is also Vice Convener of Appeals and of Staff Governance from 18 May 2022.
<b>Note 8:</b>	Councillor Cooke is also Vice Chair of the Integration Joint Board from 18 May 2022.
<b>Note 9:</b>	Councillor Copland is also Convener of Appeals from 18 May 2022.
<b>Note 10:</b>	Prior to his appointment to Convener of Education & Children's Services Committee, Councillor Greig was Convener of Education Operational Delivery from 18 May to 13 October 2022.
<b>Note 11:</b>	Councillor Henrickson was also Vice Convener of Public Protection from 18 May to 13 October 2022.
<b>Note 12:</b>	Prior to her appointment to Convener of Audit, Risk & Scrutiny Committee Councillor MacDonald was Vice Convener of Operational Delivery until 5 May 2022.
<b>Note 13:</b>	Prior to his appointment to Convener of Finance & Resources Committee Councillor McLellan was Convener of City Growth and Resources from 18 May 2022 to 13 October 2022.
<b>Note 14:</b>	Councillor Radley is also Vice Convener of Net Zero, Environment & Transport Committee from 14 October 2022. Prior to her current appointments Councillor Radley was Convener of Operational Delivery Committee from 18 May until 13 October 2022.
<b>Note 15:</b>	Councillor Bouse is also Vice Convener, Anti-Poverty & Inequality Committee from 14 October 2022.
<b>Note 16:</b>	Prior to his appointment to Vice Convener of Audit, Risk & Scrutiny Councillor Houghton was Convener of City Growth and Resources, Community Asset Transfer and Vice Convener Urgent Business and Staff Governance until the 5 May 2022.
<b>Note 17:</b>	Prior to his appointment to Vice Convener of Communities, Housing & Public Protection Committee Councillor McRae was Convener Public Protection and Vice Convener Capital Programme from 18 May 2022 to 13 October 2022.
<b>Note 18:</b>	Prior to her appointment to Vice Convener of Education & Children's Services Committee, Councillor Mennie was Vice Convener of Education Operational Delivery from 18 May to 13 October 2022.
<b>Note 19:</b>	Councillor Allan was also Convener Appeals until 5 May 2022.
<b>Note 20:</b>	Councillor Boulton was also Convener Planning Development Management until 5 May 2022.
<b>Note 21:</b>	Councillor Tauqeer Malik was also Vice Convener Licensing and Depute Business Manager until 5 May 2022.
<b>Note 22:</b>	Councillor Reynolds was also Vice Convener Pensions Committee until 5 May 2022.
<b>Note 23:</b>	Councillor Graham was also Vice Convener of Public Protection until 5 May 2022.

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

Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration * £	Notes
161,428	161,628	Angela Scott	Chief Executive	169,499	169,499	-	169,499	
125,563	125,763	Andy MacDonald	Director of Customer Services	131,841	131,841	-	131,841	
125,563	94,172	Gale Beattie	Director of Commissioning	131,841	131,841	-	131,841	
125,563	125,763	Rob Polkinghorne	Chief Operating Officer (until 25 October 2022)	131,841	70,882	-	70,882	
92,817	93,017	Eleanor Sheppard	Interim Director of Children's & Family Services (from 1 December 2022)	131,841	108,919	-	108,919	1
125,563	125,763	Steven Whyte	Director of Resources	131,841	131,841	-	131,841	
92,817	93,017	Jonathan Belford	Chief Officer - Finance	97,458	97,458	-	97,458	
-	-	Jenni Lawson	Chief Officer - Governance (Monitoring Officer) (from 1 Dec 2022 until 31 Mar 2023)	97,458	32,638	-	32,638	
-	-	Vikki Cuthbert	Chief Officer - Governance (Monitoring Officer) (from 1 Aug 2022 until 30 Nov 2022)	97,458	31,656	-	31,656	
92,817	97,813	Fraser Bell	Chief Officer - Governance (Monitoring Officer) (until 31 July 2022)	97,458	32,357	-	32,357	
88,965	22,241	Richard Sweetnam	Chief Officer - City Growth	-	-	-	-	
92,817	93,017	Graeme Simpson	Chief Social Work Officer	97,458	97,458	-	97,458	
-	-	Shona Milne	Chief Education Officer (from 5 December 2022)	97,458	31,438	-	31,438	
	<b>1,032,194</b>	<b>Total</b>			<b>1,067,829</b>	<b>-</b>	<b>1,067,829</b>	
	*	Some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties.						
	<b>Note 1:</b>	Prior to her appointment as Interim Director of Children's & Family Services Eleanor Sheppard was Chief Education Officer. As such a full years disclosure has been made.						

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

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



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

2021/22	2022/23					
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Compensation for Loss of Office £	Benefits Other Than in Cash £	Total Remuneration £
98,700	Alistair Robertson	Managing Director Sport Aberdeen Ltd	112,400	-	-	112,400
69,771	Pamela McKenzie	Managing Director Bon Accord Support Services Ltd	108,690	-	-	108,690
37,241	Gail Woodcock	Acting Managing Director Bon Accord Support Services Ltd (until 31 July 2021)	-	-	-	-
-	Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	74,386	-	-	74,386
<b>205,712</b>	<b>Total</b>		<b>295,476</b>	-	-	<b>221,090</b>

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 (2021/2022)</b>	<b>Contribution rate 2021/22</b>	<b>Pensionable pay (2022/2023)</b>	<b>Contribution rate 2022/23</b>
On earnings up to and including £22,300	5.5%	On earnings up to and including £23,000	5.5%
On earnings above £22,301 and up to £27,300	7.25%	On earnings above £23,001 and up to £28,100	7.25%
On earnings above £27,301 and up to £37,400	8.5%	On earnings above £28,101 and up to £38,600	8.5%
On earnings above £37,401 and up to £49,900	9.5%	On earnings above £38,601 and up to £51,400	9.5%
On earnings of £49,901 and above	12%	On earnings of £51,401 and above	12%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49<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 2023.

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 2023.

Table 9: Details of pension contributions made by the Council's subsidiary bodies i.e. Sport Aberdeen Ltd, Bon Accord Support Services Ltd and Aberdeen Heat and Power, 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 2022 £	For year to 31 March 2023 £		As at 31 March 2023 £'000	Difference from 31 March 2022 £'000
Ian Yuill	Council Co-Leader (from 18 May 2022)	4,371	5,714	Pension Lump Sum	8 2	1 -
Jennifer Laing	Council Leader (until 5 May 2022)	7,771	791	Pension Lump Sum	11 3	- 1
Douglas Lumsden	Council Co-Leader (until 12 May 2021)	674	-	Pension	-	(3)
Barney Crockett	Lord Provost (until 5 May 2022)	5,828	564	Pension Lump Sum	12 3	2 1
Steve Delaney	Depute Lord Provost (from 18 May 2022)	-	5,269	Pension	4	4
Jennifer Stewart	Depute Lord Provost (until 5 May 2022)	5,829	564	Pension Lump Sum	8 2	1 -
Christian Allard	Convener, Anti-Poverty & Inequality Committee (from 14 October 2022)	-	5,269	Pension	3	3
John Cooke	Convener Pensions Committee (from 18 May 2022)	-	5,269	Pension	3	3
Neil Copland	Convener of Staff Governance (from 18 May 2022)	-	5,269	Pension	4	4
Martin Greig	Convener, Education & Children's Services Committee (from 14 October 2022)	-	5,269	Pension	7	7
Del Henrickson	Convener, Planning Development Management (from 18 May 2022)	-	5,269	Pension	3	3
Sandra MacDonald	Convener, Audit, Risk & Scrutiny Committee (from 18 May 2022)	3,866	4,998	Pension	3	1
Alexander McLellan	Convener, Finance & Resources Committee (from 14 October 2022)	-	5,269	Pension	3	3
Miranda Radley	Convener, Communities, Housing & Public Protection Committee (from 14 October 2022)	-	5,269	Pension	1	1
Desmond Bouse	Vice Convener Planning Development Management (from 18 May 2022)	-	4,084	Pension	-	-
Ryan Houghton	Vice Convener, Audit, Risk & Scrutiny (from 18 May 2022)	5,828	3,830	Pension	4	1
Neil MacGregor	Vice Convener Pensions Committee (from 18 May 2022)	-	3,952	Pension	6	6
Ciaran McRae	Vice Convener, Communities, Housing & Public Protection Committee (from 14 October 2022)	-	4,576	Pension	3	3
Jessica Mennie	Vice Convener, Education & Children's Services Committee (from 14 October 2022)	-	3,952	Pension	1	1
Yvonne Allan	Convener, Staff Governance (until 5 May 2022)	2,914	-	Pension Lump Sum	- -	(11) (2)
Philip Bell	Convener, Operational Delivery (until 5 May 2022)	5,660	593	Pension	3	-
Marie Boulton	Convener, Capital Programme (until 5 May 2022)	5,828	564	Pension Lump Sum	9 2	- -
Mohammad Tauqeer Malik	Convener, Education Operational Delivery (until 5 May 2022)	5,660	564	Pension	5	1
Freddie John	Vice Convener, Operational Delivery (until 5 May 2022)	4,371	445	Pension	2	-
John Reynolds	Convener, Licensing Committee (until 5 May 2022)	5,828	593	Pension Lump Sum	12 3	1 1
John Wheeler	Convener, Strategic Commissioning (until 5 May 2022)	5,828	593	Pension	4	1
Lesley Dunbar	Vice Chair of the Integration Joint Board (until 5 May 2022)	4,371	445	Pension	5	-
Gordon Graham	Vice Convener, Capital Programme (until 5 May 2022)	4,371	433	Pension Lump Sum	8 2	1 -
Ross Grant	Vice Convener, Strategic Commissioning (until 5 May 2022)	4,371	433	Pension	5	-
Claire Imrie	Vice Convener, Education Operational Delivery (until 5 May 2022)	4,251	445	Pension	2	-
Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 27 May 2021)	682	-	Pension	-	(2)
<b>Total</b>		<b>88,302</b>	<b>80,281</b>	<b>Pension Lump Sum</b>	<b>139 17</b>	<b>32 1</b>

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2022 £	For year to 31 March 2023 £		As at 31 March 2023 £'000	Difference from 31 March 2022 £'000
Angela Scott	Chief Executive	28,931	30,340	Pension	84	5
Andy MacDonald	Director of Customer Services	22,512	23,600	Pension	36	4
				Lump Sum	18	1
Eleanor Sheppard	Interim Director of Children's & Family Services (from 1 December 2022)	21,394	24,340	Pension	42	8
				Lump Sum	84	12
Gale Beattie	Director of Commissioning	16,857	23,600	Pension	43	5
				Lump Sum	66	8
Rob Polkinghorne	Chief Operating Officer (until 25 October 2022)	20,571	11,556	Pension	12	2
Steven Whyte	Director of Resources	22,512	23,600	Pension	51	5
				Lump Sum	65	3
Jonathan Belford	Chief Officer - Finance	16,650	17,445	Pension	44	4
				Lump Sum	65	3
Jenni Lawson	Chief Officer - Governance (Monitoring Officer) (from 1 Dec 2022 until 31 Mar 2023)	-	5,842	Pension	7	7
Vikki Cuthbert	Chief Officer - Governance (Monitoring Officer) (from 1 Aug 2022 until 30 Nov 2022)	-	5,666	Pension	25	25
				Lump Sum	22	22
Fraser Bell	Chief Officer - Governance (Monitoring Officer) (until 31 July 2022)	17,509	5,792	Pension	23	2
Richard Sweetnam	Chief Officer - City Growth	3,981	-	Pension	32	3
				Lump Sum	23	1
Graeme Simpson	Chief Social Work Officer	16,650	17,445	Pension	40	3
				Lump Sum	51	3
Shona Milne	Chief Education Officer (from 5 December 2022)	-	7,231	Pension	43	43
				Lump Sum	96	96
<b>TOTAL</b>		<b>187,567</b>	<b>196,457</b>	<b>Pension</b>	<b>482</b>	<b>116</b>
				<b>Lump Sum</b>	<b>490</b>	<b>149</b>

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

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

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits		
		For year to 31 March 2022 £	For year to 31 March 2023 £		As at 31 March 2023 £'000	Difference from 31 March 2022 £'000
Alistair Robertson	Managing Director Sport Aberdeen Ltd	9,360	11,221	Pension	72	11
Pamela MacKenzie	Managing Director Bon Accord Support Services Ltd	13,754	-	Pension	-	-
Gail Woodcock	Acting Managing Director Bon Accord Support Services Ltd (until 31 July 2021)	6,578	-	Pension	-	-
Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	-	15,875	Pension	-	-
<b>Total</b>		<b>29,692</b>	<b>27,096</b>	<b>Total</b>	<b>72</b>	<b>11</b>

Angela Scott  
Chief Executive

Councillor Alex Nicoll  
Co-Leader of the Council

Councillor Ian Yuill  
Co-Leader of the Council

## PRIMARY FINANCIAL STATEMENTS

### Movement in Reserves Statement

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

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 31 March 2021 brought forward</b>	<b>(71,603)</b>	<b>(14,715)</b>	<b>(11,900)</b>	<b>(1,182)</b>	<b>(99,400)</b>	<b>(1,313,768)</b>	<b>(1,413,168)</b>
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Income & Expenditure	59,033	26,458	0	0	<b>85,491</b>	(107,572)	<b>(22,081)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(64,830)	(27,398)	(1,045)	(1,045)	<b>(94,318)</b>	94,318	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(5,797)</b>	<b>(940)</b>	<b>(1,045)</b>	<b>(1,045)</b>	<b>(8,827)</b>	<b>(13,254)</b>	<b>(22,081)</b>
Transfers to/(from) Reserves	5,248	440	(7,102)	1,414	<b>0</b>	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>(549)</b>	<b>(500)</b>	<b>(8,147)</b>	<b>369</b>	<b>(8,827)</b>	<b>(13,254)</b>	<b>(22,081)</b>
<b>Balance at 31 March 2022</b>	<b>(72,152)</b>	<b>(15,215)</b>	<b>(20,047)</b>	<b>(813)</b>	<b>(108,227)</b>	<b>(1,327,022)</b>	<b>(1,435,249)</b>

The accompanying notes form an integral part of these financial statements.

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts Unapplied Account £'000	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Balance at 31 March 2022 brought forward</b>	<b>(72,152)</b>	<b>(15,215)</b>	<b>(20,047)</b>	<b>(813)</b>	<b>(108,227)</b>	<b>(1,327,022)</b>	<b>(1,435,249)</b>
<b>Movement in Reserves during 2022/23</b>							
Total Comprehensive Income & Expenditure	6,328	81,212	0	0	<b>87,540</b>	(532,022)	<b>(444,482)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(5,523)	(86,062)	(2,337)	813	<b>(93,109)</b>	93,109	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>805</b>	<b>(4,850)</b>	<b>(2,337)</b>	<b>813</b>	<b>(5,569)</b>	<b>(438,913)</b>	<b>(444,482)</b>
Transfers to/(from) Reserves	3,178	4,350	(7,179)	0	<b>349</b>	(349)	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>3,983</b>	<b>(500)</b>	<b>(9,516)</b>	<b>813</b>	<b>(5,220)</b>	<b>(439,262)</b>	<b>(444,482)</b>
<b>Balance at 31 March 2023</b>	<b>(68,169)</b>	<b>(15,715)</b>	<b>(29,563)</b>	<b>0</b>	<b>(113,447)</b>	<b>(1,766,284)</b>	<b>(1,879,731)</b>

The accompanying notes form an integral part of these financial statements.

**Comprehensive Income and Expenditure Statement**

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

2021/22 *				2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
264,361	(41,372)	222,989	Children & Family Services	287,717	(40,604)	247,113
244,690	(137,871)	106,819	Resources	218,471	(120,388)	98,083
96,880	(55,829)	41,051	Customer	102,287	(70,471)	31,816
77,975	(27,915)	50,060	Commissioning	59,618	(18,819)	40,799
237	(16)	221	Operations	104	(8)	96
273,164	(167,553)	105,611	Integration Joint Board	306,231	(184,776)	121,455
40,918	(8,798)	32,120	Corporate	49,270	(9,578)	39,692
142,027	(103,546)	38,481	Housing Revenue Account	180,595	(107,714)	72,881
<b>1,140,252</b>	<b>(542,900)</b>	<b>597,352</b>	<b>Cost of Services</b>	<b>1,204,293</b>	<b>(552,358)</b>	<b>651,935</b>
1,396	0	1,396	Other Operating Expenditure (note 8)	609	0	609
112,697	(61,649)	51,048	Financing and Investment Income and Expenditure (note 9)	125,072	(76,330)	48,742
0	(564,305)	(564,305)	Taxation and Non Specific Grant Income (note 10)	0	(613,746)	(613,746)
<b>1,254,345</b>	<b>(1,168,854)</b>	<b>85,491</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,329,974</b>	<b>(1,242,434)</b>	<b>87,540</b>
		(77,084)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(18,561)
		(30,488)	Actuarial (gains)/losses on pension assets/liabilities			(513,811)
		0	Other (Gains)/Losses			350
		<b>(107,572)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(532,022)</b>
		<b>(22,081)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(444,482)</b>

\*2021/22 figures restated

The accompanying notes form an integral part of these financial statements.



**Balance Sheet**

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

<b>1 April 2021 £'000</b>	<b>31 March 2022 £'000</b>		<b>Note</b>	<b>31 March 2023 £'000</b>
2,386,544	2,560,355	Property, Plant & Equipment	28	2,649,919
198,068	196,272	Heritage Assets	27	199,723
191,968	150,617	Investment Property	26	163,608
0	0	Deferred Charges	38	9,197
16,343	15,503	Long Term Investments	38	15,162
742	657	Long Term Debtors	38	1,860
0	0	Pension Assets	22	363,730
<b>2,793,665</b>	<b>2,923,404</b>	<b>Long Term Assets</b>		<b>3,403,199</b>
119,699	102,593	Cash and Cash Equivalents	17	72,278
40,277	20,025	Short Term Investments	38	11,588
139,389	113,029	Short Term Debtors	33	148,506
2,071	2,906	Inventories	32	4,313
13,700	11,993	Assets Held for Sale	31	2,225
<b>315,136</b>	<b>250,546</b>	<b>Current Assets</b>		<b>238,910</b>
(232,391)	(223,359)	Short Term Borrowing	38	(306,394)
(117,073)	(122,607)	Short Term Creditors	34	(156,945)
(549)	(3,533)	Short Term Provisions	35	(5,886)
(4,638)	(4,527)	PPP Short Term Liabilities	30	(5,332)
(7,423)	(7,224)	Accumulated Absences Account	13	(7,948)
(2,909)	(1,438)	Grants Receipts in Advance - Revenue	37	(3,216)
(21,047)	(31,257)	Grants Receipts in Advance - Capital	37	(31,806)
<b>(386,030)</b>	<b>(393,945)</b>	<b>Current Liabilities</b>		<b>(517,527)</b>

<b>1 April 2021 £'000</b>	<b>31 March 2022 £'000</b>		<b>Note</b>	<b>31 March 2023 £'000</b>
(1,003,256)	(1,043,105)	Long Term Borrowing	38	(1,064,352)
(57,141)	(56,643)	Finance Lease	25	(56,445)
(551)	(551)	Long Term Provisions	35	(3,348)
(130,565)	(126,038)	PPP Long Term Liabilities	30	(120,706)
(118,090)	(118,419)	Pension Liabilities	22	0
<b>(1,309,603)</b>	<b>(1,344,756)</b>	<b>Long Term Liabilities</b>		<b>(1,244,851)</b>
<b>1,413,168</b>	<b>1,435,249</b>	<b>Net Assets</b>		<b>1,879,731</b>
		Usable Reserves:		
(71,603)	(72,152)	General Fund Balance		(68,169)
(14,715)	(15,215)	Housing Revenue Account		(15,715)
(11,900)	(20,047)	Statutory and Other Reserves		(29,563)
(1,182)	(813)	Capital Grants Unapplied Account		0
(1,313,768)	(1,327,022)	Unusable Reserves	13	(1,766,284)
<b>(1,413,168)</b>	<b>(1,435,249)</b>	<b>Total Reserves</b>		<b>(1,879,731)</b>

The accompanying notes form an integral part of these financial statements.

Jonathan Belford, CPFA  
Chief Officer – Finance

**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>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
(85,491)	Net Surplus or (Deficit) on the provision of services	(87,540)
244,971	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	195,043
(48,313)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(65,555)
111,167	Net cash flows from Operating Activities (note 14)	41,948
(141,007)	Net cash flows from Investing Activities (note 15)	(155,037)
12,734	Net cash flows from Financing Activities (note 16)	82,774
(17,106)	Net increase or (decrease) in cash and cash equivalents	(30,315)
119,699	Cash and cash equivalents at the beginning of the reporting period	102,593
<b>102,593</b>	<b>Cash and cash equivalents at the end of the reporting period (note 17)</b>	<b>72,278</b>

The accompanying notes form an integral part of these financial statements.

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## Notes to the Accounts

### 1. Accounting Policies

#### i Basis of Preparation

The Chief Officer – Finance is responsible for making an annual assessment of whether it is appropriate to prepare the accounts on a going concern basis. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the 12-month period from the time the financial statements are authorised for issue, noting that it can only be discontinued under statutory prescription. The Council has significant net assets, investments and cash and a track record of preparing a balanced budget which incorporates significant savings that are subsequently achieved. The Covid-19 outbreak continues to have a significant impact on the finance and operations of the Council. By continued assessment and governance the Council has put robust measures in place to ensure strong financial management of its activities which demonstrates our ability to continue as a going concern. Work continues to assess the impact and undertake mitigating actions to return to a balanced budget. Taken together, the Chief Officer – Finance has determined that it remains appropriate to prepare the financial statements on a going concern basis.

#### ii General Principles

The Annual Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year ended 31 March 2023. 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 2022/23 supported by International Financial Reporting Standards (IFRS).

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

#### iii Accruals of Income and Expenditure

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

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

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

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

#### **iv Carbon Reduction Commitment Allowances**

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

#### **v Cash and Cash Equivalents**

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

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

#### **vi Charges to Revenue for Non Current Assets**

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

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

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

## vii Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

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

### Post Employment Benefits

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

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

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

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

#### *The Local Government Pension Scheme*

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

### *Discretionary Benefits*

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

### **viii Events After the Reporting Period**

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

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

### **ix Financial Liabilities**

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

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

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

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

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



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**x Financial Assets**

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

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

Financial assets measured at amortised cost.

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

Financial assets measured at fair value through profit and loss.

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

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

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

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

**xi Foreign Currency Translation**

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

## xii Government Grants and Contributions

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

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

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

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

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

## xiii Heritage Assets

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

### Fine Art & Applied Art Collection

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

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation

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

- **Archaeology**

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

- **Library and Information Services**

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

- **Other Heritage Assets**

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

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

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

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

#### **xv Inventories**

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

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

#### **xvi Investment Properties**

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

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

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

#### **xvii Jointly Controlled Operations**

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

#### **xviii Leases**

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

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

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

arrangement is dependent on the use of specific assets.

#### The Council as Lessee

##### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

##### *Operating Leases*

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

#### The Council as Lessor

##### *Operating Leases*

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening

balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

## **xx Property, Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and vehicles, plant and equipment – depreciated historical cost.
- community assets – historical cost or nominal value.
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- specialised properties – depreciated replacement cost (DRC).

- non-financial assets e.g. surplus assets and investment properties – fair value\*; and at cost, where appropriate
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

*\*Fair Value*

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

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

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

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

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

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

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

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

A high-level review of those assets, which are not subject to revaluation during the year, has taken place, and any material differences have been amended accordingly.

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 (over £2.5 million) 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.

#### Infrastructure Assets

The Code requires that where a component of an infrastructure asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Scottish Government is aware that most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have taken a network approach to the measurement of infrastructure assets and will have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced.

The Scottish Government recognises that this is a challenging, time-sensitive issue and has therefore agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code.

- Statutory Override 1: This statutory override permits that, for accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets. Therefore, for 2022/23 the Council has shown only the Net Book Value of its Infrastructure Assets in Note 28. Property, Plant and Equipment.
- Statutory Override 2: This statutory override requires that, for the periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

The Council has chosen to adopt both overrides for 2022/23.

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

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

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

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

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

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

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

### Provisions

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

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

### **xxiii Reserves**

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

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

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

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

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

### **xxv VAT**

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

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

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

- Definition of Accounting Estimates (amendments to IAS 8). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Disclosure of Accounting Policies (amendment to IAS 1) This requires organisations to disclose their material accounting policy information rather than their significant accounting policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The main change is an exemption from the initial recognition exemption.

The amendments are effective for annual periods beginning on or after 1 January 2023 and there is therefore no impact on the 2022/23 financial statements.

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

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and Lochside Academy, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £192 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2023 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 : Depreciation	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 7.5%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.9m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £28.8m.
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 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £111.0 million. However, if another assumption were increased, e.g. pay inflation, by 0.25% then this would result in an increase in the pension liability of £59.3 million. The

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2023 the Council had a balance of short-term debtors of £149 million. This is net of an allowance for the impairment of debt of £85 million.	interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.  If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £1.49 million.

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

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

2021/22	Usable Reserves					Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000			
<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	(48,155)	(31,508)	0	0	0	79,663	
Revaluation losses on Property, Plant and Equipment	(38,582)	(44,373)	0	0	0	82,955	
Capital grants and contributions applied	41,197	19,056	0	0	0	(60,253)	
Write off carrying amount of non current assets sold	(1,902)	0	0	0	0	1,902	
Write off carrying amount of non current assets scrapped	(215)	0	0	0	0	215	
Statutory provision for the financing of Capital spend (3R's)	5,099	0	0	0	0	(5,099)	
Movement in the fair value of Investment Properties	(6,750)	0	0	0	0	6,750	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Loan principal repayments during the year	8,205	1,811	0	0	0	(10,016)	
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	3,364	28,654		0	0	(32,018)	
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,045)	1,013	0	32	
Proceeds from sale of non current assets	1,483	135	0	(1,618)	0	0	
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(130)	(475)	0	605	0	0	
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	1,045	0	0	0	(1,045)	0	
Application of grants/transformation costs to capital financing	0	0	0	0	0	0	
<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	433	0	0	0	0	(433)	
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(60,885)	(1,486)	0	0	0	62,371	
Employer's pensions contributions and direct payments to pensioners payable in the year	30,791	763	0	0	0	(31,554)	
<b>Adjustments involving the Accumulated Absences Account:</b>							
Adjustments in relation to short term compensated absences	172	25	0	0	0	(197)	
<b>Total Adjustments</b>	<b>(64,830)</b>	<b>(27,398)</b>	<b>(1,045)</b>	<b>0</b>	<b>(1,045)</b>	<b>94,318</b>	

2022/23	Usable Reserves					Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000			
<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	(55,721)	(35,213)	0	0	0	90,934	
Revaluation losses on Property, Plant and Equipment	(22,788)	(58,279)	0	0	0	81,067	
Capital grants and contributions applied	78,946	1,093	0	0	0	(80,039)	
Write off carrying amount of non current assets sold	(2,092)	0	0	0	0	2,092	
Write off carrying amount of non current assets scrapped	745	0	0	0	0	(745)	
Statutory provision for the financing of Capital spend (3R's)	4,827	0	0	0	0	(4,827)	
Movement in the fair value of Investment Properties	6,785	0	0	0	0	(6,785)	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure</u>							
Loan principal repayments during the year	9,240	2,104	0	0	0	(11,344)	
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	3,638	5,596		0	0	(9,234)	
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,524)	1,483	0	41	
Proceeds from sale of non current assets	1,983	265	0	(2,249)	0	1	
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(130)	(636)	0	766	0	0	
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0	
Application of grants/transformation costs to capital financing	0	0	(813)	0	813	0	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	435	0	0	0	0	(435)	
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(63,860)	(2,120)	0	0	0	65,980	
Employer's pensions contributions and direct payments to pensioners payable in the year	33,196	1,123	0	0	0	(34,319)	
<b>Adjustments involving the Accumulated Absences Account:</b>							
Adjustments in relation to short term compensated absences	(727)	3	0	0	0	724	
Other Adjustments	0	2	0	0	0	(2)	
<b>Total Adjustments</b>	<b>(5,523)</b>	<b>(86,062)</b>	<b>(2,337)</b>	<b>0</b>	<b>813</b>	<b>93,109</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 Housing Revenue Account (HRA) balances as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet future General Fund and HRA expenditure

General Fund Earmarked Reserves 2021-22	Balance at 31 March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance at 31 March 2022	Purpose
	£'000	£'000	£'000	£'000	
Devolved Education M'ment (Comm Centres)	(542)			(542)	community centre funds c/f
Devolved Education M'ment (School Funds)	(294)	(680)	294	(680)	school funds c/f
Energy Efficiency Fund	(1,259)	(18)		(1,277)	funding for energy saving schemes
Bus Lane Enforcement	(278)	(440)	215	(503)	funding towards transport strategy
Second/Long Term Empty Homes	(14,660)	(2,102)	3,651	(13,111)	funding for affordable housing
De-risk the Council	(3,614)	(2,000)		(5,614)	funding to support Council guarantees
Transformation Fund	(2,479)	(2,500)	546	(4,433)	funding for Council transformation
Service Specific Funding	(371)	(367)	26	(712)	funding for service initiative
Repairs & Maintenance Fund	(1,185)		786	(399)	funding for repairs and maintenance
Rapid Rehousing Transition Plan	(311)			(311)	funding for community hosting project
Mental Health Day	(6)		6	0	funding for staff support
Socio Economic Recovery	(67)		67	0	funds for covid recovery
ADM - Education	(385)	(659)	302	(742)	funding for education costs
Budget 22/23 Use of Reserves		(7,309)		(7,309)	reserves to be used towards budget
Neurodevelopment Specification (CSW)		(293)		(293)	to fund Storm Arwen damage costs
Tree Works - Storm Damage		(475)		(475)	funding for environmental costs
Additional Teaching - Recovery Funding		(407)		(407)	Funds set aside for Covid Recovery
Seed Funding - Comm Bens Plan for H2 JV		(1,000)		(1,000)	Funding for joint venture
FWES Employability		(1,685)		(1,685)	funding for employability
Syrian & Afghan Refugee funding		(1,552)		(1,552)	funding/income for refugee costs
Scottish Child Payment		(31)		(31)	funding for scottish children
Covid Grants	(33,633)	(14,743)	29,360	(19,016)	covid funding carried forward
Unknown General Fund Surplus		(60)		(60)	surplus to be resolved
<b>Total General Fund Earmarked Reserves</b>	<b>(59,084)</b>	<b>(36,321)</b>	<b>35,253</b>	<b>(60,152)</b>	
<b>Uncommitted General Fund Balance</b>	<b>(12,519)</b>		<b>519</b>	<b>(12,000)</b>	
<b>Total General Fund Balance</b>	<b>(71,603)</b>	<b>(36,321)</b>	<b>35,772</b>	<b>(72,152)</b>	

General Fund Earmarked Reserves	Balance at 31 March 2022	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31 March 2023	Purpose
	£'000	£'000	£'000	£'000	
Devolved Education M'ment (Comm Centres)	(542)	0	20	(522)	community centre funds c/f
Devolved Education M'ment (School Funds)	(680)	(274)	680	(274)	school funds c/f
Energy Efficiency Fund	(1,277)	(174)	176	(1,275)	funding for energy saving schemes
Bus Lane Enforcement	(503)	0	209	(294)	funding towards transport strategy
Second/Long Term Empty Homes	(13,110)	(1,751)	4,129	(10,733)	funding for affordable housing
De-risk the Council	(5,614)	0	0	(5,614)	funding to support Council guarantees
Transformation Fund	(4,433)	0	546	(3,887)	funding for Council transformation
Service Specific Funding	(712)	(3,737)	329	(4,120)	funding for service initiatives
Repairs & Maintenance Fund	(399)	0	60	(339)	funding for repairs and maintenance
Rapid Rehousing Transition Plan	(311)	0	41	(270)	funding for community hosting project
Mental Health Day	(0)	0	0	(0)	funding for staff support
Socio Economic Recovery	0	0	0	0	funding set aside for Covid recovery
ADM - Education	(742)	(514)	319	(937)	funding for education costs
Budget Use of Reserves	(7,310)	0	7,310	0	reserves to be used towards budget
Neurodevelopment Specification (CSW)	(292)	0	126	(166)	funding for childrens health costs
Tree Works - Storm Damage	(476)	0	333	(143)	funding for Storm Arwen costs
Additional Teaching - Recovery Funding	(408)	0	408	0	Funds set aside for Covid Recovery
Funding for Hydrogen Joint Venture	(1,000)	0	337	(663)	funding for joint venture
FWES Employability	(1,685)	0	0	(1,685)	funding for employability
Refugee Funding	(1,552)	(16,745)	251	(18,046)	funding for refugees
Scottish Child Payment	(31)	(27)	31	(27)	funding for scottish children
Covid Grants	(19,016)	(151)	11,991	(7,176)	covid funding carried forward
Unknown General Fund Surplus	(60)	0	60	0	unidentified surplus now resolved
<b>Total General Fund Earmarked Reserves</b>	<b>(60,152)</b>	<b>(23,373)</b>	<b>27,356</b>	<b>(56,169)</b>	
<b>Uncommitted General Fund Balance</b>	<b>(12,000)</b>			<b>(12,000)</b>	
<b>Total General Fund Balance</b>	<b>(72,152)</b>	<b>(23,373)</b>	<b>27,356</b>	<b>(68,169)</b>	

HRA Earmarked Reserves	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000	Purpose
<b>Projects:</b>					
Housing Repairs	(2,481)	(2,278)	2,480	(2,279)	Repairs ordered prior to year end
House Sales - Non Right to buy	(308)			(308)	one-off vacant properties sold on the open market
<b>Total HRA Earmarked Reserves</b>	<b>(2,789)</b>	<b>(2,278)</b>	<b>2,480</b>	<b>(2,587)</b>	
<b>Uncommitted HRA Balance</b>	<b>(12,426)</b>	<b>(703)</b>		<b>(13,128)</b>	
<b>Total Housing Revenue Account</b>	<b>(15,215)</b>	<b>(2,981)</b>	<b>2,480</b>	<b>(15,715)</b>	
<b>Recommended Uncommitted Balance</b>	<b>(9,463)</b>			<b>(9,577)</b>	

Total Earmarked Reserves 22-23	Balance at 31 March 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000
General Fund	(59,084)	(36,321)	35,253	(60,152)	(23,373)	27,355	(56,170)
HRA	(3,433)	(2,481)	3,125	(2,789)	(2,278)	2,480	(2,587)
<b>Total Earmarked Reserves</b>	<b>(62,517)</b>	<b>(38,802)</b>	<b>38,378</b>	<b>(62,941)</b>	<b>(25,651)</b>	<b>29,835</b>	<b>(58,757)</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.

Name of Fund	Balance at 1 April 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000	Purpose of the Earmarked Reserve
Capital	(9,528)	(9,256)	1,169	(17,615)	(9,562)	130	(27,047)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(2,041)	(500)	442	(2,099)	(451)	369	(2,181)	To meet the cost of uninsured claims
City Improvement	(326)	(2)	0	(328)	(11)	4	(335)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)	0	5	0	To meet the costs of maintaining Lord Byron's statue
<b>Total Statutory and Other Funds</b>	<b>(11,900)</b>	<b>(9,758)</b>	<b>1,611</b>	<b>(20,047)</b>	<b>(10,024)</b>	<b>508</b>	<b>(29,563)</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.

2021/22 *			2022/23			
Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Services	Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000
206,998	15,991	222,989	Children & Family Services	226,991	20,122	247,113
64,448	42,371	106,819	Resources	69,770	28,313	98,083
36,574	4,477	41,051	Customer	25,184	6,632	31,816
22,002	28,058	50,060	Commissioning	23,472	17,327	40,799
149	72	221	Operations	85	11	96
102,251	3,360	105,611	Integration Joint Board	115,541	5,914	121,455
38,980	(6,860)	32,120	Corporate	39,108	584	39,692
(7,581)	46,062	38,481	Housing Revenue Account	(13,835)	86,716	72,881
<b>463,821</b>	<b>133,531</b>	<b>597,352</b>	<b>Net Cost of Services</b>	<b>486,316</b>	<b>165,619</b>	<b>651,935</b>
(472,263)	(39,598)	(511,861)	Other Income and Expenditure	(491,921)	(72,474)	(564,395)
(8,442)	93,933	85,491	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(5,605)</b>	<b>93,145</b>	<b>87,540</b>
(86,318)			Opening General Fund and HRA Balance at 31 March 2022	(87,367)		
(8,443)			(Surplus)/deficit on General Fund and HRA Balance in Year	(5,605)		
7,394			To/From Other Statutory Reserves	9,088		
(87,367)			<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(83,884)</b>		

\*2021/22 figures restated

**Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2021/22**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children & Family Services	13,614	11,215	(8,838)	15,991
Resources	36,455	6,039	(123)	42,371
Customer	1,791	3,210	(524)	4,477
Commissioning	20,045	1,952	6,061	28,058
Operations	0	20	52	72
Integration Joint Board	1,170	2,346	(156)	3,360
Corporate	14	1,200	(8,074)	(6,860)
Housing Revenue Account	75,881	671	(30,490)	46,062
<b>Net Cost of Services</b>	<b>148,970</b>	<b>26,653</b>	<b>(42,092)</b>	<b>133,531</b>
Other Income and Expenditure from the Funding Analysis	(43,187)	4,163	(574)	(39,598)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b>	<b>105,783</b>	<b>30,816</b>	<b>(42,666)</b>	<b>93,933</b>

**Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2022/23**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children & Family Services	19,347	8,835	(8,060)	20,122
Resources	24,407	7,182	(3,276)	28,313
Customer	2,941	3,761	(70)	6,632
Commissioning	15,536	2,295	(504)	17,327
Operations	0	12	(1)	11
Integration Joint Board	3,029	2,961	(76)	5,914
Corporate	12	573	(1)	584
Housing Revenue Account	93,492	929	(7,705)	86,716
<b>Net Cost of Services</b>	<b>158,764</b>	<b>26,548</b>	<b>(19,693)</b>	<b>165,619</b>
Other Income and Expenditure from the Funding Analysis	(76,993)	5,114	(595)	(72,474)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b>	<b>81,771</b>	<b>31,662</b>	<b>(20,288)</b>	<b>93,145</b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
1,396	Gains on the disposal on non current assets	609
<b>1,396</b>	<b>Total</b>	<b>609</b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
49,548	Interest payable and similar charges	60,375
2,150	Pensions interest cost and expected return on pensions assets	2,839
(359)	Interest receivable and similar income	(5,188)
500	Income and Expenditure in relation to investment properties and changes in their fair value	(10,157)
(791)	Other Investment income	873
<b>51,048</b>	<b>Total</b>	<b>48,742</b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(128,401)	Council Tax Income	(133,137)
(202,529)	Non domestic rates	(268,152)
(173,491)	Non ring-fenced government grants	(133,231)
(60,253)	Capital grants and contributions	(80,039)
369	Capital grants and receipts unapplied	813
<b>(564,305)</b>	<b>Total</b>	<b>(613,746)</b>

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

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

In 2022/23 the Council received additional grant funding of £21.902 million from the Scottish Government/Central Government in relation to refugee grants. £2.136 million related to Capital Grants and £0.256 million of this funding was treated as agency income, neither of these impact upon the figures in the CIES (see Note 19 – Agency Services). The remaining £19.510 million was treated as grant income and is included in the CIES along with the related expenditure (see Note 37 – Grant Income).

Also, in 2022/23 the Council also received grant funding of £0.810 million in respect of the Covid 19 pandemic. All of this funding was treated as agency income and does not impact upon the figures in the CIES.

### 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 2022</b>		<b>31 March 2023</b>
<b>£'000</b>		<b>£'000</b>
(961,936)	Revaluation Reserve	(963,739)
(504,459)	Capital Adjustment Account	(460,058)
13,730	Financial Instruments Adjustment Account	13,295
118,419	Pensions Reserve	(363,730)
7,224	Accumulated Absences Account	7,948
<b>(1,327,022)</b>	<b>Total</b>	<b>(1,766,284)</b>



Revaluation Reserve

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

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

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

2021/22			2022/23	
£'000	£'000		£'000	£'000
	<b>(900,739)</b>	<b>Balance at 1 April</b>		<b>(961,936)</b>
(102,968)		Upward revaluation of assets	(36,020)	
25,884		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	17,459	
	(77,084)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(18,561)
15,602		Difference between fair value depreciation and historical cost depreciation	16,013	
0		Accumulated gains on assets sold or scrapped	0	
	15,602			16,013
	285	Amounts written off to the Capital Adjustment Account		745
	<b>(961,936)</b>	<b>Balance at 31 March</b>		<b>(963,739)</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.

<b>2021/22</b>		<b>2022/23</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>(552,705)</b>	<b>Balance at 1 April</b>		<b>(504,459)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
79,663	Charges for depreciation and impairment on non current assets	90,934	
82,955	Revaluation losses on Property, Plant and Equipment	78,956	
2,402	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,092	
165,020		171,982	
<b>(15,887)</b>	Adjusting amounts written out of the Revaluation Reserve	<b>(16,758)</b>	
149,133	Net written out amount of the cost of non current assets consumed in the year		155,224
	Capital financing applied in the year:		
32	Use of the Capital Receipts Reserve to finance new capital expenditure	42	
<b>(60,253)</b>	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(80,039)</b>	
<b>(10,016)</b>	Loans Fund principal repayments	<b>(11,344)</b>	
<b>(32,018)</b>	Capital expenditure charged against the General Fund and HRA balances	<b>(9,234)</b>	
<b>(5,099)</b>	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	<b>(4,827)</b>	
<b>(107,354)</b>			<b>(105,402)</b>
6,750	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(4,674)
<b>(283)</b>	Written off		<b>(747)</b>
<b>(504,459)</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(460,058)</b>

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

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

Financial Instruments Adjustment Account

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

2021/22		2022/23	
£'000		£'000	£'000
14,163	<b>Balance at 1 April</b>		<b>13,730</b>
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(36)	Long Term Borrowing – Stepped Loans	(38)	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(433)	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		(435)
<b>13,730</b>	<b>Balance at 31 March</b>		<b>13,295</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.

2021/22		2022/23	
£'000		£'000	
118,090	<b>Balance at 1 April</b>		<b>118,419</b>
(30,488)	Remeasurements of the net defined benefit liability		(513,811)
62,371	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		65,981
(31,554)	Employer's pensions contributions and direct payments to pensioners payable in the year		(34,319)
<b>118,419</b>	<b>Balance at 31 March</b>		<b>(363,730)</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>2021/22</b>		<b>2022/23</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>7,423</b>	<b>Balance at 1 April</b>		<b>7,224</b>
(7,423)	Settlement or cancellation of accrual made at the end of the preceding year	(7,224)	
7,224	Amounts accrued at the end of the current year	7,948	
(199)	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		724
<b>7,224</b>	<b>Balance at 31 March</b>		<b>7,948</b>

## 14. Cash Flow Statement – Operating Activities

2021/22		2022/23
£'000		£'000
(85,491)	Net surplus or (deficit) on the provision of services ^	(87,540)
<b>(85,491)</b>		<b>(87,540)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
79,663	Depreciation	90,934
82,955	Impairment, downward revaluations & non sale derecognitions	81,067
(835)	(Increase)/Decrease in Stock	(1,407)
26,443	(Increase)/Decrease in Debtors	(36,681)
14,039	Increase/(Decrease) in Creditors	37,490
30,817	Movement in Pension Liability	31,662
2,402	Carrying amount of non current assets sold	2,092
2,737	Contributions to Other Reserves/Provisions	(3,329)
6,750	Movement in value of investment properties	(6,785)
<b>244,971</b>		<b>195,043</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(60,253)	Receipt of Capital Grants and Contributions	(80,039)
(1,007)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,483)
12,947	Bond Effective Interest Rate Adjustment	15,967
<b>(48,313)</b>		<b>(65,555)</b>
<b>111,167</b>	<b>Net cash flows from operating activities</b>	<b>41,948</b>

^ includes the following:

2021/22		2022/23
£'000		£'000
359	Interest receivable	5,188
(49,548)	Interest payable	(60,375)

## 15. Cash Flow Statement – Investing Activities

2021/22		2022/23
£'000		£'000
(223,358)	Purchase of property, plant and equipment, investment properties and heritage assets	(245,337)
21,091	Purchase/(Sale) of short term and long term investments	8,778
1,613	Proceeds from the sale of property, plant and equipment and investment properties	2,249
(606)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(766)
60,253	Capital grants and contributions received	80,039
<b>(141,007)</b>	<b>Net cash flows from investing activities</b>	<b>(155,037)</b>

## 16. Cash Flow Statement – Financing Activities

2021/22		2022/23
£'000		£'000
(37)	Other receipts from financing activities	(37)
(5,099)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(4,827)
(19,547)	Repayment of amounts borrowed	0
(12,947)	Bond Effective Interest Rate Adjustment	(15,967)
50,364	New borrowings	103,605
<b>12,734</b>	<b>Net cash flows from financing activities</b>	<b>82,774</b>

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

31 March 2022		31 March 2023
£'000		£'000
39	Cash held by the Authority	27
102,554	Bank current accounts	72,251
<b>102,593</b>	<b>Total cash and cash equivalents</b>	<b>72,278</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:

Significant Trading Operations		2020/21	2021/22	2022/23	Cumulative (Surplus) /Deficit
		£'000	£'000	£'000	£'000
<b>Provision and Management of Car Parking Facilities</b>  Responsible for the management and operation of pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over the last three operational financial years: £6.304 million.	<b>Turnover</b>	(3,717)	(6,280)	(4,507)	
	<b>Expenditure</b>	2,814	2,681	3,014	
	<b>Interest</b>	(103)	(94)	(112)	
	<b>Net (Surplus)/Deficit</b>	<b>(1,006)</b>	<b>(3,693)</b>	<b>(1,605)</b>	<b>(6,304)</b>
<b>Letting of Industrial, Commercial and Other Properties</b>  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: £15.390 million.	<b>Turnover</b>	(13,206)	(16,147)	(21,740)	
	<b>Expenditure</b>	7,886	10,386	18,981	
	<b>Interest</b>	(448)	(489)	(613)	
	<b>Net (Surplus)/Deficit</b>	<b>(5,768)</b>	<b>(6,250)</b>	<b>(3,372)</b>	<b>(15,390)</b>
<b>Net (Surplus)/Deficit on Significant Trading Operations</b>		<b>(6,774)</b>	<b>(9,943)</b>	<b>(4,977)</b>	<b>(21,694)</b>

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

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net (surplus)/deficit on trading operations	(6,774)	(9,943)	(4,977)
Other non significant Trading Operations	(784)	2,902	2,477
exceptional items*	5,167	6,750	(6,784)
	<b>(2,391)</b>	<b>(291)</b>	<b>(9,284)</b>
Investment properties	(601)	500	(10,157)
Other Investment Income	(1,790)	(791)	873
Net Surplus credited to Financing & Investment Income and Expenditure (note 9)	<b>(2,391)</b>	<b>(291)</b>	<b>(9,284)</b>

\*The exceptional items relate to revaluations of the property portfolio and reflect conditions in the market at this time – see Note 28 -Property, Plant & Equipment on page 118.



## 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 2022/23 was £0.841 m (2021/22, £0.776 m).
- The Council issued Covid-related grants on behalf of the Scottish Government during 22/23 to the value of £0.810m see breakdown below. Covid Grants received for 21/22 to the value of £30.239m, 20/21 were £52.767m. No covid grants were paid out during 19/20.

Grant Description	£,000
COVID - Self Isolation Grants	508
COVID - Business Ventilation	20
COVID - Transition Support	261
COVID - Omicron	21
<b>Total</b>	<b>810</b>

- The Council Issued Ukrainian Grants on behalf of the Central Government during 22/23 to the value of £0.256m

## 20. External Audit Costs

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

External Audit Fees	2021/22 £'000	2022/23 £'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice	442	497
Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation	10	10
<b>Total</b>	<b>452</b>	<b>507</b>

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

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2022 the Council's own contributions equate to approximately 2.7%.

In 2022/23, the council paid £18.694 million to the Scottish Government in respect of teachers' pension costs, which represents 23% of teachers' pensionable pay from 1 April 2022 to 31 March 2023. The figure for 2021/22 was £17.707 million representing 23% of pensionable pay.

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

## 22. Defined Benefit Pension Schemes

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

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

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

There are 10 scheduled bodies, and these are:

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

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

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

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

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

### Participation in pension schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit scheme calculated on a career average basis, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension liabilities, and cash must 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	Scottish Teachers	
	Scheme	£'000	Superannuation Scheme £'000	
	2021/22	2022/23	2021/22	2022/23
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Service cost comprising:				
· current service cost	58,689	62,043	0	0
· administration expenses	593	661	0	0
· past service costs	129	13	0	0
· (gain)/loss from settlements	810	425	0	0
Financing and Investment Income and Expenditure				
· net interest expense	1,601	2,132	549	707
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>61,822</b>	<b>65,274</b>	<b>549</b>	<b>707</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)	7,548	136,847	0	0
· actuarial gains and losses arising on changes in demographic assumptions	(9,518)	(41,752)	(184)	(767)
· actuarial gains and losses arising on changes in financial assumptions	(33,560)	(726,540)	280	(7,003)
· other	4,871	123,584	75	1,820
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>31,163</b>	<b>(442,587)</b>	<b>720</b>	<b>(5,243)</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	(61,822)	(65,274)	(549)	(707)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	27,575	30,350	0	0
• retirement benefits payable to pensioners	2,372	2,381	1,607	1,588

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

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

	Local Government Pension Scheme			Includes: Discretionary Benefits Arrangements		
	2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Present value of the defined benefit obligation	(1,862,450)	(1,884,558)	(1,313,796)	(38,956)	(36,904)	(27,948)
Fair value of plan assets	1,771,284	1,792,176	1,696,732	0	0	0
Sub total	(91,166)	(92,382)	382,936	(38,956)	(36,904)	(27,948)
Scottish Teachers Superannuation Scheme	(26,924)	(26,037)	(19,206)	0	0	0
<b>Net asset (liability) arising from defined benefit obligation</b>	<b>(118,090)</b>	<b>(118,419)</b>	<b>363,730</b>	<b>(38,956)</b>	<b>(36,904)</b>	<b>(27,948)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total asset of £363.730 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 are £30.2 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2024 are £4.3 million.

The Council's Local Government Pension Scheme has a material surplus as at 31 March 2023. The Council accounts for its pension fund using International Accounting Standards IAS 19. The surplus asset is to be determined as outlined in IFRIC 14 based on the expected future reduction in accounting contributions. The fund remains open to new employees therefore the potential future benefits have been measured in perpetuity per actuarial advice. The assumptions used in this calculation are consistent with the IAS 19 assumptions used to calculate the defined benefit obligation.

**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>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Opening fair value of scheme assets</b>	<b>1,771,284</b>	<b>1,792,176</b>	<b>0</b>	<b>0</b>
Interest income	37,112	50,022	0	0
Remeasurement gain/(loss):	0	0	0	0
· The return on plan assets, excluding the amount included in the net interest expense	(7,548)	(136,847)	0	0
· Other	(593)	(661)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	29,947	32,731	2,354	2,624
Contributions from employees into the scheme	9,034	10,028	0	0
Benefits paid	(47,060)	(50,717)	(2,354)	(2,624)
Other	0	0	0	0
<b>Closing fair value of scheme assets</b>	<b>1,792,176</b>	<b>1,696,732</b>	<b>0</b>	<b>0</b>
	<b>Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2021/22</b>	<b>2022/23</b>		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,607	1,588		
Benefits paid	(1,607)	(1,588)		
<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 £86.825 million (2021/22, £29.564m).

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

	Total Liabilities: Local Government Pension Scheme £'000		Includes: Discretionary Benefits £'000	
	2021/22	2022/23	2021/22	2022/23
<b>Opening balance at 1 April</b>	<b>(1,862,450)</b>	<b>(1,884,558)</b>	<b>(38,956)</b>	<b>(36,904)</b>
Current service cost	(58,689)	(62,043)	0	0
Interest cost	(38,713)	(52,154)	(793)	(996)
Contributions from scheme participants	(9,034)	(10,028)	0	0
Remeasurement (gains) and losses:				
· Actuarial gains/losses arising from changes in demographic assumptions	9,518	41,752	179	766
· Actuarial gains/losses arising from changes in financial assumptions	33,560	726,540	419	8,514
· Other	(4,871)	(123,584)	(107)	(1,952)
Past service cost	(129)	(13)	0	0
Losses/(gains) on curtailment	(810)	(425)	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	47,060	50,717	2,354	2,624
Liabilities extinguished on settlements	0	0	0	0
<b>Closing balance at 31 March</b>	<b>(1,884,558)</b>	<b>(1,313,796)</b>	<b>(36,904)</b>	<b>(27,948)</b>

	<b>Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>	
	<b>2021/22</b>	<b>2022/23</b>
<b>Opening balance at 1 April</b>	<b>(26,924)</b>	<b>(26,037)</b>
Interest cost	(549)	(707)
Remeasurement (gains) and losses:		
· Actuarial gains/losses arising from changes in demographic assumptions	184	767
· Actuarial gains/losses arising from changes in financial assumptions	(280)	7,003
· Other	(75)	(1,820)
Benefits paid	1,607	1,588
<b>Closing balance at 31 March</b>	<b>(26,037)</b>	<b>(19,206)</b>



## Local Government Pension Scheme assets comprised:

	Fair value of asset schemes 2021/22 £'000	%	Fair value of asset schemes 2022/23 £'000	%
Cash and cash equivalents	52,869	2.9%	81,443	4.8%
Equity instruments:				
• UK quoted and unquoted	229,220		249,420	
• Global quoted and unquoted	528,154		388,552	
• Global Frontier Fund	0		0	
• Pooled UK & Global	317,215		320,683	
Sub-total equity	1,074,589	60.0%	958,655	56.5%
Bonds:				
• Corporate	0		0	
• Government	146,958		108,591	
Sub-total bonds	146,958	8.2%	108,591	6.4%
Property:				
• UK direct	116,850		118,771	
• Property funds - global	0		0	
• Property funds - UK	0		0	
Sub-total property	116,850	6.5%	118,771	7.0%
Private Equity:				
• European	0		0	
• UK	153,231		173,066	
• Global	55,557		76,353	
Sub-total private equity	208,788	11.6%	249,419	14.7%
Other Investment Funds:				
• Infrastructure	31,005		37,328	
• Diversified Growth Funds	0		0	
• Other Loan Fund	0		0	
• Multi Asset Credit	161,117		142,525	
Sub-total investment funds	192,122	10.7%	179,853	10.6%
<b>Total assets</b>	<b>1,792,176</b>	<b>100.0%</b>	<b>1,696,732</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 2023.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2021/22	2022/23	2021/22	2022/23
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5	21.0	21.5	21.0
Women	24.2	23.4	24.2	23.4
Longevity at 65 for future pensioners:				
Men	23.0	22.4	-	-
Women	26.3	25.4	-	-
Rate of inflation	3.3%	2.6%	3.5%	2.5%
Rate of increase in salaries	4.8%	4.1%	4.8%	4.1%
Rate of increase in pensions	3.4%	2.7%	3.6%	2.6%
Rate for discounting scheme liabilities	2.8%	4.6%	2.8%	4.6%

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 Assumption £'000	Increase in Assumption £'000
	2021/22	2022/23
Longevity (increase by 1 year in life expectancy)	57,378	28,451
Rate of inflation (increase by 0.25%)	33,576	59,303
Rate of increase in salaries (increase by 0.25%)	3,437	5,219
Rate for discounting scheme liabilities (increase by 0.5%)	(32,989)	(111,032)

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### 23. Events after the Balance Sheet Date

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

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

There are no such events to report for 2022/23.

### 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 2022/23 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms' length external organisations. Details of all members' interests are disclosed on the Council website at [www.aberdeencity.gov.uk](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 £2.040 million for this service in 2022/23 (2021/22, £1.757 million).

For 2022/23 the Council paid £34.319 million to the Pension Fund representing its employer contributions in respect of current and former employees (2021/22, £33.340 million).

Entities Controlled or Significantly Influenced by the Council

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

<b>Organisation</b>	<b>2021/22 Net Expenditure /(Income) £'000</b>	<b>2021/22 Debtor/ (Creditor) £'000</b>	<b>2022/23 Expenditure £'000</b>	<b>2022/23 Income £'000</b>	<b>2022/23 Debtor/ (Creditor) £'000</b>
Grampian Valuation Joint Board	1,729	(889)	1,671	0	(594)
Common Good	1,795	(9,859)	2,539	(477)	(61)
Trust Funds	4,786	(4,743)	5,250	(172)	(220)
Aberdeen Sports Village	1,151	(1,163)	1,168	(1)	0
Sport Aberdeen	(6,119)	(4,471)	4,815	0	(3,915)
Aberdeen Heat & Power	4,085	0	2,175	(227)	(656)
NESTRANS	1,212	(119)	3,623	(1,506)	-452
SDPA	0	0	0	0	0
Scotland Excel	177	0	181	0	0
Bon Accord Care	(72)	44	76	94	(26)
Bon Accord Support Services	(27,709)	946	40,139	(1,356)	901
Aberdeen City Integration Joint Board	(38,492)	(11,031)	123,736	(170,629)	(9,935)
<b>Total</b>	<b>(57,457)</b>	<b>(31,285)</b>	<b>185,374</b>	<b>(174,274)</b>	<b>(14,958)</b>

The majority of these bodies form part of the Council's group accounts which are set out on pages 165-184.

## 25. Leases

### Council as Lessee

#### Finance Leases

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

Finance Lease Liabilities	31 March 2022	31 March 2023
	£'000	£'000
Current	497	396
Non Current	56,643	56,445
Finance costs payable in Future Years	90,473	114,307
Minimum Lease Payments	147,613	171,147

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000
Not later than one year	5,000	5,033	497	396
Later than one year not later than five years	20,000	23,108	2,414	1,996
Later than five years	127,116	148,039	54,229	54,449
	152,116	176,180	57,140	56,841

#### Operating Leases

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

	Land and Buildings		Vehicles	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000
Not later than one year	266	313	81	44
Later than one year and not later than five years	472	836	15	0
Later than five years	4,354	3,370	0	0
	5,092	4,519	96	44

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:

Implied Lease (Care Homes)	31 March 2022	31 March 2023
	£'000	£'000
Not later than one year	159	170
Later than one year and not later than five years	478	480
	<b>637</b>	<b>650</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 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000
Not later than one year	5,217	11,334	72	104
Later than one year and not later than five years	15,979	39,929	204	278
Later than five years	172,262	347,061	0	0
	<b>193,458</b>	<b>398,324</b>	<b>276</b>	<b>382</b>

## 26. Investment Properties

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

	31 March 2022	31 March 2023
	£'000	£'000
Rental and interest income from investment property	(16,636)	(22,353)
Expenses arising from investment property	10,386	18,980
Revaluation (gains)/losses	6,750	(6,784)
<b>Net (gain)/loss</b>	<b>500</b>	<b>(10,157)</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 Event Complex Aberdeen (TECA) Aloft and Hilton hotels, development land, the energy centre and the Anaerobic Digestion Plant have been classified as investment properties.

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	<b>191,968</b>	<b>150,617</b>
Additions	931	37
Disposals	(790)	(1,080)
Net gains/(losses) from fair value adjustments	(6,749)	6,784
Transfers:		
• (to)/from Property, Plant and Equipment	(34,743)	7,250
<b>Balance at end of the year</b>	<b>150,617</b>	<b>163,608</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 2021	608	1,708	17	0	195,435	300	198,068
Additions	0	0	0	0	35	0	35
Revaluations	0	0	0	0	(1,831)	0	(1,831)
<b>At 31 March 2022</b>	<b>608</b>	<b>1,708</b>	<b>17</b>	<b>0</b>	<b>193,639</b>	<b>300</b>	<b>196,272</b>
<b>Cost or valuation</b>							
At 1 April 2022	608	1,708	17	0	193,639	300	196,272
Additions	0	0	0	0	115	0	115
Revaluations	0	0	0	0	3,336	0	3,336
<b>At 31 March 2023</b>	<b>608</b>	<b>1,708</b>	<b>17</b>	<b>0</b>	<b>197,090</b>	<b>300</b>	<b>199,723</b>

**City Monuments**

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

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

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature, there 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.



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**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 2021/22:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets *	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2021</b>	<b>856,949</b>	<b>1,190,459</b>	<b>66,430</b>		<b>30,493</b>	<b>10,190</b>	<b>92,571</b>	<b>2,247,092</b>	<b>194,038</b>
Additions	98,758	17,046	10,681		528	147	72,753	199,913	759
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,948	12,140	0		0	(252)	0	19,836	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(61,604)	(54,615)	0		0	(806)	0	(117,025)	0
Derecognition – Disposals	0	0	(2,254)		0	(900)	0	(3,154)	0
Derecognition – Other	0	0	(445)		0	(500)	0	(945)	0
Reclassifications and Transfers	0	74,546	0		0	(1,736)	(36,360)	36,450	0
<b>At 31 March 2022</b>	<b>902,051</b>	<b>1,239,576</b>	<b>74,412</b>		<b>31,021</b>	<b>6,143</b>	<b>128,964</b>	<b>2,382,167</b>	<b>194,797</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2021</b>	<b>(3,008)</b>	<b>(67,418)</b>	<b>(39,848)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(110,274)</b>	<b>(4,256)</b>
Depreciation charge	(31,508)	(29,137)	(6,372)		0	0	0	(67,017)	(3,687)
Depreciation written out to the Revaluation Reserve	12,688	46,392	0		0	0	0	59,080	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,267	16,838	0		0	0	0	22,105	0
Derecognition – Disposals	11,963	0	2,041		0	0	0	14,004	0
Derecognition – Other	0	0	446		0	0	0	446	0
Reclassifications and Transfers	0	285	0		0	0	0	285	0
<b>At 31 March 2022</b>	<b>(4,598)</b>	<b>(33,040)</b>	<b>(43,733)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(81,371)</b>	<b>(7,943)</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>897,453</b>	<b>1,206,536</b>	<b>30,679</b>	<b>259,559</b>	<b>31,021</b>	<b>6,143</b>	<b>128,964</b>	<b>2,560,355</b>	<b>186,854</b>
<b>At 31 March 2021</b>	<b>853,941</b>	<b>1,123,041</b>	<b>26,582</b>	<b>249,726</b>	<b>30,493</b>	<b>10,190</b>	<b>92,571</b>	<b>2,386,544</b>	<b>189,782</b>

\* As noted on page 80, the Council has chosen to adopt both Infrastructure Asset overrides for 2021/22 and 2022/23.

## Property, Plant and Equipment

Movements in 2022/23:

	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 2022</b>	<b>902,051</b>	<b>1,239,576</b>	<b>74,412</b>		<b>31,021</b>	<b>6,143</b>	<b>128,964</b>	<b>2,382,167</b>	<b>199,961</b>
Additions	111,835	24,871	13,168		564	13	62,820	213,271	2,538
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,248)	3,197	0		0	(87)	0	(3,138)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(75,643)	(25,996)	0		0	(742)	0	(102,381)	0
Derecognition – Disposals	0	0	(601)		0	(350)	0	(951)	0
Derecognition – Other	0	0	(4,551)		0	0	0	(4,551)	0
Reclassifications and Transfers	0	18,605	0		0	2,649	(21,254)	0	0
<b>At 31 March 2023</b>	<b>931,995</b>	<b>1,260,253</b>	<b>82,428</b>		<b>31,585</b>	<b>7,626</b>	<b>170,530</b>	<b>2,484,417</b>	<b>202,499</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2022</b>	<b>(4,598)</b>	<b>(33,040)</b>	<b>(43,733)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(81,371)</b>	<b>(6,169)</b>
Depreciation charge	(35,213)	(34,527)	(7,857)		0	0	0	(77,597)	(3,880)
Depreciation written out to the Revaluation Reserve	13,617	4,747			0	0	0	18,364	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,364	6,061			0	0	0	23,425	0
Derecognition – Disposals	0	0	346		0	0	0	346	0
Derecognition – Other	0	0	4,551		0	0	0	4,551	0
Reclassifications and Transfers	0	746	0		0	0	0	746	0
<b>At 31 March 2023</b>	<b>(8,830)</b>	<b>(56,013)</b>	<b>(46,693)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(111,536)</b>	<b>(10,049)</b>
<b>Net Book Value</b>									
<b>At 31 March 2023</b>	<b>923,165</b>	<b>1,204,240</b>	<b>35,735</b>	<b>277,038</b>	<b>31,585</b>	<b>7,626</b>	<b>170,530</b>	<b>2,649,919</b>	<b>192,450</b>
<b>At 31 March 2022</b>	<b>897,453</b>	<b>1,206,536</b>	<b>30,679</b>	<b>259,559</b>	<b>31,021</b>	<b>6,143</b>	<b>128,964</b>	<b>2,560,355</b>	<b>193,792</b>

\* As noted on page 80, the Council has chosen to adopt both Infrastructure Asset overrides for 2021/22 and 2022/23.

\*\* 21/22 figures restated

*Valuations*

The valuation report has been used to inform the measurement of non-current assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation.

*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 2023, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years. The major commitments amounting to £5 million or more are detailed below with equivalent figures provided for 31 March 2022.

<b>Major Capital Contractual Commitments</b>	<b>As at 31 March 2022 £'000</b>	<b>As at 31 March 2023 £'000</b>
Aberdeen Western Peripheral Route (main contract awarded December 2012)	9,506	943
TECA (all main contracts awarded 31/03/19)	0	3,000
Union Terrace Gardens redevelopment (contract signed July 2019)	5,085	0
Energy from Waste (contract signed August 2019)	30,446	2,036
Early Learning & Childcare Expansion (main contractor appointed September 2019)	2,908	0
Milltimber Primary (contract awarded 24 July 2020)	799	241
Countesswells Primary (work commenced October 2021)	11,359	1,767
Torry Heat Network (contract awarded August 2021)	15,840	0
Torry Primary School and Hub (work commenced April 2022)	0	6,244
JIVE (Hydrogen Buses Phase 2) (project commenced January 2017)	7,008	0
Joint Integrated Mortuary (work commenced October 2022)	0	22,500
New Build Housing – Summerhill	20,938	11,337
New Build Housing – Wellheads	12,278	0
New Build Housing – Auchmill	2,463	565
New Build Housing – Cloverhill	55,053	84,605
New Build Housing - Craighill	0	28,665
New Build Housing - Kincorth	0	63,218
New Build Housing - Tillydrone	0	13,096
	<b>173,683</b>	<b>238,217</b>

*Componentisation*

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

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

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

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

#### Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

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

	<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	60,938	0	35,735	277,038	31,585	0	170,530	575,826
Valued at fair value as at:								
31 March 2023	862,227	277,008	0	0	0	7,626		1,146,861
31 March 2022	0	446,319	0	0	0	0	0	446,319
31 March 2021	0	0	0	0	0	0	0	0
31 March 2020	0	455,220	0	0	0	0	0	455,220
31 March 2019	0	25,693	0	0	0	0	0	25,693
<b>Total cost or valuation</b>	<b>923,165</b>	<b>1,204,240</b>	<b>35,735</b>	<b>277,038</b>	<b>31,585</b>	<b>7,626</b>	<b>170,530</b>	<b>2,649,919</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
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>239,193</b>	<b>1,100,715</b>	<b>1,339,908</b>	<b>289,537</b>	<b>1,166,375</b>	<b>1,455,912</b>
<i>Capital investment</i>						
Property, Plant and Equipment	99,525	122,866	222,391	114,615	129,474	244,089
Heritage Assets	0	36	36	0	115	115
Investment Properties	0	931	931	0	37	37
<i>Sources of finance</i>						
Capital receipts	(135)	(308)	(443)	(265)	(329)	(594)
Government grants and other contributions	(19,056)	(41,197)	(60,253)	(33,696)	(46,343)	(80,039)
Sums set aside from revenue:						
• Direct revenue contributions	475	0	475	636	0	636
• Capital for Current Revenue (CFCR)	(28,654)	(3,364)	(32,018)	(5,596)	(3,638)	(9,234)
• Loans fund principal	(1,811)	(8,205)	(10,016)	(2,104)	(9,240)	(11,344)
• PPP liability/Finance Lease repayments	0	(5,099)	(5,099)	0	(4,827)	(4,827)
<b>Closing Capital Financing Requirement</b>	<b>289,537</b>	<b>1,166,375</b>	<b>1,455,912</b>	<b>363,127</b>	<b>1,231,624</b>	<b>1,594,751</b>
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	50,344	70,759	121,103	73,590	70,076	143,666
Assets acquired under PFI/PPP contracts	0	(5,099)	(5,099)	0	(4,827)	(4,827)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>50,344</b>	<b>65,660</b>	<b>116,004</b>	<b>73,590</b>	<b>65,249</b>	<b>138,839</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 2022 (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 2023/24	5,809	3,972	6,414	16,195	550	1,360	1,973	3,883
Payable within two to five years	32,937	12,821	23,479	69,236	2,709	5,861	7,190	15,760
Payable within six to ten years	42,427	24,383	26,008	92,818	4,969	7,972	7,315	20,256
Payable within eleven to fifteen years	44,977	35,447	20,114	100,538	5,305	10,560	5,085	20,950
Payable within sixteen to twenty years	9,351	9,771	3,779	22,901	6,296	13,268	2,171	21,735
Payable within twenty one to twenty five years	0	0	0	0	299	624	6	929
<b>Total</b>	<b>135,501</b>	<b>86,394</b>	<b>79,793</b>	<b>301,688</b>	<b>20,128</b>	<b>39,644</b>	<b>23,740</b>	<b>83,513</b>

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>135,203</b>	<b>130,565</b>
Payments during year	(4,638)	(4,527)
<b>Balance outstanding at end of year</b>	<b>130,565</b>	<b>126,038</b>

### 31. Assets Held for Sale

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>13,700</b>	<b>11,993</b>
Revaluation gains and (losses)	0	(2,111)
Disposals	0	(407)
Reclassifications and transfers	(1,707)	(7,250)
<b>Balance outstanding at end of year</b>	<b>11,993</b>	<b>2,225</b>

## 32. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		TOTAL	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	2,056	<b>2,881</b>	<b>15</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>2,071</b>	<b>2,907</b>
Purchases	13,804	<b>19,884</b>	53,964	<b>34,237</b>	<b>0</b>	<b>0</b>	67,768	54,121
Recognised as an expense in the year	(12,839 )	<b>(18,458 )</b>	(53,953 )	<b>(34,257 )</b>	<b>0</b>	<b>0</b>	(66,792 )	(52,715 )
Written off balances	(140 )	<b>0</b>	0	<b>0</b>	<b>0</b>	<b>0</b>	(140 )	0
Reversals of write-offs in previous years	0	<b>0</b>	0	<b>0</b>	<b>0</b>	<b>0</b>	0	0
<b>Balance outstanding at end of year</b>	<b>2,881</b>	<b>4,307</b>	<b>26</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>2,907</b>	<b>4,313</b>

## 33. Short Term Debtors

	31 MARCH 2022 £'000	31 MARCH 2023 £'000
Central government bodies	38,545	38,677
Other local authorities	7,959	8,422
NHS bodies	473	2,222
Public corporations and trading funds	1,809	3,601
Other entities and individuals	146,753	180,573
<b>Gross Total</b>	<b>195,539</b>	<b>233,495</b>
Deduct: Provision for Impairment	(82,510)	(84,989)
<b>Net Total</b>	<b>113,029</b>	<b>148,506</b>

## 34. Short Term Creditors

	31 MARCH 2022 £'000	31 MARCH 2023 £'000
Central government bodies	(31,115)	(56,920)
Other local authorities	(2,000)	(1,599)
NHS bodies	(14)	(612)
Public corporations and trading funds	(4,548)	(776)
Other entities and individuals	(84,930)	(97,038)
<b>Total</b>	<b>(122,607)</b>	<b>(156,945)</b>

## 35. Provisions

2022/23	Note 1 Compensation Payments - Equal Pay & VS/ER £'000	Note 2 Property - Asset Management £'000	Note 3 Housing Benefit Subsidy £'000	Note 4 Contractual Obligations £'000	Note 5 IFRS Impairments £'000	Note 6 Other £'000	TOTAL £'000
<b>Balance at 1 April 2022</b>	<b>(177)</b>	<b>(551)</b>	<b>(100)</b>	<b>(3,000)</b>	<b>(139)</b>	<b>(117)</b>	<b>(4,084)</b>
Additional provisions made in 2022/23	(3,717)	0	0	(2,991)	(1,249)	(737)	(8,694)
Amounts used in 2022/23	103	0	0	3,000	0	34	3,137
Unused amounts reversed in 2022/23	0	306	100	0	0	0	406
<b>Balance at 31 March 2023</b>	<b>(3,791)</b>	<b>(245)</b>	<b>0</b>	<b>(2,991)</b>	<b>(1,388)</b>	<b>(820)</b>	<b>(9,235)</b>
<i>Represented by:</i>							
<b>Current provisions</b>	(3,791)	0	0	(1,250)	(27)	(820)	(5,888)
<b>Long term provisions</b>	0	(245)	0	(1,741)	(1,362)	0	(3,348)

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**Notes on Provisions**
**1. Compensation Payments – Voluntary Severance/Early Retirement costs- £3.790 million**

This provision is for future severance costs. £102,939 of this was used in 22/23 and new provision has been set up for 23/24.

**2. Property-Asset Management - £0.245 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. 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.

**3. Housing Benefit Subsidy - £0**

This provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing Benefit Subsidy Grant. Full liability was utilised in 2022/23.

**4. Contractual Obligations - £2.991 million**

This provision relates to outstanding claims against the Council. These are in relation to legal fees and compensation cases. It is likely these claims will be settled in 2023/24

**5. IFRS Impairment - £1.388 million**

An impairment review undertaken in 2022/23 under 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. An increase of £1.249m has been made to this provision in 22/23 and a balance of £1.388m is being carried forward to 23/24.

**6. Other**

- **Customer Digital Provision - £0.117 million**

A provision of 7.5% of the annual value of the laptop rental agreement has been established for the end of the lease agreement to deal with any contract end charges that relate to unreturned or damaged devices. This provision was increased by £33k in 22/23. The lease agreement ends September 2023.

- **Legal costs Solar Panels - £0**

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

- **VAT (Furniture Services) - £0.585 million**

Following a review of the VAT status on all the Council's Fees and Charges an error was identified in the furniture leasing scheme operated by the Council's Housing Team. HMRC have been notified and a provision has been created of the estimated value of the outstanding VAT liability.

- **Factoring Response Repair Fund - £0.118 million**

This provision relates to refunds to be made to private owners for factoring fees. These refunds will be processed in 23/24.

### 36. Contingent Liabilities

#### Contingent Liabilities

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

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

#### Guarantees

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000, as approved at City Growth & Resources Committee on 21 September 2022. This guarantee will remain in force until 31 March 2024.

- **Sport Aberdeen**

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

- **Aberdeen Heat & Power**

The Council has agreed to provide a bank guarantee to Aberdeen Heat and Power up to a maximum of £1 million as approved at City Growth and Resources Committee on 21 September 2022. This guarantee will be in place from 1 November 2022 to 31 March 2024.

The Council has agreed to provide a guarantee for the purchase gas as approved at City Growth and Resources Committee on 21 September 2022. This guarantee will be in place from 1 November 2022 until 31 March 2023.

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

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

- **SEEMIS Group LLP**

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

- **Integration Joint Board (IJB)**

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

### **Contractual**

- **Waste Disposal**

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

The fire at Altens East Recycling and Resource Facility on 8 July 2022 has resulted in business continuity plans being implemented and changes made to the processing of some waste streams. There has therefore been a wide range of implications arising from the events. The financial impact of known implications has been assessed and incorporated into the 2022/23 Accounts. There will remain contractual matters to be addressed that will take time and the Council will continue to work closely with the Contractor and representatives to determine the full extent of those.

The Council is lead partner in a three-authority project with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract commenced on 8 August 2019 the facility came online on October 2023 and will run for 20 years.

There are currently several adjudications regarding performance, delivery and delay of the energy from waste project and sums due under the contract as a result. Parties are too far apart at present to put an exact figure on any liability or quantum.

- **Landfill Allowance Scheme (LAS)**

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

- **Section 75 agreements**

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

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

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

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

The emergence of Covid resulted in new working practice guidelines being issued by the Scottish Government, to set new standards to allow consultants, contractors, sub-contractors, and their suppliers to work safely during the pandemic. These unforeseen changes resulted in the construction industry incurring additional costs for compliance with the risk of delays to projects. These measures also restricted the numbers of staff on site, which slowed down progress on works. These impacts have manifested in projects which were on site at the time of the initial lockdown, and discussions between the Council and the relevant contractors are on-going to determine liability for additional costs.

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

Taken altogether, this has manifested as the highest level of cost inflation experienced for around 30 years. This is creating new risks around capital projects. A review of project timeline delivery and financial viability was reported to the City Growth and Resources committee and full Council in August 2022 and will continue to be updated through updates to this committee.

- **Scottish Child Abuse Enquiry**

Redress Scotland was set up following an act passed by the Scottish Parliament in 2021. Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021. Although Redress Scotland works with guidance and funding from the Scottish Government, it is not part of any Government department. Survivors, as an alternative to civil litigation, may choose to apply for redress. Local Authorities, as a Local Government sector, pay financial contributions towards the redress scheme and this has now been agreed as part of the Local Government Settlement and will be applied for the next 10 years.

Civil Litigation claims are still being received by the Council, both as lead authority for the former Grampian Regional Council and Aberdeen District Council as well as claims solely against Aberdeen City Council. Any uninsured claims or associated costs in respect of Aberdeen District Council or Aberdeen City Council will require to be met by Aberdeen City Council. The costs of these are unquantifiable at this time but will give rise to a future financial liability.

- **COVID-19 Impact**

All restrictions that were in place for the Covid-19 pandemic have now been lifted, the virus continues to circulate, with new variants emerging, The Council has prepared its 2022/23 and 2023/24 budget to include known Covid-19 related implications, however, there remains the possibility that further costs may arise that were not previously identified.



**37. Grant Income**

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

<u>Grant Income</u>				
			<b>2021/22</b>	<b>2022/23</b>
			<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>				
Total revenue Funding Grant			360,369	403,924
Total revenue Funding Grant - COVID Consequentials Income			9,195	-
Total revenue Funding Grant - COVID Local Authority Recovery Fund			2,865	-
Total revenue Funding Grant - COVID Education Recovery			1,943	-
Total revenue Funding Grant - COVID Financial Insecurity flexible funding			718	-
Total revenue Funding Grant - COVID Tenant Grant Fund			414	-
Total revenue Funding Grant - COVID Self Isolation Assistance			300	-
Total revenue Funding Grant - COVID Business Support Grant			157	-
Total revenue Funding Grant - COVID Low Income Pandemic Payments			124	-
Total revenue Funding Grant - COVID CO2 Monitors			101	-
Total revenue Funding Grant - COVID Free School Meals *			(166)	-
			<b>376,020</b>	<b>403,924</b>
*Duplicate funding received				

		2021/22	2022/23
		£'000	£'000
<b>Credited to Services</b>			
	Department of Work and Pensions		
	Housing Benefit Grant	39,834	36,360
	Housing Benefit Admin Grant	559	616
	Discretionary Housing Payment	1,483	(481)
	National Health Service		
	Integrated care funding	45,717	46,012
	Other	0	4
	Other Local Authorities		
	Western Peripheral Route Works	382	1,528
	Scottish Government		
	ELC Expansion	27,667	22,167
	S27 Community Justice Grant	4,982	5,666
	Pupil Equity Fund	3,214	3,308
	Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	2,748	2,737
	Ukrainian Refugee Education	-	1,936
	NE Economic Recovery & Skills	8,441	1,554
	Employability Funding	16	1,217
	HEEPS - Home Insulation	1,220	967
	Ukrainian Welcome Hub	-	915
	Young Person's Guarantee	639	834
	Mental Health & Wellbeing Framework	576	585
	Under 5's Healthy Snack & Milk	223	539
	Strategic Equity Fund	-	443
	Afgan Refugee Education	-	421
	COVID Grant Admin	200	343
	Education Maintenance	314	330
	Attainment Challenge	844	308
	Parental Employability Support	173	266
	Electric Vehicles	323	18
	COVID Hardship Funding	382	1
	COVID Funding - Other	405	(47)
	COVID Additional School Staffing Funding	1,183	-
	City Centre Recovery Fund	1,010	-
	Balance to Carry Forward	142,537	128,545

		2021/22	2022/23
		£'000	£'000
Balance Brought Forward		142,537	128,545
	Space for People	635	-
	Neurodevelopmental Specification	292	-
	Winter Grant Vulnerable Children	168	
	Other	1,159	** 1,723
European Funding			
	Jive Hydrogen Bus	13	2,294
	HECTOR Waste Vehicle	751	320
	Hytrec	271	(40)
	Civitas	(117)	-
	Other	190	*** (8)
Home Office			
	Ukrainian Integration Support	-	14,784
	Afgan Bridging Accommodation	1,087	1,458
	Syrian Refugee Resettlement Programme	804	-
	Other	83	307
Sport Scotland		434	507
Creative Scotland		262	165
Transport Scotland			
	Western Peripheral Route Works	42,937	42,617
	Other	18	
Other		297	660
<b>Total</b>		<b>191,824</b>	<b>193,332</b>
			<b>597,256</b>
* 2021/22 'Scottish Government COVID Funding Other' has been restated as COVID Grant Admin has been identified separately in 22/23.			
** 2021/22 'Scottish Government Other' has been restated as Employability Funding, Parental Employability Support & Under 5's Healthy Snack & Milk has been identified separately in 22/23.			
*** 2021/22 'European Funding Other' has been restated as Hydrogen Bus Project has been identified separately in 22/23.			

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:

	2021/22 £000	2022/23 £000
<b>Revenue Grants - Receipts in Advance</b>		
CORRA Foundation Grant	61	0
Food Standard Scotland Grant	117	50
Home Office UASYP	0	56
NHS Alcohol & Drug Funding	0	155
Scottish Government - Care Experienced & Young People	477	738
Scottish Government - Delivery Equally Safe	58	96
Scottish Government - Employability/YPG	418	500
Scottish Government - Energy Bill Support	0	1090
Scottish Government - Green Growth Accelerator	0	95
Scottish Government - Hardship Funding	11	0
Scottish Government - Library Improvement Fund	19	24
Scottish Government - Road Assessment/Parking Prohibitions	34	159
Scottish Government - Skills Fund	0	97
Scottish Government - Travelling People	76	57
SLAB Debt Advice Funding	61	0
Other - Various	106	99
<b>Total</b>	<b>1,438</b>	<b>3,216</b>
<b>Capital Grant - Receipts in Advance</b>		
AWPR De-trunking	7006	7006
Data Cluster	18	42
Elc Capital Payment	0	0
Historic Environment Scotland Energy Transition Fund	0	368
Scottish Futures Trust - Child Friendly City Project	0	10
Scottish Government Clinterty Refurbishment	0	897
Scottish Government Energy Transition Fund	0	1161
Scottish Government Flood Grant	375	374
Scottish Government JIVE	5227	0
Scottish Government Low Emissions Zone	418	375
Scottish Government Mortuary Grant	18000	21080
Scottish Government Place Based Funding	213	493
<b>Total</b>	<b>31,257</b>	<b>31,806</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 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
<b>Deferred Charges</b>				
Loans Charges Financial Flexibility	0	9,197	0	0
<b>Total deferred charges</b>	<b>0</b>	<b>9,197</b>	<b>0</b>	<b>0</b>
<b>Investments</b>				
Loans and receivables	0	0	20,025	11,588
Interest in group entities	15,503	15,162	0	0
<b>Total investments</b>	<b>15,503</b>	<b>15,162</b>	<b>20,025</b>	<b>11,588</b>
<b>Debtors</b>				
Loans and receivables	657	1,860	0	0
Financial assets carried at contract amount	0	0	113,029	148,506
<b>Total debtors</b>	<b>657</b>	<b>1,860</b>	<b>113,029</b>	<b>148,506</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(1,043,105)	(1,064,352)	(223,359)	(306,394)
<b>Total borrowings</b>	<b>(1,043,105)</b>	<b>(1,064,352)</b>	<b>(223,359)</b>	<b>(306,394)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(126,038)	(120,706)	(4,527)	(5,332)
<b>Total other long term liabilities</b>	<b>(126,038)</b>	<b>(120,706)</b>	<b>(4,527)</b>	<b>(5,332)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(122,607)	(156,945)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(122,607)</b>	<b>(156,945)</b>

## Note:

The Scottish Government issued a financial flexibility that allowed the deferral of the debt repayment instalment for one year. The Council has taken up this option for 2022/23 and deferred the 2022/23 debt instalment of £9.2m. This will be repaid over the next 20 years at a rate of £0.460m per annum. This deferred charge is included in Financial Assets carried at contract amount.

**Borrowings, Financial Liabilities at Amortised Cost.** The Council undertook a £370 million Bond Issuance (the 016), receiving a premium of £44 million. This is reflected in the table above. 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)	2021/22			2022/23		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(45,440)	0	(45,440)	(60,145)	0	(60,145)
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(45,440)</b>	<b>0</b>	<b>(45,440)</b>	<b>(60,145)</b>	<b>0</b>	<b>(60,145)</b>
Interest income	0	538	538	0	5,188	5,188
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>538</b>	<b>538</b>	<b>0</b>	<b>5,188</b>	<b>5,188</b>
<b>Net Interest</b>	<b>(45,440)</b>	<b>538</b>	<b>(44,902)</b>	<b>(60,145)</b>	<b>5,188</b>	<b>(54,957)</b>

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

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

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

Financial Instrument	2021/22				2022/23			
	Classification		Treatment		Classification		Treatment	
	Amortised Cost	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss	Amortised Cost	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans and Receivables	89,036		139		55,663		1,388	
Interest in Group Entity		15,504		840	15,162			342

## 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 2023 of 1.57% to 7.375% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis at that date.
- no early repayment is recognised.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Liabilities	31 March 2022					31 March 2023				
	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	(510,434)	(6,900)	(517,334)	(850,779)	(688,306)	(529,434)	(7,247)	(536,681)	(531,310)	(447,903)
LOBOs	(93,893)	(696)	(94,589)	(191,765)	(143,115)	(93,893)	(704)	(94,597)	(101,680)	(93,849)
Bond Issuance	(342,117)	(1,228)	(343,345)	(417,341)	(410,901)	(331,590)	(1,244)	(332,834)	(333,442)	(322,076)
Bond EIR	(68,810)	0	(68,810)	(68,810)	(68,810)	(80,894)	0	(80,894)	(80,894)	(80,894)
Bond Premium	(36,192)	0	(36,192)	(36,192)	(36,192)	(36,302)	0	(36,302)	(36,302)	(36,302)
Transfer Interest to Short Term in line with Code requirements	0	8,824	8,824	0	0	0	9,195	9,195	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements			11,526	0	0			10,527	0	0
Financial Instrument Adjustments			(3,185)	0	0			(2,766)	0	0
<b>Total Long Term Borrowing</b>	<b>(1,051,446)</b>	<b>0</b>	<b>(1,043,105)</b>	<b>(1,564,887)</b>	<b>(1,347,324)</b>	<b>(1,072,113)</b>	<b>0</b>	<b>(1,064,352)</b>	<b>(1,083,628)</b>	<b>(981,024)</b>
Short term borrowing	(204,172)	(112)	(204,284)	(204,284)	(204,284)	(285,369)	(2,573)	(287,942)	(287,942)	(287,942)
Transfer Interest from Long Term in line with Code requirements	0	(7,560)	(7,560)	0	0	0	(7,951)	(7,951)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements			(11,515)	0	0			(10,501)	0	0
<b>Total Short Term Borrowing</b>	<b>(204,172)</b>	<b>(7,672)</b>	<b>(223,359)</b>	<b>(204,284)</b>	<b>(204,284)</b>	<b>(285,369)</b>	<b>(10,524)</b>	<b>(306,394)</b>	<b>(287,942)</b>	<b>(287,942)</b>

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.

	<b>Principal Outstanding £'000</b>	<b>Accrued Interest £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>	<b>Principal Outstanding £'000</b>	<b>Accrued Interest £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
Deposits with banks/building societies	88,379	202	88,581	88,577	53,800	91	53,891	53,891

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

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

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

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

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

#### **Credit risk**

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £53.8m 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 2023 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 2022 £'000</b>		<b>Amount at 31 March 2023 £'000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2023 %</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2023 £'000</b>
		A	B	C	(A x C)
0	Deposits with banks and building societies	53,891	0	0	0
941	Customers	55,286	5.37%	5.37%	2,969
<b>941</b>					<b>2,969</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 £55.3m 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 2022 £'000</b>	<b>31 March 2023 £'000</b>
Less than three months	24,949	17,025
Three to six months	1,569	3,453
Six months to one year	3,014	3,255
More than one year	23,341	31,553
	<b>52,873</b>	<b>55,286</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 no 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 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	217,128	310,517
Between one and two years	10,527	10,549
Between two and five years	31,646	31,716
Between five and ten years	62,980	63,095
More than ten years	840,290	839,019
	<b>1,162,571</b>	<b>1,254,896</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 of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

£331.6 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 £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 2023, 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	(9,397)
Impact on Surplus or Deficit on the Provision of Services	<b>(9,138)</b>
Share of overall impact debited to the HRA	<b>(2,079)</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>115,636</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 2022/23, the average interest rates were 3.49% for capital (2021/22, 2.99%), 2.27% for revenue advances (2021/22, 0.10%) and 0.02% for expenses (2021/22, 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

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
General Fund	397,314	413,355	538,587	667,392	804,437	912,588	939,559	1,008,826	1,078,455
Trading Operations	21,283	20,486	19,207	15,107	13,083	14,621	14,678	16,071	16,377
Housing Revenue Account	196,675	193,692	189,118	187,479	202,165	220,468	198,172	248,946	322,346
<b>Total</b>	<b>615,272</b>	<b>627,533</b>	<b>746,912</b>	<b>869,978</b>	<b>1,019,685</b>	<b>1,147,677</b>	<b>1,152,409</b>	<b>1,273,843</b>	<b>1,417,178</b>

Loans Fund			Loans Fund		
Revenue Account			Balance Sheet as at 31 March		
2021/22 £'000		2022/23 £'000	2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>			<b>Assets</b>	
36,433	Interest paid to External Bodies	44,514		Advances to:	
164	Interest paid to Other Council Accounts	4,128	1,273,843	Aberdeen City Council for Capital Expenditure	1,417,508
238	General Expenses	300	2	Other Bodies	2
<b>36,835</b>		<b>48,942</b>	11,628	Rescheduled Premiums	11,231
	<b>Income</b>		1,285,473		1,428,741
	Interest & Expenses charged to Aberdeen City Council			<b>Current Assets</b>	
(29,519)	General Fund	(36,885)	88,200	Temporary Investments	53,800
(6,679)	Housing Revenue Account	(9,824)	203	Sundry Debtors	91
(458)	Trading Operations	(594)	3,329	Bank	3,235
(179)	From Temporary Investments	(1,639)	1,377,205		1,485,867
<b>(36,835)</b>		<b>(48,942)</b>		<b>Less: Current Liabilities</b>	
			129,318	Temporary Advances from Council Services	136,270
			7,672	Sundry Creditors	10,498
			136,990		146,768
			<b>1,240,215</b>	<b>Net Assets</b>	<b>1,339,099</b>
				<b>Financed by:</b>	
			(510,434)	Public Works Loan Board	(529,434)
			(93,893)	Market Loans	(93,893)
			(342,117)	Negotiable Bonds	(331,590)
			(36,192)	Bond Premium	(36,301)
			(68,810)	Bond EIR	(80,893)
			(2)	Stock Issue & Gas Annuities	(2)
			(188,767)	Temporary Loans	(266,986)
			<b>(1,240,215)</b>		<b>(1,339,099)</b>

Jonathan Belford, CPFA  
Chief Officer – Finance  
2023

**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**

2021/22 £'000		2022/23	
		£'000	£'000
	<b>Income</b>		
(91,262)	Dwelling Rents	(91,920)	
(2,059)	Non Dwelling Rents	(1,946)	
(2,207)	Other Income	(2,184)	
<b>(95,528)</b>			(96,050)
	<b>Expenditure</b>		
1,204	Staff Costs	1,188	
1,204			1,188
	Premises Costs:		
30,370	Repairs and Maintenance	36,193	
3,435	Maintenance of amenity areas	3,572	
911	Bad debts written off/provisions	3,366	
4,093	Loss of rent vacant periods	6,044	
2,062	Other costs	3,347	
<b>40,871</b>			<b>52,522</b>
	Administration Costs:		
9,910	Management and Administration	13,655	
772	Other Costs	841	
<b>10,682</b>			<b>14,496</b>
	Supplies and Services:		
4,373	Communal Lighting and Heating, etc	5,980	
128	Information Technology	279	
216	Other Costs	268	
<b>4,717</b>			<b>6,527</b>

2021/22		2022/23	
		£'000	£'000
	Agencies:		
167	Contributions	171	
353	Tenant's Participation/Helplines	337	
<b>520</b>			<b>508</b>
	Capital Charges:		
31,508	Depreciation	35,213	
44,373	Impairment of Non Current Assets	58,279	
75,881			<b>93,492</b>
<b>133,875</b>	<b>Gross Expenditure</b>		<b>168,733</b>
	<b>Net Cost of HRA Services per Council's</b>		
38,347	<b>Comprehensive Income and Expenditure Statement</b>		72,683
134	Corporate and Democratic Core	199	
			199
38,481	Net Cost of HRA Services		<b>72,882</b>
340	(Gain)/Loss on Sale of HRA Non Current Assets	370	
6,679	Interest payable and similar charges	9,824	
(39)	Interest and investment income	(840)	
53	Pensions interest and return on assets	69	
(19,056)	Non Specific Grant Income/Contributions (Affordable	(1,093)	
	Housing Contribution for Council Tax		
26,458	<b>(Surplus)/deficit for the year on HRA Services</b>		<b>81,212</b>

**Movement on the Housing Revenue Account Statement**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
0	Transfer to/(from) the General Fund	0
<b>0</b>	<b>Total</b>	<b>0</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
135	Gain or (loss) on sale of HRA non-current assets	265
28,654	Capital expenditure funded by the HRA	5,596
(475)	Transfer to/from the Capital Adjustment Account:	(636)
(75,881)	Depreciation and Impairment	(93,492)
19,056	Capital Grants and Contributions	1,093
1,811	Repayment of Debt	2,104
(723)	HRA share of contributions to or from the Pensions Reserve	(998)
25	Adjustment involving the Accumulated Absences Account	4
0	Other Adjustments	2
<b>(27,398)</b>		<b>(86,062)</b>

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

<b>2021/22</b>		<b>Notes</b>	<b>2022/23</b>
<b>£'000</b>			<b>£'000</b>
(14,715)	Balance on HRA at start of the year		(15,215)
26,458	(Surplus) or deficit for the year on HRA Income & expenditure statement		81,212
<b>(27,398)</b>	<b>Adjustments between Accounting Basis and Funding Basis under statute</b>		<b>(86,062)</b>
(940)	Net (Increase)/Decrease before transfers to/(from) Reserves		(4,850)
440	Transfers to/(from) Reserves		4,350
(500)			(500)
(15,215)	(Increase) or Decrease in year on HRA		(15,715)



### 3. Housing Stock

The Council's housing stock at 31 March 2023 was 23,558 (23,078 at 31 March 2022) in the following categories:

2021/22		2022/23
Number		Number
	<b>Type of Property</b>	
1,986	Sheltered Property	1,983
4,199	Cottage	4,177
9,286	Flat	9,607
2,089	Four in Block	2,103
567	Masionette	571
2,217	Multi Storey Flat	2,228
126	Split Level Flat	127
439	Multi Storey Maisonette	443
1,493	Amenity	1,533
377	Homeless	376
-	Ukrainian	494
<b>22,779</b>	<b>Sub Total</b>	<b>23,148</b>
299	Properties off the charge	410
<b>23,078</b>	<b>HRA Total</b>	<b>23,558</b>
	<b>Other Assets</b>	
1	Hostel	1
239	Garage Sites	236
2,018	Lock Up Garages	2,001
904	Parking Spaces	906
17	Travelling Peoples Sites	17
<b>3,179</b>		<b>3,161</b>

### 4. Rent Arrears

2021/22		2022/23
£'000		£'000
10,245	Current Tenant Arrears	11,995
4,456	Former Tenant Arrears	5,644
<b>14,701</b>	<b>Total Rent Arrears</b>	<b>17,639</b>

### 5. Impairment of Debtors

In 2022/23 an impairment of £13,587,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £2,949,000 from the provision in 2021/22.

**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 2022/23, which is set annually by the Scottish Ministers, is 49.8 pence. Two additional rates are levied on properties with a rateable value of over £51,000 (51.1 pence) and £95,000 (52.4 pence) respectively. In 2021/22, the NDR poundage rate was set at 49pence and properties with a rateable value between £51,000 and £95,000 were charged an additional supplement of 50.3 pence and 51.6 pence respectively. 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.

2021/22 £'000		2022/23	
		£'000	£'000
<b>(295,158)</b>	<b>Gross Rates Levied and Contributions in Lieu</b>	<b>(298,359)</b>	<b>(298,359)</b>
	<i>Deduct:</i>		
97,155	Reliefs, remissions, etc.	47,956	47,956
	Payment of Interest		
13,910	Write off of uncollectable debts and allowances for impairment	15,513	15,513
<b>(184,093)</b>	<b>Net Non Domestic Rate Income</b>		<b>(234,890)</b>
13,767	Adjustment to previous years' National Non Domestic Rates		4,042
<b>(170,326)</b>	<b>Contribution to Non Domestic Rate Pool</b>		<b>(230,849)</b>
<b>(202,923)</b>	<b>Distribution from Non Domestic Rate Pool</b>		<b>(268,557)</b>
	<i>Less:</i>		
394	Charity Relief adjustment		405
<b>(202,529)</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement *</b>		<b>(268,152)</b>

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

<b>Category</b>	<b>Number of Subjects</b>	<b>Rateable Value at 1 April 2023 £'000</b>
Shops	2,174	82,677
Public Houses	156	8,517
Offices Including Banks	2,996	133,154
Hotels etc.	136	15,454
Industrial Factories, Warehouses, Stores	1,943	116,991
Leisure Entertainment, Caravans, Hol.Sites	419	21,681
Garages and Petrol Stations	200	4,370
Cultural	14	1,360
Sporting Subjects	98	1,527
Education & Training	158	33,651
Public Service Subjects	199	18,423
Communications (non Formula)	32	2,029
Quarries, Mines etc	9	221
Petrochemical	2	872
Religious	140	3,816
Health Medical	131	13,658
Other	929	10,929
Care Facilities	124	6,296
Advertising	118	564
Undertaking	20	7,375
<b>Total Non Domestic Rates Subjects</b>	<b>9,998</b>	<b>483,565</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 2022/23, for Band D properties, the Council's Council Tax was set at £1,418.62. The full range of bandings is set out after the Council Tax Income Account.

**Council Tax Income Account**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
173,640	Gross Assessments	181,015
793	Net band adjustments	549
<b>174,433</b>	<b>Council Tax Collectable</b>	<b>181,564</b>
	Deduct:	
14,667	Exemptions	16,158
92	Disabled relief	95
16,327	Discounts	17,179
5,706	Provision for non-collection	5,650
11,402	Council Tax Reduction	11,541
53	Other	59
<b>126,184</b>		<b>130,884</b>
	Add:	
1,368	Statutory Additions	1,426
865	Prior Year Adjustments	860
(16)	Write Offs	(32)
<b>128,401</b>	<b>Net Council Tax Income Transferred to General Fund for the Year</b>	<b>133,137</b>

## The calculation of the Council Tax Base 2022/23:

Dwellings on Valuation List	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts(25%)	Discounts(50%)	Total Dwellings atio to Band	Band D Equivalent
Band A (Subject to disabled Relief)			(4)			(4) 200/360	1
Band A	24,551	(5,286)	(24)	(3,096)	(897)	15,248 240/360	10,481
Band B	28,623	(2,858)	(29)	(3,584)	(648)	21,504 280/360	16,830
Band C	20,078	(1,641)	(30)	(2,047)	(303)	16,057 320/360	14,334
Band D	17,069	(1,995)	(37)	(1,696)	(318)	13,024 360/360	12,799
Band E	15,316	(650)	(33)	(1,266)	(197)	13,170 473/360	17,270
Band F	9,123	(220)	(39)	(566)	(94)	8,205 585/360	13,307
band G	8,143	(125)	(4)	(363)	(83)	7,569 705/360	14,517
Band H	1,122	(15)	0	(33)	(23)	1,052 882/360	2,504
Total							102,043
Council Tax Reduction							(11,541)
Contribution en lieu							12
Prov for Bad Debts (2.5%)							(2,551)
Council Tax Base							87,964

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 2022/23 was £1,418.62 (2021/22, £1,377.30)

£ Property Value	Band	Proportion of Band D	Council Tax Level
27,000 or under	A	240/360	£945.75
27,001 - 35,000	B	280/360	£1,103.37
35,001 - 45,000	C	320/360	£1,261.00
45,001 - 58,000	D	360/360	£1,418.62
58,001 - 80,000	E	473/360	£1,863.91
80,001 - 106,000	F	585/360	£2,305.26
106,001 - 212,000	G	705/360	£2,779.13
Over 212,000	H	882/360	£3,475.62

### Common Good Fund

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

### Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
<b>Balance at 31 March 2021</b>	<b>(127,384)</b>	<b>(68)</b>	<b>(127,452)</b>
<b>Movement in Reserves during 2021/22</b>			
(Surplus) or Deficit on provision of services	601	0	601
(Surplus) or Deficit on revaluation of investment property	(922)	0	(922)
<b>Total Comprehensive Expenditure and Income</b>	<b>(321)</b>	<b>0</b>	<b>(321)</b>
<b>Balance at 31 March 2022</b>	<b>(127,705)</b>	<b>(68)</b>	<b>(127,773)</b>
<b>Movement in Reserves during 2022/23</b>			
(Surplus) or Deficit on provision of services	2,789	0	2,789
(Surplus) or Deficit on revaluation of investment property	3,187	0	3,187
<b>Total Comprehensive Expenditure and Income</b>	<b>5,976</b>	<b>0</b>	<b>5,976</b>
<b>Balance at 31 March 2023</b>	<b>(121,729)</b>	<b>(68)</b>	<b>(121,797)</b>

During 2021-22, in the face of severely diminishing credit interest returns, a decision was taken to invest £30m of Common Good cash in a Multi-Asset Income fund, to generate more income for the fund and the decision was taken to proceed with Fidelity International's Multi-Asset Income fund. The first tranche of £10m was invested on 28th July 21, and the second tranche was made on mid-August. A third investment of £10m was made in mid-September. The fund has yielded steady growth since the investment started, earning some £1.918 million to date at an average rate of 3.99%.

## Comprehensive Income and Expenditure Statement

2021/22		Gross	2022/23	Gross	Net (Income)
Net (Income)		Expenditure	Gross	Income	Expenditure
Expenditure		£'000	£'000	£'000	£'000
£'000					
833	Grants & Contributions to External Organisations	850			850
111	External Organisations Rents	111			111
344	Promoting Aberdeen	753			753
102	Grants/Services Provided by Aberdeen City Council	133			133
774	Civic Service Funding	1,123	(84)		1,039
57	Duthie Park HLF	64			64
504	Specific Projects	739	(2)		737
37	Earmarked Reserves	63			63
<b>2,762</b>	<b>Cost Of Services</b>	<b>3,836</b>	<b>(86)</b>		<b>3,750</b>
0	Other Operating Expenditure				0
(2,161)	Financing and Investment Income and Expenditure				(961)
<b>601</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>2,789</b>
(922)	(Surplus) or Deficit on revaluation of investment property				3,187
<b>(321)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>5,976</b>

## Balance Sheet

31 March 2022 £'000		31 March 2023 £'000
27,780	Long Term Investments	24,145
89,139	Investment Property	84,411
<b>116,919</b>	<b>Long Term Assets</b>	<b>108,556</b>
10,836	Investments in Aberdeen City Council Loans Fund	13,302
0	Investment Property Held for Sale	0
482	Short Term Debtors	527
<b>11,318</b>	<b>Current Assets</b>	<b>13,829</b>
(464)	Short Term Creditors	(588)
<b>(464)</b>	<b>Current Liabilities</b>	<b>(588)</b>
<b>127,773</b>	<b>Net Assets</b>	<b>121,797</b>
(127,705)	Common Good Fund	(121,729)
(68)	Reserve Fund	(68)
<b>(127,773)</b>	<b>Total Reserves</b>	<b>(121,797)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

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



## **Trust Funds and Endowments**

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

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2020 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

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

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

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

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

## Movement in Funds

Charity	Balance as at 31 March 2022 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2023 £'000
EEIF	(316)	-	11	(7)	1	(311)
Guildry	(2,612)	-	13	(79)	16	(2,662)
Bridge of Don	(1,220)	-	10	(33)	1	(1,242)
Alexander MacDonald Bequest	(29)	-	-	(1)	1	(29)
Aberdeen Art Gallery Trust	(16)	-	-	(426)	7	(435)
Lands of Skene	(1,132)	-	10	(123)	123	(1,122)
Lands of Torry	(1,402)	-	(1)	(173)	173	(1,403)
McBey Trust	(488)	-	-	(22)	5	(505)
<b>Total - Charitable Trusts</b>	<b>(7,215)</b>	<b>-</b>	<b>43</b>	<b>(864)</b>	<b>327</b>	<b>(7,709)</b>
Non Charity	Balance as at 31 March 2022 £'000		Revaluation of Investments	Income	Expenditure	Balance as at 31 March 2023 £'000
Educational Trusts	(1,368)	-	-	(85)	85	(1,368)
Endowment Funds						
- Educational	(946)	-	33	(22)	10	(925)
- Social Work	(397)	-	14	(9)	-	(392)
Arts & Heritage	(73)	-	-	(4)	1	(76)
Graveyards	(13)	-	-	(1)	2	(12)
Monuments	(7)	-	-	(1)	-	(8)
John Rickart	(51)	-	-	(2)	-	(53)
McBey Trust	(69)	-	-	(3)	70	(2)
Glover House Ltd	-	-	-	-	-	-
Aberdeen Japan Trust	(477)	-	-	-	8	(469)
<b>Total - Non Charitable Trusts</b>	<b>(3,401)</b>	<b>-</b>	<b>47</b>	<b>(127)</b>	<b>176</b>	<b>(3,305)</b>
<b>Total</b>	<b>(10,616)</b>	<b>-</b>	<b>90</b>	<b>(991)</b>	<b>503</b>	<b>(11,014)</b>

## Investment of Funds

Charitable Trusts *	Non- Charitable Trusts	Total *		Charitable Trusts	Non- Charitable Trusts	Total
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
3,961	477	<b>4,438</b>	Land & Buildings	3,931	469	<b>4,400</b>
127	901	<b>1,028</b>	Equities - Listed	115	850	<b>965</b>
5	35	<b>40</b>	Gilt Edged Securities	6	40	<b>46</b>
-	405	<b>405</b>	Bank	-	427	<b>427</b>
3,257	1,667	<b>4,924</b>	Council Loans Fund	3,791	1,604	<b>5,395</b>
54	-	<b>54</b>	Debtors	52	-	<b>52</b>
(189)	(84)	<b>(273)</b>	Creditors	(186)	(85)	<b>(271)</b>
<b>7,215</b>	<b>3,401</b>	<b>10,616</b>		<b>7,709</b>	<b>3,305</b>	<b>11,014</b>
-	-	-	Share Capital	-	-	-
(4,537)	(2,704)	<b>(7,241)</b>	Unrestricted Funds	(5,078)	(2,653)	<b>(7,731)</b>
(144)	(697)	<b>(841)</b>	Endowment Funds	(106)	(652)	<b>(758)</b>
(2,534)	-	<b>(2,534)</b>	Designated Funds - Common Good Fund	(2,525)	-	<b>(2,525)</b>
-	-	-	Designated Funds - Grampian Health Board	-	-	-
<b>(7,215)</b>	<b>(3,401)</b>	<b>(10,616)</b>		<b>(7,708)</b>	<b>(3,305)</b>	<b>(11,014)</b>

\*2021/22 figures restated

Jonathan Belford, CPFA  
Chief Officer - Finance

The property portfolio was valued internally by Deborah Wyllie, BSc MRICS RICS Registered Valuer, 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

	<b>Total Usable Reserves (Page 53) £'000</b>	<b>Total Unusable Reserves (Note 12) £'000</b>	<b>Total Council Reserves £'000</b>	<b>Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000</b>	<b>Total Reserves £'000</b>
<b>Balance at 31 March 2021</b>	<b>(99,401)</b>	<b>(1,313,766)</b>	<b>(1,413,167)</b>	<b>(141,522)</b>	<b>(1,554,689)</b>
<b><u>Movement in Reserves during 2021/22</u></b>	85,491	(107,572)	(22,081)	(15,651)	(37,732)
Adjustments between accounting basis & funding basis under regulations	(94,317)	94,317	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>(8,826)</b>	<b>(13,255)</b>	<b>(22,081)</b>	<b>(15,651)</b>	<b>(37,732)</b>
<b>Increase/Decrease in Year</b>	<b>(8,826)</b>	<b>(13,255)</b>	<b>(22,081)</b>	<b>(15,651)</b>	<b>(37,732)</b>
<b>Balance at 31 March 2021/22 Carried Forward</b>	<b>(108,227)</b>	<b>(1,327,021)</b>	<b>(1,435,248)</b>	<b>(157,173)</b>	<b>(1,592,421)</b>
<b><u>Movement in Reserves during 2022/23</u></b>	87,540	(532,021)	(444,481)	(25,626)	(470,107)
Adjustments between accounting basis & funding basis under regulations	(93,110)	93,110	0		
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>(5,570)</b>	<b>(438,911)</b>	<b>(444,481)</b>	<b>(25,626)</b>	<b>(470,107)</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	349	(349)	0		
<b>Increase/Decrease in Year</b>	<b>(5,221)</b>	<b>(439,260)</b>	<b>(444,481)</b>	<b>(25,626)</b>	<b>(470,107)</b>
<b>Balance at 31 March 2023</b>	<b>(113,448)</b>	<b>(1,766,281)</b>	<b>(1,879,729)</b>	<b>(182,799)</b>	<b>(2,062,528)</b>

## Group Comprehensive Income and Expenses Statement

2021/22				2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Continued Operation</b>			
249,301	(22,147)	227,154	Children and Families	232,498	(16,854)	215,644
245,088	(139,735)	105,353	Resources	218,559	(120,679)	97,880
97,829	(55,830)	41,999	Customer	103,503	(70,472)	33,031
79,070	(27,915)	51,155	Commissioning	67,020	(24,633)	42,387
237	(16)	221	Operations	104	(8)	96
273,165	(167,553)	105,612	Integration Joint Board	306,231	(184,776)	121,455
40,942	(8,798)	32,144	Corporate	49,303	(9,578)	39,725
142,027	(103,547)	38,480	Housing Revenue Account	180,595	(107,714)	72,881
<b>1,127,659</b>	<b>(525,541)</b>	<b>602,118</b>	<b>Cost of Services</b>	<b>1,157,813</b>	<b>(534,714)</b>	<b>623,099</b>
0	1,395	1,395	Other Operating Expenditure	0	610	610
112,750	(61,664)	51,086	Financing and Investment Income and Expenditure	125,219	(76,600)	48,619
0	(564,305)	(564,305)	Taxation and Non Specific Grant Income	0	(613,746)	(613,746)
<b>1,240,409</b>	<b>(1,150,115)</b>	<b>90,294</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,283,032</b>	<b>(1,224,450)</b>	<b>58,582</b>
		(15,688)	Share of (surplus) or deficit on the provision of services of Associates and JV			12,558
		<b>74,606</b>	<b>Group (Surplus)/Deficit</b>			<b>71,140</b>
		(77,160)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(23,473)
		(922)	(Surplus)/deficit on revaluation of available for sale financial assets			3,187
		(33,457)	Actuarial (gains)/losses on pension assets/liabilities			(520,880)
		0	Other unrealised gains and losses			351
		(799)	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(431)
		(112,338)	Other Comprehensive Income and Expenditure			(541,246)
		<b>(37,732)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(470,106)</b>

## Group Balance Sheet

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
2,561,895	Property ,Plant and Equipment (note xi)	2,664,947
241,662	Investment Property (note xii)	249,896
70,925	Long Term Investments and/or Investments in Associates and Joint Ventures	54,784
0	Deffered Charges	9,197
196,272	Heritage Assets	199,723
657	Long Term Debtors	5,014
0	Pension Assets	389,917
<b>3,071,411</b>	<b>Long Term Assets</b>	<b>3,573,478</b>
20,025	Short Term Investments	11,588
3,403	Inventories	4,743
107,682	Short Term Debtors	155,554
104,056	Cash and Cash Equivalentents	82,017
12,354	Assets held for Sale	2,586
<b>247,520</b>	<b>Current Assets</b>	<b>256,488</b>
(216,458)	Short Term Borrowing	(289,116)
(109,222)	Short Term Creditors	(168,267)
(3,533)	Provisions	(5,886)
(4,527)	PPP Short Term Liabilities	(5,332)
(31,258)	Capital Grants Receipts in Advance	(31,807)
(1,438)	Revenue Grants Receipts in Advance	(3,216)
(7,224)	Other Short Term Liabilities	(8,041)
<b>(373,660)</b>	<b>Current Liabilities</b>	<b>(511,665)</b>

## Group Balance Sheet

<b>31 March 2022</b> <b>£'000</b>		<b>31 March 2023</b> <b>£'000</b>
(551)	Provisions	(3,349)
(1,043,105)	Long Term Borrowing	(1,075,271)
(126,039)	PPP Long Term Liabilities	(120,707)
(56,644)	Other Long Term Liabilities	(56,445)
(126,511)	Pension Liabilities	0
<b>(1,352,850)</b>	<b>Long Term Liabilities</b>	<b>(1,255,772)</b>
<b>1,592,421</b>	<b>Net Assets</b>	<b>2,062,528</b>
(108,226)	Usable Reserves	(113,447)
(1,327,021)	Unusable Reserves	(1,766,282)
(22,219)	Group - Usable Reserves	(22,116)
(134,955)	Group - Unusable Reserves	(160,683)
<b>(1,592,421)</b>	<b>Total Reserves</b>	<b>(2,062,528)</b>

Jonathan Belford, CPFA  
Chief Officer - Finance

**Group Cash Flow**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(74,606)	Net surplus or (deficit) on the provision of services	(71,140)
226,736	Adjust net surplus or deficit on the provision of services for non cash movements	187,096
(48,313)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(65,555)
<b>103,817</b>	<b>Net cash flows from Operating Activities (note 13)</b>	<b>50,401</b>
(141,174)	Net cash flows from Investing Activities (note 14)	(155,213)
12,732	Net Cash flows from Financing Activities (note 15)	82,775
<b>(24,625)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(22,038)</b>
128,680	Cash and Cash equivalent at the beginning of the reporting period	104,056
<b>104,056</b>	<b>Cash and Cash equivalent at the end of the reporting period</b>	<b>82,017</b>



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**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 2023, 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 2022 to 31 March 2023, except for ASV Ltd, whose accounting year end is 31 July, in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the annual accounts produced at 28 February 2021, 31 July 2021 and 28 February 2022. This means that a 12-month period of activity is incorporated into the Group Accounts.

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

**Note ii Disclosure of Interest in Other Entities**

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

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

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

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**Subsidiaries****Common Good**

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

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

In the face of severely diminishing credit interest returns, a decision was taken to invest £30m of Common Good cash in a Multi-Asset Income fund, to generate more income for the fund and the decision was taken to proceed with Fidelity International's Multi-Asset Income fund. The first tranche of £10m was invested on 28th July 21, and the second tranche was made on mid-August. A third investment of £10m was made in mid-September. The fund has yielded steady growth since the investment started, earning some £644k to date at an average rate of 4.09%.

**Trust Funds**

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and 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.

**Aberdeen Heat and Power Ltd**

AH&P was included in the Council's Group Accounts for the first time in 2022/23 due to materiality. AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole member of AH&P which is a wholly owned subsidiary of the council guarantor. All AH&P board appointments are made by the Council as the sole member of

AH&P Ltd. For the year ended 31 March 2023, AH&P Ltd made a profit of £0.058 million (2021/22, £0.449 million profit) and the net assets of the company were £5.051 million (2021/22, £5.153 million). Turnover was £8.308 million (2021/22, £4.573 million). Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

### 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 £30 million in 2022/23 (2021/22 £31 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 2022/23, the partners contributed £375 million in funding to the IJB (£395 million 2021/22).

On 11 March 2022 Aberdeen City Council entered into an agreement with bp International Limited to form an Energy Company. This is known as bp Aberdeen Hydrogen Energy Limited (BPAHE) The purpose of this company is to establish a commercial hydrogen production, storage and distribution infrastructure for green hydrogen utilising renewable power to service transport in the short term. This will further be expanded to the delivery of hydrogen power for heat systems for both housing and industrial use. It is envisaged that this will then progress to export any excess energy to the grid. In 2023/24 the Council will invest £15m in the company. The company formed is currently a 50:50 Joint Venture and will form part of the Group accounts of the Council from 2022/23.

### Associates

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

Grampian Valuation Joint Board     39%

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

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

### Distribution of Reserves

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

### Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £183 million (2021/22, increase of £157 million).

**Note iv Group Entities**

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

For the financial year 2022/23	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	121,797	(2,789)	Head of Finance, Aberdeen City Council
Trust Funds	100	100	8,507	503	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	9,067	(158)	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	25,730	31,077	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(796)	268	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Aberdeen Heat and Power Ltd	100	100	5,051	58	C/O Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh, EH3 8PB.
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	30,323	(862)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregation Joint Board	50	50	27,110	(24,281)	50 Frederick Street, Aberdeen, AB24 5HY
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	799	35	The Treasurer, Grampian Valuation Joint Board, C/O Moray Council, Council Offices, High Street, Elgin IV20 1BX

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**Note v Non-Material Interest in Other Entities**

On the grounds of materiality, 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.

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 2021/22, Aberdeen City Council contributed £97,000 (2020/21, £112,000) 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 2021/22 show a surplus of £1.85 million (2020/21, £0.563 million deficit) for the year, before taking into account amounts required by statute and non-statutory proper practices to be debited or credited to the general fund balance. The accounts for 2022/23 are in the process of being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £0.455 million. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2022 net assets amounted to £0.213 million (2020/21 £0.202 million) with a loss for the year of £0.011 million (2020/21, £0.101 million loss). The accounts for 2022/23 are in the process of being prepared. It is anticipated that there will be no significant changes as at March 2023. 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 2022/23, Aberdeen City Council did not make any material contributions to the SDPA.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2022/23, Aberdeen City Council contributed £0.181 million (2021/22, £0.177 million) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

Aberdeen Hydrogen Hub was formed with BP International Limited on 11 March 2022. It is a 50:50 Joint venture with an initial investment from the Council and BP of £1.5 million each. The company formed to establish a commercial hydrogen production, storage and distribution infrastructure for green hydrogen utilising renewable power for the City of Aberdeen.

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

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
49,602	Interest payable and similar charges	60,522
2,150	Pensions interest cost and expected return on pensions assets	2,839
(375)	Interest receivable and similar income	(5,458)
500	Income and expenditure in relation to investment properties and changes in their fair value	(10,157)
(791)	Other investment income	873
<b>51,086</b>	<b>Total</b>	<b>48,619</b>

**Note vii Cash Flow Statement – Group Operating Activities**

<b>2021/22</b>			<b>2022/23</b>
<b>£'000</b>			<b>£'000</b>
(74,606)	*	Net surplus or (deficit) on the provision of services	(71,140)
<b>(74,606)</b>	*		<b>(71,140)</b>
		<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
79,870		Depreciation	91,164
82,955		Impairment, downward revaluations & non sale derecognitions	81,067
(473)		(Increase)/Decrease in Stock	(1,299)
18,698		(Increase)/Decrease in Debtors	(36,451)
15,058		Increase/(Decrease) in Creditors	5,865
30,817		Payments to Pension fund	31,662
2,402		Carrying amount of non current assets sold	2,093
0		Carrying amount of written off assets	0
2,736		Contributions to Other Reserves / Provisions	(3,330)
6,750		Movement in value of investment properties	(6,785)
(12,077)		Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	23,110
<b>226,736</b>			<b>187,096</b>
		<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(60,253)		Receipt of Capital Grants and Contributions	(80,039)
(1,007)		Proceeds from the sale of PP&E, investment property and intangible assets	(1,483)
12,947		Bond EIR adjustment	15,967
<b>(48,313)</b>			<b>(65,555)</b>
<b>103,817</b>		<b>Net cash flows from operating activities</b>	<b>50,401</b>

\*Net Surplus or (deficit) has been re-stated due to restatements of Sport Aberdeen and Grampian Valuation Joint Board.

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

2020/21 £'000		2022/23 £'000
(223,525)	Purchase of property, plant and equipment, investment property and intangible assets	(245,513)
21,091	Purchase/(Sale) of short term and long term investments	8,778
1,612	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,249
(606)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(766)
60,253	Capital grants and contributions received	80,039
<b>(141,174)</b>	<b>Net cash flows from investing activities</b>	<b>(155,213)</b>

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

2020/21 £'000		2022/23 £'000
(37)	Other receipts from financing activities	(37)
30,814	Repayments of short term and long term borrowing	103,605
(12,947)	Bond EIR Adjustment	(15,967)
(5,099)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(4,826)
<b>12,732</b>	<b>Net cash flows from Financing activities</b>	<b>82,775</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:

31 March 2021 £'000		31 March 2023 £'000
39	Cash held by officers	27
104,017	Bank current accounts	81,990
<b>104,056</b>	<b>Total cash and cash equivalents</b>	<b>82,017</b>



## Note xi Group Property, Plant and Equipment

### Movements on Balances

#### Movements in 2021/22:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2021</b>	<b>856,950</b>	<b>1,192,291</b>	<b>67,109</b>	<b>382,756</b>		<b>10,190</b>	<b>92,570</b>	<b>2,601,866</b>	<b>194,037</b>
Additions	98,758	17,076	10,818	22,479		(105)	72,753	<b>221,779</b>	759
Revaluations	(53,656)	(42,475)	0	0		(806)	0	<b>(96,937)</b>	0
Derecognition / Disposals	0	0	(2,714)	(566)		(1,400)	0	<b>(4,680)</b>	0
Transfers	0	74,546	0	0		(1,736)	(36,360)	<b>36,450</b>	0
<b>At 31 March 2022</b>	<b>902,052</b>	<b>1,241,438</b>	<b>75,213</b>	<b>404,668</b>		<b>6,143</b>	<b>128,963</b>	<b>2,758,477</b>	<b>194,796</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2021</b>	<b>(3,008)</b>	<b>(67,891)</b>	<b>(40,291)</b>	<b>(133,031)</b>		<b>0</b>	<b>0</b>	<b>(244,221)</b>	<b>(4,256)</b>
Depreciation Charge	(31,508)	(29,313)	(6,403)	(12,646)		0	0	<b>(79,870)</b>	(3,687)
Depreciation & Impairment written out	29,919	63,230	0	0		0	0	<b>93,149</b>	0
Derecognition / Disposals	0	0	2,489	566		0	0	<b>3,055</b>	0
Transfers	0	285		0		0	0	<b>285</b>	0
<b>At 31 March 2022</b>	<b>(4,597)</b>	<b>(33,689)</b>	<b>(44,205)</b>	<b>(145,111)</b>		<b>0</b>	<b>0</b>	<b>(227,602)</b>	<b>(7,943)</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>897,456</b>	<b>1,207,749</b>	<b>31,008</b>	<b>259,557</b>	<b>31,021</b>	<b>6,143</b>	<b>128,963</b>	<b>2,561,895</b>	<b>186,853</b>
<b>At 31 March 2021</b>	<b>853,943</b>	<b>1,124,400</b>	<b>26,818</b>	<b>249,725</b>	<b>30,493</b>	<b>10,190</b>	<b>92,570</b>	<b>2,388,139</b>	<b>189,781</b>

## Movements in 2022/23:

	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 2022</b>	<b>902,052</b>	<b>1,241,438</b>	<b>75,213</b>	<b>404,668</b>		<b>6,143</b>	<b>128,963</b>	<b>2,758,477</b>	<b>199,961</b>
Additions	111,835	25,072	34,520	30,817		13	62,820	<b>265,077</b>	2,538
Revaluations	(81,891)	(22,799)	0	0		(830)	0	<b>(105,520)</b>	0
Derecognition / Disposals	0	0	(5,180)	(577)		(350)	0	<b>(6,107)</b>	0
Transfers	0	18,605	0	0		2,649	(21,254)	<b>0</b>	0
<b>At 31 March 2023</b>	<b>931,996</b>	<b>1,262,316</b>	<b>104,553</b>	<b>434,908</b>		<b>7,625</b>	<b>170,529</b>	<b>2,911,927</b>	<b>202,499</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2022</b>	<b>(4,597)</b>	<b>(33,689)</b>	<b>(44,205)</b>	<b>(145,111)</b>		<b>0</b>	<b>0</b>	<b>(227,602)</b>	<b>(6,169)</b>
Depreciation Charge	(35,213)	(34,759)	(15,689)	(13,337)		0	0	<b>(98,998)</b>	(3,880)
Depreciation & Impairment written out	30,981	10,808	0			0	0	<b>41,789</b>	0
Derecognition / Disposals	0	0	4,924	576		0	0	<b>5,500</b>	0
Transfers	0	745	0	0		0	0	<b>745</b>	0
<b>At 31 March 2023</b>	<b>(8,829)</b>	<b>(56,895)</b>	<b>(54,970)</b>	<b>(157,872)</b>		<b>0</b>	<b>0</b>	<b>(278,566)</b>	<b>(10,049)</b>
<b>Net Book Value</b>									
<b>At 31 March 2023</b>	<b>923,168</b>	<b>1,205,421</b>	<b>49,583</b>	<b>277,038</b>	<b>31,584</b>	<b>7,625</b>	<b>170,529</b>	<b>2,664,947</b>	<b>192,450</b>
<b>At 31 March 2022</b>	<b>897,456</b>	<b>1,207,749</b>	<b>31,008</b>	<b>259,557</b>	<b>31,021</b>	<b>6,143</b>	<b>128,963</b>	<b>2,561,895</b>	<b>193,792</b>

\* As noted on page 80, the Council has chosen to adopt both Infrastructure Asset overrides for 21/22 & 22/23.

**Note xii Investment Properties**

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

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
Rental and interest income from investment property	(16,636)	(22,353)
Expenses arising from investment property	10,385	18,980
Revaluation (gains)/losses	6,751	(6,784)
<b>Net (gain)/loss</b>	<b>500</b>	<b>(10,157)</b>

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

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
<b>Balance at start of the year</b>	287,075	241,660
Additions:		
• Purchases	931	37
Disposals	(1,175)	(1,080)
Net gains/losses from fair value adjustments	(10,427)	2,029
Transfers:		
• to/from Inventories		0
• to/from Property, Plant and Equipment	(34,742)	7,250
• to/from Assets Held for Sale	0	0
<b>Balance at end of the year</b>	<b>241,662</b>	<b>249,896</b>

**Note xiii**

Loans and Trading Balances with subsidiaries as at 31 March 2021 and 2023 are as follows:

	Loans		Debtors		Creditors	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
AECC	0	0	0	0	0	0
Bon Accord Care Ltd	0	0	44	25	0	0
Bon Accord Support Services Ltd	0	0	5,777	131	(6,824)	(1,032)
Sport Aberdeen	(4,380)	(3,915)	0	0	(91)	0
Common Good	(10,062)	(12,529)	0	0	0	0
Trust Funds	(4,743)	(5,230)	0	0	0	0
	<b>(19,185)</b>	<b>(21,674)</b>	<b>5,821</b>	<b>156</b>	<b>(6,915)</b>	<b>(1,032)</b>

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

The operating expenditure and income of the subsidiaries have been included within Operations, Customer, Commissioning, Resources, Integrated Joint Board/Social Work and Corporate.

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

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

<b>2021/22</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	72	858	(560)	298
<b>Associates Total</b>	<b>72</b>	<b>858</b>	<b>(560)</b>	<b>298</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	817	20,542	(1,035)	19,507
Integration Joint Board	(16,578)	25,696	0	25,696
<b>Joint Ventures Total</b>	<b>(15,761)</b>	<b>46,238</b>	<b>(1,035)</b>	<b>45,203</b>
<b>2022/23</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Share of Total Assets £'000</b>	<b>Share of Total Liabilities £'000</b>	<b>Share of Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	(14)	773	(461)	312
<b>Associates Total</b>	<b>2</b>	<b>828</b>	<b>(2,131)</b>	<b>(1,303)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	431	19,845	(978)	18,868
Integration Joint Board	12,140	13,555	0	13,555
<b>Joint Ventures Total</b>	<b>(7,045)</b>	<b>30,900</b>	<b>(5,438)</b>	<b>25,462</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 £7.069m (2021/22, £533k surplus).

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. In 2022/23 BASS realised a gain of £0.268 million while BAC realised a gain of £31.12 million.

**Joint Ventures**

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

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result, ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year 2021/22 was £0.093million (2020/21 £0.098 million).

**Associates**

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

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

	2020/21 £000	2021/22 £000
<b>Grampian Valuation Joint Board</b>	37	2

**Note xvii Net Pension Liabilities**

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

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
ACC	(118,419)	(363,730)
<b><u>Share of Associates</u></b>		
Grampian Valuation Joint Board	(196)	(196)
<b>Total</b>	<b>(118,615)</b>	<b>(363,926)</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 2021/22.*

**PWLB:** *Public Works Loans Board, a government agency that provides loans to the Council.*

**IFRS:** *International Financial Reporting Standards.*

**IAS:** *International Accounting Standard.*

**OSCR:** *Office of the Scottish Charity Regulator*