



# Annual Accounts 2022/23

For the Year to 31 March 2023



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## Management Commentary

The Management Commentary outlines the key messages regarding the performance of the Council over the 2022/23 financial year, as well as providing an indication of the principal risks and uncertainties which may impact upon the Council in the future.

The financial statements for Aberdeenshire Council and its group for the year ended 31 March 2023 have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

## Our Place



Aberdeenshire covers a geographical area of 6,339 km<sup>2</sup> and is the 6<sup>th</sup> largest Scottish Council by population, serving a population of 262,690. Whilst Scotland's population rose by 0.3% in the period 2020 to 2021, in Aberdeenshire that increase was 0.7%, which included an increase of 1.1% in the 25 to 44 age group and 1.6% in the 65 to 74 age group.

The increasing population and changing age demographic will have an impact on services, making it more important than ever that the Council has the right people, in the right places doing the right things when it comes to the delivery of services.

\*population information taken from National Records of Scotland – latest Mid-Year Population Estimates for Scotland, 2021

## Our Council

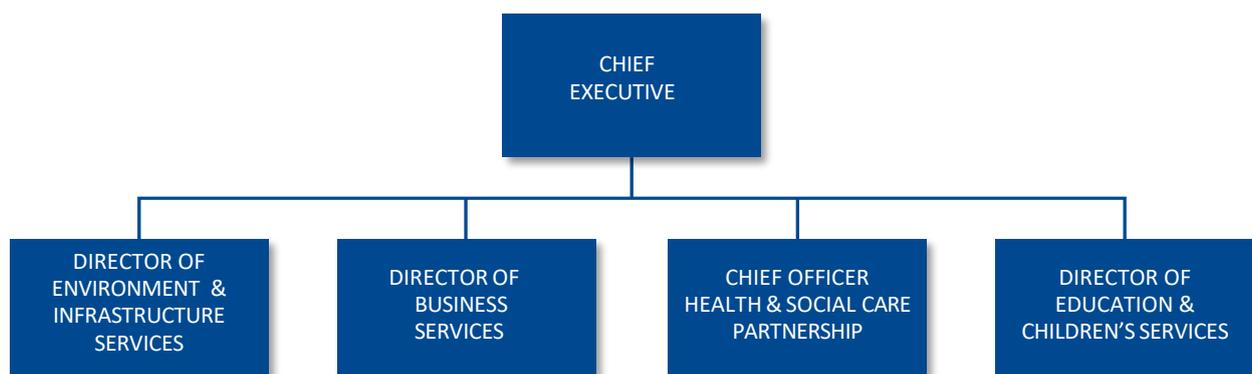
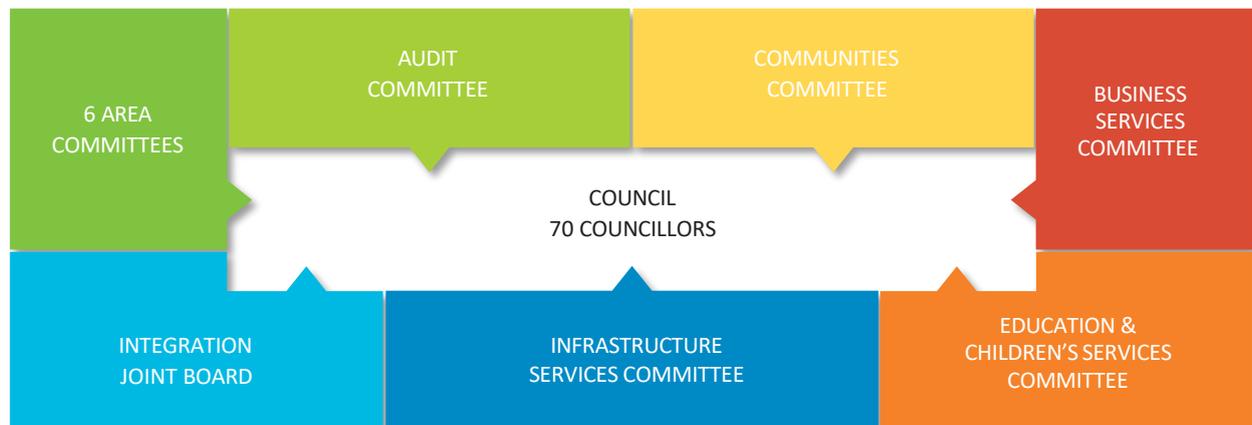
Aberdeenshire Council was constituted in 1996 under the Local Government (Scotland) Act 1994 bringing together the work of the previous regional Council and 3 district Councils.

Every day the Council delivers services to residents and businesses across Aberdeenshire. On any given day core business involves:

- Educating over 36,000 children across 88 nurseries, 149 primary schools, 17 secondary schools and 4 special schools
- Operating 36 community centres, 5 sports centres, 15 swimming pools, 11 museums, 1 aquarium, 1 outdoor centre, 2 ski centres, 9 all-weather pitches, 36 libraries and 19 halls
- Management, maintenance and allocation of 13,207 Council homes
- Waste collection and disposal for 122,600 households and 3,419 trade waste properties
- Operation of 15 household recycling centres and 12 seasonal garden waste points
- Maintaining over 6,425 acres of open space, in excess of 200 cemeteries, 37 beaches, 447 play parks and skate parks and 901 acres of woodland
- Maintenance and management of 5,640 kilometres of carriageways, 1,605 kilometres of footways, 1,308 highway bridges, 44,600 streetlights, almost 16,000 kilometres of watercourses, 200 kilometres of coastline and 7 harbours
- Supporting and caring for vulnerable adults and children and helping older people retain their independence through the running of 10 family resource centres, 3 children' homes, 8 older people care homes and 1,504 sheltered houses

The Council is structured into 4 Directorates and is led by the Chief Executive, Jim Savege, who is responsible for ensuring that the Council delivers high quality services.

The Integration Joint Board (IJB) is a joint board of Aberdeenshire Council and NHS Grampian and is responsible for the planning and operational oversight of the Aberdeenshire Health and Social Care integrated services. Through the Chief Officer, the Health and Social Care Partnership is responsible for the operation and management of those services delegated and managed by the Board.



## Strategic Plans and Priorities

Through the Council's Committee Structure, Elected Members are responsible for making strategic decisions and monitoring the service delivery and performance of the Council. The Council's Committee Structure, Agenda Documents and the recording of meetings are available to view on the [Council's Website](#).

Aberdeenshire Council approved a [Performance Management Framework](#) in June 2021 (updated in 2022) which sets out the performance management at Aberdeenshire. The [Council Plan 2022-2027](#) was agreed in November 2022 following the local elections in May 2022. The Plan and Strategic Priorities set out where we want to be as an organisation and how we will get there.

The Council Plan identifies our vision, core outcomes and key priorities and is centred around the three pillars of People, Environment and Economy. These pillars are supported by six strategic priorities as shown below:

PEOPLE	ENVIRONMENT	ECONOMY
<i>Learning for life</i>	<i>Resilient Communities</i>	<i>Economic Growth</i>
<i>Health &amp; Wellbeing</i>	<i>Climate Change</i>	<i>Infrastructure and Public Assets</i>

The Council Plan also sets out the Key Measures which will demonstrate how we are delivering our priorities. Each service has developed their own Business Plan setting out their priorities and identifying key measures of performance that will help them to evidence how they meet their objectives. The performance indicators in these plans are also used to evidence how the Council is meeting the strategic priorities identified in the Council Plan. These will be reported to Policy Committees annually, which commenced in May 2023. Performance updates have and will be provided 6 monthly to Policy Committees and comprise a selection of performance indicators and the Key Measures from each Directorate.

Our [Strategic Assessment](#) is a high level, succinct statistical report summarising a select number of Aberdeenshire-specific themes. It draws on various national and local data sources.

Our strategic priorities reflect the challenges being faced by the Council and inform and align with our Medium Term Financial Strategy in order to address what we know will be a significant financial shortfall. We will make the most of opportunities to work with partners, drive efficiencies through all areas of the Council and ensure we are agile and responsive to the needs of our communities. We will continue to invest in our workforce so they are capable, skilled and adaptable.

## Sustainability and Climate Change

The [Carbon Budget 2022-23](#) was agreed by Aberdeenshire Council on 9 March 2022 (item 7). The budget contained a list of projects across each of the 4 Directorates which already had funding identified for progressing. On 17 May 2023 the Sustainability Committee were presented with the final update on the progress of the Carbon Budget 2022/23 ([item 6](#)). The report detailed that the target set is unlikely to have been met due to challenges which have delayed projects from starting at the anticipated time (mainly internal resource and supply chain issues). Some have been revised or rolled into 2023/24.

The Council also approved its [Route Map to 2030 and Beyond](#) on 29 September 2022 (item 14) and [Carbon Budget 2023-24](#) on 9 March 2023 (item 5). A progress update on the Route Map to 2030 and Beyond went to Sustainability Committee on 23 February 2023 ([item 6](#)).

## 2022/23 in review

This year, like previous years, we are still recovering from the impact of the global Covid-19 pandemic, as well as a global security crisis following Russia's war against Ukraine, which has had a large impact driving a cost-of-living crisis and rising energy costs. Severe weather, which has been experienced many times in recent years, also presented challenges, as well as school strikes nationally.

However, Aberdeenshire Council continued to provide essential services to its residents throughout and maintained appropriate governance arrangements. Aberdeenshire also played host to several events throughout the year and dealt with the many challenges faced.

### Business Services

It has been a very busy and diverse year for Business Services. Significant progress has been made towards the delivery of the 5 year Digital Strategy. We are starting to see the benefits of optimising our digital technology to improve our business, enable economic growth, and support our residents, with further potential being explored.

Our Property and Facilities Management service has continued to manage a significant number of capital projects including new build housing, lifecycle maintenance, building upgrades and carbon reduction projects. This included £34m of component upgrades on the Housing Improvement Plan, the procurement of a 5 year Hard FM contract delivering essential repairs and maintenance to Council properties and the design and implementation of a Minor Works Framework utilising local contractors to support the development of a local supply chain.

The Finance service has also continued to administer the distribution of support to individuals impacted by the cost-of-living crisis on behalf of the Scottish Government including the award of 65,758 Cost of Living Payments totalling £9.863m as part of the Council Tax annual billing for 2022/23.

### Education and Childrens Services

One of the notable challenges we faced during the last year was dealing with the legacy of the Covid-19 pandemic. Within our schools, we successfully navigated the return to exams and engaged in the return to in school inspections to ensure the quality of education and support for our students. This required concerted efforts from our staff, who adapted swiftly to these changes.

Our Childrens services in Aberdeenshire underwent a comprehensive Inspection by the Care Inspectorate, which assessed the impact of our efforts on the lives of children and young people, with our services being rated as 'Very Good,' indicating major strengths in our practices and service delivery. This recognition is a testament to the dedication and commitment of our staff, who have consistently strived to make a positive difference in the lives of children and young people within our community.

### Environment and Infrastructure

The increase in the number of planning applications submitted to the Council in 2022/23 demonstrates the strength of confidence in the Aberdeenshire economy which translates to enhanced economic activity, job creation and supply chain development. Furthermore, increased planning application numbers lead to the delivery of high quality energy efficient housing, new schools, health care facilities and other forms of infrastructure that create safe, connected, sustainable, inclusive, and economically prosperous places that meet the needs of our communities and safeguarding our unique natural and historic environments.

A colder than average winter, around 1.8 degrees, led to more pre-gritting operations than was anticipated. This consumed considerably more resources than normal in terms of salt usage and deployment of personnel out of hours and over weekends. Sustained freeze/thaw pattern across the winter months has resulted in increased damage to the road surface, which has added to the backlog of surface defects such as crazing and potholes.

## Health and Social Care

This year has presented significant challenges for Health and Social Care Services not only in Aberdeenshire but throughout Scotland. Staff Recruitment and Retention continues to challenge the sector.

In December 2022, the AHSCP approved a new Strategic Delivery Plan, outlining the strategic priorities from 2022 to 2025. Acknowledging the ongoing pressures stemming from high service demand, the increasing complexity of care and support required by individuals, and challenges faced across the partnership, such as building suitability issues, recruitment, and staff retention. As a result, the Partnership are prioritising workstreams within the plan based on team capacity to effectively progress them.

Despite the obstacles encountered, the partnership remains steadfast in its commitment to deliver the highest quality services to those in need within Aberdeenshire and are actively working to address the capacity challenges and explore innovative solutions to ensure the sustainability and effectiveness of its operations.

## Community Resilience

In 2021/22 Aberdeenshire witnessed the devastating effects of storm Arwen, which had a significant impact on the communities within Aberdeenshire. In the face of adversity, we witnessed the remarkable resilience and strength of these communities as they rallied together to provide crucial support to those in need. The response from residents, and organisations was nothing short of extraordinary, and their collective efforts were pivotal in helping individuals and families cope with the aftermath of the storm.

Recognising the wealth of support and resources present within these communities, we made it a priority to extend our assistance beyond our immediate remit. Our Risk and Resilience team within Business Services actively engaged with the wider communities, offering support and expertise to help them develop their resilience plans in response to the significant impact of storm Arwen. We understand the importance of collaboration and solidarity during times of crisis, and our efforts were aimed at ensuring a coordinated response and recovery effort across Aberdeenshire.

## Key Events

### Her Majesty The Queen



It is fitting that Her Majesty The Queen spent her final days on the Balmoral Estate, somewhere which was so special to her.

The Royal Cortege travelled from Balmoral, via Aberdeen and Dundee, to Edinburgh on 11 September 2022.

Aberdeenshire Council were privileged to be able to support the thousands of people who came to the area to bid farewell to Her Majesty and pay their respects.

### Levelling up fund

Aberdeenshire Council's £20m bid to the UK Government's Levelling Up Fund for the Banff and Buchan constituency was successful. The bid is called Cultural Tides: North Sea Connections in Aberdeenshire and focuses on the renovation and extension of Macduff Marine Aquarium and the development of a cultural quarter in Peterhead.

### Tour of Britain

Following months of preparation and coming hot on the heels of the North East hosting the finish of the race back in 2021, some of the best pro cyclists took to the roads of Aberdeen and Aberdeenshire for the start of the 2022 event in September, considered by many to be the ultimate in UK cycle racing.



### Cost of Living Crisis

With the rise in the cost of living, it has been a challenging time. Aberdeenshire Council have provided different types of support, from government financial help to local services and advice.

One of the many ways to help was to send out Aberdeenshire gift cards worth £100 to over 11,000 eligible households across the region. The cards are to support both residents struggling with the cost-of-living crisis and local businesses in the recovery from the pandemic and beyond.

The Council allocated £1.3m towards the gift cards, with the funding coming from the Scottish Government's Local Authority COVID Economic Recovery Fund (LACER).

## Financial Performance

Our Medium Term Financial Strategy (MTFS) supports the delivery of the Council Plan and associated priorities by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council. In doing so, it incorporates all revenue and capital funding and use of reserves. As part of the MTFS, the Council set its budget for 2022/23 on [9 March 2022](#) (item 4) with a funding gap being met through a range of budget savings, use of Reserves and a 3% increase in [Council Tax](#).

The financial performance monitoring process reporting to Policy Committees and then to Council is an integral part of the Medium Term Financial Strategy. It compares the assumptions that were used to develop the budget to the actual expenditure incurred or income received, allowing for the identification of areas where the assumptions used to set the budget differ from the reality. It allows the monitoring and reporting of risks that may have crystallised during the year, which, in turn helps inform the following years budget setting process.

### General Fund Revenue

The General Fund sets out the cost of running the day-to-day services (excluding Council housing) and shows where the money comes from to fund these costs.

The Revenue Budget for 2022/23 was set at £661.563m which included £11.603m of savings and efficiencies and a net transfer from Reserves of £4.569m.

The Council continued to show strong financial management during 2022/23 reflecting an over budget position of £729,000. This equates to 0.11% of the Revenue Expenditure Budget. This was despite the many challenges faced during the year, including the volatile economic situation resulting in high energy prices and consistently high inflation, together with rising interest rates and pay award increases.

The impact of the Covid-19 pandemic also continued to have an impact during 2022/23 in relation to resident behaviours and habits. This has been particularly prevalent within our Live Life Aberdeenshire and out of school care facilities which have continued to see reduced income as we see changes in demand post-covid.

The Council has also been required to provide Ukraine refugee support and resettlement, for which 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.

Income and expenditure incurred by the Council associated with the General Fund is recorded through the Comprehensive Income and Expenditure Statement (CIES) in the Accounts. The income and expenditure detailed in the CIES differs from the financial performance information reported to Committees during the year due to accounting adjustments that are required for the Accounts to be presented in accordance with the CIPFA Code of Practice on Local Authority accounting. These accounting adjustments totalled £70.629m, as shown in the table below, relate mainly to capital and pension adjustments required to show the true value of the Council's assets and liabilities.

Details of the accounting adjustments can be found in the note to the [EFA](#).

2022/23	General Fund Outturn					Annual Accounts	
	Approved Budget £'000	In year Budget Movements £'000	Revised Budget £'000	Actual Net Expenditure £'000	Variance £'000	Accounting Adjustments £'000	Net Expenditure per the Annual Accounts £'000
Business Services	44,455	2,657	47,112	47,486	374	11,637	59,123
Communities	154,721	9,774	164,495	168,018	3,523	16,920	184,938
Education & Children's Services	371,315	16,840	388,155	388,963	808	(8,503)	380,460
Infrastructure Services	60,129	4,083	64,212	70,622	6,410	38,185	108,807
Housing Revenue Account	-	-	-	17	17	15,601	15,618
Exceptional Items	-	-	-	(4,166)	(4,166)	-	(4,166)
<b>Net Cost of Services</b>	<b>630,620</b>	<b>33,354</b>	<b>663,974</b>	<b>670,940</b>	<b>6,966</b>	<b>73,840</b>	<b>744,780</b>
Other Income and Expenditure	(626,051)	(32,700)	(658,751)	(664,839)	(6,088)	(8,583)	(673,422)
Transfers to/from Reserves	(4,569)	(654)	(5,223)	(5,372)	(149)	5,372	-
<b>Deficit on Provision of Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>729</b>	<b>70,629</b>	<b>71,358</b>

## Housing Revenue Account

The Council owns or leases 13,207 housing properties. The income and expenditure associated with the management of these properties is reflected in the Housing Revenue Account (HRA), a statutory account that the Council must maintain separate to the General Fund. All expenditure incurred, and tenant rents and service charges income received in the provision of rented accommodation must be retained in the HRA. This income must be sufficient to cover the expenditure on the HRA.

The HRA budget was set on [23 February 2022](#) (item 5) at £67.973m. At the end of the financial year a break-even position was achieved. Despite Rent Collection rates falling from 99.55% in 2021/22 to 99.17% in 2022/23, Aberdeenshire's collection rates remained higher than the Scottish Local Authorities average of 98.67% (based on 2021/22 figures). Similarly, overall arrears performance remains relatively strong with Gross arrears equal to 5.42% of our total rent due in 2022/23. Whilst this is an increase compared to the 4.98% reported in 2021/22, it is substantially less than the Scottish Local Authorities average of 7.89% in 2021/22 and Aberdeenshire remains one of the strongest performers amongst Scottish Local Authorities on this measure.

## Council Reserves

The Council maintains two types of reserves – usable and unusable. Usable reserves result from the Council's activities and are available to support service spending in the future, whereas unusable reserves result from accounting adjustments and are not available for general use. The movement in these reserves are shown in the [Movement in Reserves Statement](#) and details of individual reserves are found in Notes [1](#), [7](#) and [28](#).

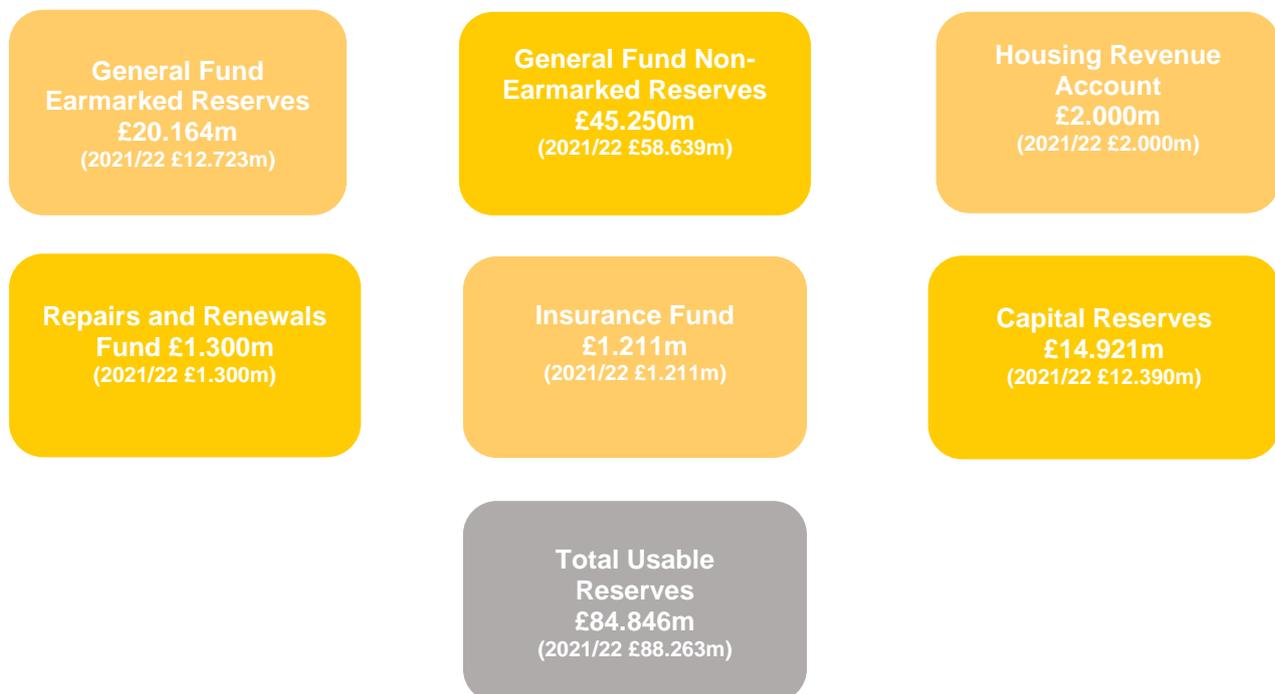
The Council's main usable reserves are the General Fund and Earmarked Reserves. Council agreed to maintain a working balance of £11m, £9m for General Fund and £2m for Housing Revenue Account. This is required to help cushion the impact of uneven cash flows, as a contingency to help with unexpected events or liabilities.

Funds are also held for earmarked purposes to meet known or predicted liabilities. This includes grant funding which has been received but not yet spent or funding which we are required to hold to fulfil our statutory obligations. These include Council Tax collected on Second Homes, Resettlement Funding for Refugees and unspent devolved school budgets carried forward. Other earmarked balances include funds set aside to further the Council's Digital Strategy and support communities in tackling poverty and inequalities.

The movements in reserves are reported to Council on a quarterly basis and the reserves are reviewed annually as part of the Medium Term Financial Strategy.

The Council ended the previous financial year with £71.362m in usable general fund reserves. Council agreed to utilise £4.569m of reserves to balance the 2022/23 budget, leaving a balance of £66.793m at 1 April 2022. This balance had reduced to £65.414 by 31 March 2023 with more detail being provided in [Note 7](#).

Total usable reserves, which reduced from £88.263m at the end of 2021/22 to £84.846m by 31 March 2023 are as follows:



## General Fund Capital Expenditure

Capital expenditure differs to revenue expenditure in that rather than being day-to-day expenditure on delivering services, it is expenditure incurred on acquiring or improving existing assets such as buildings or roads.

The Council's capital investment plan considers the capital investment requirements to deliver the Council's priorities against the affordability within the overall MTFS. The effective use of capital resources, including asset management, is fundamental to the Council achieving its medium and long-term strategic objectives. The Council has a large capital plan with planned expenditure running through to 2037 at the time the 2022/23 budget was approved.

The [Capital Budget](#) for 2022/23 was set at £136.063m. Council agreed to reprofile £4.955m between financial years; to include £37,000 for new projects; and to add in £5.922m of new grant funded projects which took the revised budget to £146.977m. In 2022/23 the Council spent £84.439m on Capital projects, this was £62.538m below the revised budgeted position or 43% lower than had been planned.

The lower than planned spend extended across many projects within the capital plan arising from supply chain challenges around shortages of labour, product, and raw materials. The inherent complexities and risks associated with capital projects often leads to unforeseen challenges that can affect their timelines.

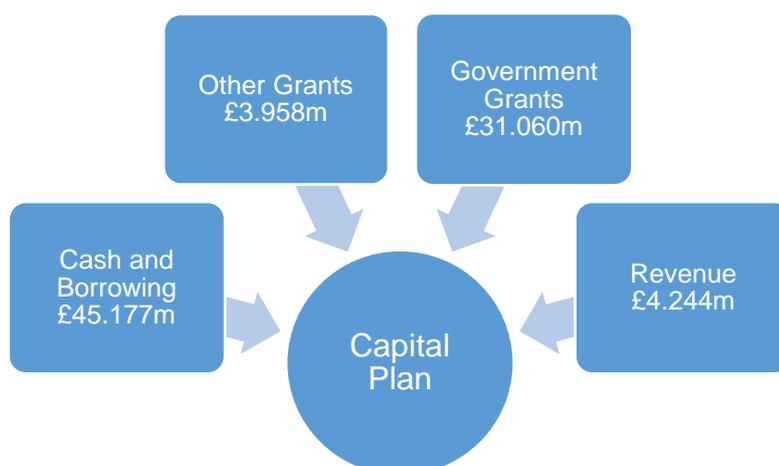
The projects that were not achieved in 2022/23 may impact on the agreed 2023/24 programme, and it may be necessary to re-prioritise projects in 2023/24 to ensure that the plan remains affordable and within the overall capital plan financial envelope.

### Funding of the Capital Plan

The General Fund Capital Plan is funded by a combination of General Capital Grant from Scottish Government, Capital Receipts and Borrowing, shown in the diagram below.

£45.177m of the 2022/23 general fund capital expenditure was funded from borrowing. The Council's [Treasury Management Strategy Statement and Annual Investment Strategy](#) was approved by Council in March 2022 (item 8) setting out details of the Council's borrowing, treasury management and loans fund.

The Council is also required to review the performance of the Treasury Management Strategy at least twice per year. The review was reported to Business Services Committee on [17 November 2022](#) (item 7).



Despite the challenges faced during the year, the following projects were progressed:

Energy from Waste £7.068m



Vehicle Purchases £3.874m



Roads Resurfacing/Reconstruction £11.871m

Lifecycle Maintenance £4.477m



School Upgrades £2.641m



- ✓ **The Energy from Waste** plant being constructed in partnership with Aberdeen City and Moray Councils will be capable of processing 150,000 tonnes of waste annually to generate electricity.
- ✓ **School Upgrades** included lighting upgrades at Mintlaw Academy and Southpark School, toilet upgrades at Inverallochy School, Aboyne School and Gordon School.
- ✓ **Asset improvements** under the Council's Lifecycle Maintenance programme included works carried out on the air handling unit at Woodhill House, boiler upgrades at Bracoden School, Cultercullen School and Udney Green School. Window upgrades were also carried out at Banchory Devenick School, Stuartfield School and Arduthie School.

Capital Projects completed this year include:

- ✓ **Fraserburgh Public Realm Improvement Scheme** - works undertaken at Glover Gardens, Kirk Brae and the Glover Sculpture were all completed with part funding from the Scottish Government Town Centre and Place Based Investment schemes.
- ✓ **Banchory Academy and Mintlaw Academy** – home economic refurbishments were carried out at both secondary schools during the course of the financial year.
- ✓ **Inverurie Community Campus** – creation of a multi-use games area (MUGA) and two all-weather pitches.
- ✓ **Kellands School** – works were undertaken to complete phase 2 of the internal refurbishments of classrooms and the creation of a multi-use games area (MUGA).

### HRA Capital Expenditure

The HRA Capital Budget was set on [23 February 2022](#) (item 6) at £84.664m. Council agreed to carry forward £879,000 from 2021/22, and also approved additional budget of £530,000, taking the revised HRA capital budget to £86.073m. The actual expenditure incurred during the year was £67.388m or £18.685m lower than budget. As with the General Fund capital programme, the HRA programme was also impacted by the ongoing shortage of labour, supply chain challenges, raw material availability and pricing. The lower than planned spend in 2022/23 will be reprofiled for use in future years, with projects undertaken later than planned having a cumulative effect for resources budgeted in the later years.

Projects with the largest capital spend were:

New Build Programme £18.722m



Housing Improvement Plan (HIP) £34.294m

Internal Net Zero Programme £3.915m

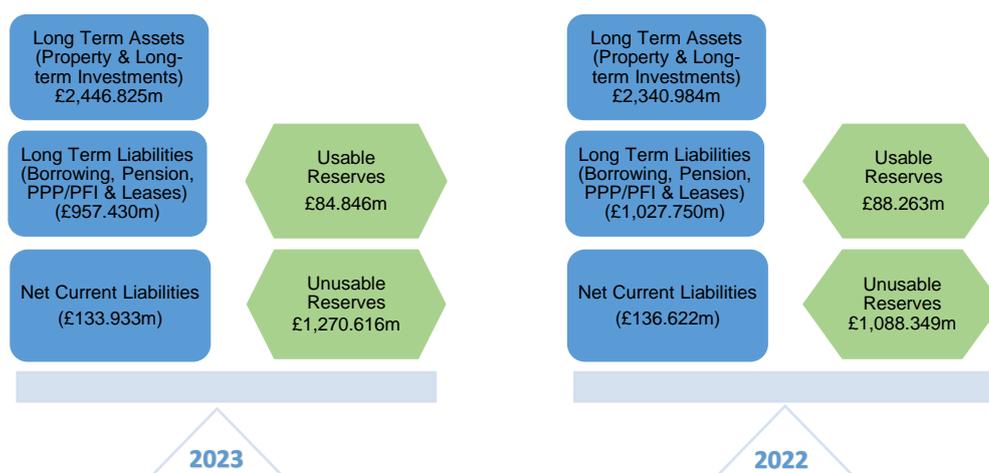


- ✓ **941 photovoltaic systems** installed
- ✓ **397 bathroom upgrades** completed
- ✓ **503 kitchen upgrades** completed
- ✓ **481 heating systems** upgraded
- ✓ **443 window upgrades** completed

## Balance Sheet Assets and Liabilities

The Balance Sheet records our assets (such as property, vehicles, investments, and cash) and liabilities (such as creditors, borrowing, pensions and PPP/PFI commitments) and is a snapshot of our financial position. The diagram below summarises the position as at 31 March 2023, with comparative information provided for the previous financial year.

The Council's assets and liabilities are funded by an equivalent level of Reserves. Usable Reserves are those which the Council can use to support service delivery through its Revenue and Capital budgets. Unusable reserves relate to revaluation movements or hold adjustments to reconcile accounting and statutory requirements. These reserves are not available to fund the day-to-day running expenses of the Council.



In financial terms, Aberdeenshire remains in good health with a net worth of £1,355.462m (£1,176.612m in 2021/22). The movement between years is an overall increase in the net asset position of £178.850m

- **Long Term Assets increased by £105.841m**

This increase was due to additions and revaluations of the property, plant and equipment held.

- **Liabilities decreased by £73.009m**

Short term borrowing was reduced by £45.068m to mitigate the impact of expected interest rate rises and was replaced by long term borrowing. The additional long term borrowing of £79.740m was undertaken to meet our overall planned borrowing requirements and reduce the temporary borrowing arrangements.

There was a reduction in the Council's Public Private Partnership (PPP) / Private Finance Initiative (PFI) liability of £6.216m because of payments made during the financial year and a decrease in Pension Fund liability of £145.046m, reducing the Local Government element from a deficit fund balance to a nil balance. This is the lower of the surplus in the defined benefit plan and the asset ceiling, which has been adjusted in accordance IAS19 and IFRIC 14. The Teachers element of the Pension Fund remains as the Pension Liability.

In addition to the above, there are also significant movements in Short Term Creditors, increasing by £25.374m, an increase in Short Term Debtors of £10.315m and a reduction in Cash and Cash Equivalents of £29.354m. More detail on Creditors can be found on [Note 25](#), Debtors on [Note 23](#) and Cash and Cash Equivalents on the [Cash Flow Statement](#).

## Group Accounts

The Council has the requirement to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality.

In line with accounting regulations, the following entities have been consolidated in to the group accounts for 2022/23.

### Integration Joint Board (IJB)

Aberdeenshire Council has a material interest in the Integration Joint Board which is a partnership agreement between the council and NHS Grampian to provide adult health and social care services within Aberdeenshire.

The reserves held by the IJB are £16.929m (£44.862m in 2021/22), a decrease of £27.933m compared to 2021/22, largely due to the covid reserve being reduced by £14.731m as a result of spend in year and the balance being returned to Scottish Government. The IJB used £6.396m of general reserve to fund an overspend position. £2.084m was in social care mainly due to the cost of increased care packages and £4.312m in health, in part due to an increase in prescription charges and the use of locums within GP practices.

### Create Homes Aberdeenshire LLP

Create Homes is a Limited Liability Partnership (LLP) between Aberdeenshire Council and Scottish Futures Trust Investments Limited which provides mid-market rentals. Create Homes is deemed a Subsidiary of Aberdeenshire.

## Trusts and Endowments

The Council administers 359 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet and a summary of the balances of the Trusts at 31 March 2023 can be found on pages [123-124](#).

## Common Good

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs. More details can be found on pages [125-126](#).

The impact of the consolidation for the above entities can be found in the Group Accounts and Notes found in pages [127-134](#) of this document

## Performance Management

Each year the Council publishes an annual performance report providing a review of progress delivering the priority outcomes and overall performance improvement including performance based on statutory indicators. The review of progress also reflects the outcomes of external scrutiny, self-evaluation and customer feedback.

The [Aberdeenshire Council Annual Performance Report 2022 - 2023](#) consolidates and summarises our service performance over the year to support our public performance reporting arrangements.

### Comparing Our Performance

The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish Councils perform in delivering services to local communities. The framework covers most major areas of public service delivery in Scotland and includes information about the cost of services, what outcomes are being achieved and how satisfied residents are with services.

The latest LGBF data available (2021/22) was published in March 2023 and helps Councils compare their performance against a set of efficiency, output and outcomes indicators that cover a range of service areas of local government activity. LGBF National Benchmarking Overview Report 2021/22 may be accessed [here](#).

A snapshot of some of the Council's Performance Indicators for 2021/22 are provided below:

Category	Performance Indicator	Aberdeen shire	Scottish Average	Rank in Scotland
Adult Social Care Services	% of people 65+ with long-term care needs received personal care at home	58.8%	61.9%	24th
Adult Social Care Services	Rate of readmission to hospital within 28 days per 1,000 discharges	106.4	109.6	15th
Children's Services	% of Pupils Gaining 5+ Awards at Level 5	73%	69%	9th
Children's Services	% of P1, P4 and P7 pupils achieving expected CfE Level in Numeracy	77.3%	77.9%	16th
Corporate Services	Proportion of the highest paid 5% of employees who are women	70.5%	59.0%	1st
Corporate Services	Percentage of invoices sampled that were paid within 30 days	94.1%	92.2%	11th
Economic Development	Percentage of Unemployed People Assisted into work from Council Programmes	7.2%	19.6%	29th
Economic Development	Proportion of procurement spent on local enterprises	24.5%	29.9%	17th
Environmental Services	Street Cleanliness Score	98.1%	89.7%	1st
Environmental Services	Proportion of total household waste arising that is recycled	41.1%	42.7%	21st
Housing Services	Gross rent arrears (all tenants) as percentage of rent due for the year	5.0%	8.7%	4th
Housing Services	Proportion of Council dwellings meeting Scottish Housing Quality Standards	67.7%	69.7%	15th
Tackling Climate Change	CO2 emissions area wide per capita	5.22	4.62	24th
Tackling Climate Change	CO2 emissions area wide: emissions within scope of LA per capita	5.17	4.09	25th
Culture & Leisure Services	Cost of Parks & Open Spaces per 1,000 Population	£19,600	£20,298	17th
Culture & Leisure Services	Proportion of adults satisfied with leisure facilities	71.6%	71.8%	20th

## Financial Performance Indicators

The following financial indicators are designed to assist the reader to assess the performance of the Council over the financial year.

Performance Indicator	Commentary	2021-22	2022-23
<b>Council Tax</b>			
Council Tax funding to overall level of taxation and non-specific grant funding	Reflection of the Council's capacity to vary expenditure by raising Council Tax income. For 2022/23 the Council Tax rate was increased by 3%.	22.11%	22.31%
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt.	96.55%	96.92%
<b>Reserves</b>			
Uncommitted General Fund Balance as a percentage of the Council's annual budgeted revenue	Reflects the Uncommitted General Fund Balance and is linked to the actual outturn as a percentage of budgeted expenditure indicator below.	1.38%	1.25%
Total usable Reserves as a percentage of the Council's annual budgeted revenue	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is to hold £9m in the General Fund Working Balance, with any use of this reserve being replenished in the following year.	14.13%	12.83%
<b>Financial Management</b>			
Actual revenue outturn as a percentage of budgeted expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The Council continues to stay largely within budget overall which ensures that services are being delivered within the resources available.	100.06%	100.10%
Percentage of invoices paid within 30 days	Indicates how timeous the Council is in meeting its commitment to pay its suppliers within 30 days of receiving invoices.	94.10%	91.53%

These indicators reflect a generally consistent position for 2022/23 compared to 2021/22. Of particular note is that the Council Tax collection rate remained high in 2022/23 due to accurate and timely billing, and the continued regular payments by most Aberdeenshire residents, an effective recovery timetable, early intervention for payments defaulted on, different payment methods and instalment plans and managing the Sheriff Officer. Budget holders continue to demonstrate good budget management and cost control, with the final outturn being a break-even position.

## Our Plans for the Future – Principal Risks and Uncertainties

The Council's [Risk Management Policy](#) was approved by Business Services Committee on 6 January 2022 (item 6). On 2 March 2023 Business Services Committee approved the Council's [Risk Appetite Statement](#). The Council's approach to risk management was the subject of scrutiny by the Council's Internal Audit Team and the resulting report was presented to Audit Committee on [22 March 2023](#).

As part of the Risk Management Policy, there is a requirement for the Council to maintain Corporate, Directorate and Service Risk Registers. The [Risk Registers](#) can be viewed on the Council website.

There is also a Budget Risk Register, developed as part of the [Medium Term Financial Strategy and Budget Setting](#) report approved by Council on 9 March 2023 (item 4), which identifies risks that may have an impact on the Council's financial sustainability over the Medium Term.

The Table below shows some of the Council wide risks considered to have a potentially large impact on the Council's financial sustainability in 2023/24 and the mitigations in place to reduce those risks.

<b>Risk Type</b>	<b>Threat to achievement of objectives</b>	<b>Potential Consequences of Risk</b>	<b>Controls/Mitigations in place</b>
Pay Award - Local Government	Pay Awards being agreed in excess of those assumed in the budget; The SJC pay award for 23/24 has been agreed at an hourly rate increase of £1 or a 5.5% uplift, whichever is greater. This is above the 3% included in the budget assumptions. Based on this there is a continued risk that future pay awards could be agreed at above 3%	The Pay Award Reserve will be exhausted in 2023/24. Future Budget pressures will be required to be met through service savings and/or efficiencies. Unfunded future uplifts will impact the cost of delivering our services.	For 23/24 £4.6m has been set aside in a Local Government Pay Award Reserve to ensure funding available for a pay award 2.5% above budget. This will be fully utilised with additional funding expected to cover. The base budget for 2024/25 assumes a 3% uplift. Any unfunded additional award will need to be covered by Transformational savings and efficiencies. The creation of a further Pay Award Reserve will be considered as part of the Medium Term Financial Strategy.
Energy Prices	The impact of the conflict against Ukraine on rising gas and electricity prices	Budget pressure on energy budgets across the Council	Forward procurement pricing to be carried out along with regular monitoring by the Energy Management Team, with an additional £5.5m built in to the 23/24 budget. 17% Electricity, 10% Gas, 3% other energy built into future years
Inflation	Rising general inflation in the UK Economy	Increase in cost of supplies and services and capital programme. Particular risk for contracts linked to RPI	Financial Monitoring throughout the year to identify where spend is required to be reduced; Creation of Risk Reserve to draw down against inflationary pressures
Cost of Living	Impact of cost-of-living crisis on residents' behaviours and spending habits; Potential reduced numbers utilising LLA facilities; Residents struggling to pay for services	Potential reduction to income for Council services due to less usage and/or increase in bad debts. Increase in demand for support services/crisis and welfare grants	
Weather	Risk of further storms and flooding	Additional revenue and capital costs associated with responses to these events	Bellwin Scheme is available for costs exceeding £1.263m threshold. Insurance in place; preventative measures taken by services and communities

## The Future

### External Influences

The United Kingdom economy and public finances are still recovering from the impact of the global Covid-19 pandemic. On top of this, additional pressures have been enforced by a worldwide security crisis following Russia's war against Ukraine, which has driven a global cost-of-living crisis and rising energy costs. There is volatility in our supply chains and increasing costs of fuel, food and supplies.

Inflation peaked at 11.1% in October 2022 and remained high at the end of the financial year. The Bank of England have responded to this by increasing interest rates several times in the last 12 months, with the latest increase to 5.25% in August 2023, which is impacting on our cost of borrowing and ability to fund our Capital Programme.

Rising inflation has fed the cost-of-living crisis which has increased the demands for higher pay to our staff to ensure they receive a fair pay award. With restricted funding from Scottish Government, increases to pay costs will put additional pressures on the Council's resources and ability to deliver services.

Severe weather resulting in storms and flooding have become increasingly common in recent years presenting a risk that the Council incurs further significant levels of expenditure in response to protecting our communities.

These pressures are all within the context of reducing annual finance settlements from Scottish Government.

### Financial Sustainability

Aberdeenshire Council's latest Medium Term Financial Strategy (MTFS) was approved at Council on 9 March 2023. The MTFS is a strategic document that sets out the financial resources available to support the delivery of the Council Plan and associated priorities over the medium term and the financial challenges facing the Council in terms of future funding gaps.

The MTFS provides the link between the Council's medium term priorities and its financial capacity which effectively asks the question "can the strategic objectives be achieved within the available financial envelope?" It includes the consideration of a broad range of factors that influence the Council's long-term financial sustainability.

As a local authority, we are legally obliged to set a balanced budget each year and to ensure we have enough reserves to cover any unexpected events. Therefore, the Council's spending plans must be affordable by matching them to the estimated funding available over that time. The 'funding gap' is a combination of the Council's best estimate of the budget needed to meet the scope and standard of services, policy decisions made by the Council, alongside rising cost pressures and demands for services and anticipated income.

Aberdeenshire Council, like all Councils across Scotland, is facing unprecedented financial challenges. At the start of 2022/23, a budget gap was predicted for 2023/24 of £21m. Throughout the year, this rose dramatically to an increased pressure of £66m due to all the external challenges set out above which were outwith our control. This was managed down to enable a balanced position going in to 2023/24 through the acceptance of risks and the expectation that some of the inflationary predictions would reduce through 2023/24, together with an £18m savings programme.

Despite approving a balanced budget for 2023/24, the funding gap for the following years through to 2028 is currently £91.778m. To ensure a balanced budget can be achieved for future years, the Council is embarking on an ambitious programme of Transformation and service and budget review.

The budget report presented to Council included a detailed risk register, setting out the mitigating actions that could be taken to minimise the impact, in the event that the risks came to pass. Rising costs, coupled with increased demand on local services, has created a perfect storm. Local Government must find a way to respond to reducing financial settlements in real terms from Government, whilst meeting the needs and expectations of local communities.

Budget cuts across other areas of the public sector will have a negative impact on the Council and the Health and Social Care Partnership. Councils often act as a safety net when people hit crisis point, and more people are reaching this point due to cuts to other sector budgets.

The Capital Plan also has an ongoing impact, particularly regarding the level of borrowing required to support capital investments which presents a continued challenge to the Council's financial sustainability. The repayment of borrowing used to fund capital expenditure incurred today, creates a future revenue budget commitment over the entirety of the anticipated life span of the new asset. For long life assets such as schools or similar assets, the repayment of borrowing for these projects will create a revenue budget commitment for up to 50 years.

Therefore, in setting the revenue budget the Council must consider the revenue implications of the Capital Plan for current and future years and balance this against ensuring sufficient capital investment to deliver the Council's priorities and the Council Plan.

## Transformation and Savings

A key part of our journey to close the future budget gap, will be a major transformation programme that will be developed in the year ahead, looking at fundamentally reshaping our organisation through our approach to transport, education, sports, and leisure and by further investing in digital improvements. This will be informed and underpinned by our Place Strategy which will help us to determine how we deliver services within locations throughout Aberdeenshire, by ensuring that we make better use of our assets, closer working with partners and agencies to bring about a joining up of all services at a local level.

As a result of a change in the treatment of the Council's Public Private Partnership (PPP) / Private Finance Initiative (PFI) service concession arrangements, £37m has been identified to support the transformation programme. This is on the basis that the transformation projects must achieve savings which exceed the original investment, in order to cover future repayments and deliver additional savings to support the Council's MTFs. The emerging programme will see the organisation identify key projects and programmes which will deliver savings supported by robust engagement and strong governance.

## Acknowledgements

Thanks must go to all the elected members, officers, and employees of the Council for their support and co-operation during the year and for their continued support going forward.

The accounts were completed by the statutory deadline of 30 June, thanks to all Council Officers who made this possible. Special thanks must go to all the employees within the Finance Team who successfully completed the year end processes and consolidation whilst operating with a significant number of vacancies within the team.

Councillor Gillian Owen

Jim Savege

Mary Beattie

Leader of the Council

Chief Executive

Head of Finance

On Behalf of the Councillors and Strategic Leadership Team  
30 June 2023

## Statement of Responsibilities

### The Council's Responsibilities

#### The Council is required to:

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

Signed on behalf of Aberdeenshire Council

Councillor Gillian Owen  
Leader of the Council  
21 December 2023

### The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council's Annual Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Head of Finance has:

- 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 Code (in so far as it is compatible with legislation), except where stated in the policies and notes to the accounts.

The Head of Finance has also:

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

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

Mary Beattie, FCCA  
Head of Finance  
21 December 2023

## Annual Governance Statement

### Scope of Responsibility

Aberdeenshire Council has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately. The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure best value through continuous improvement in the performance of its functions and ensuring that in the [Public Sector Equality Duty](#) is discharged in the exercising of these functions. Elected Members and the Strategic Leadership Team are responsible in discharging those responsibilities for putting proper arrangements in place for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including risk management arrangements, all in line with statutory obligations under the [Equality Act 2010](#).

In discharging this overall responsibility, Aberdeenshire Council approved and adopted a [Code of Corporate Governance](#) (the Local Code) which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government". The Council revised its Code of Governance (the Local Code) in 2020 to ensure it is fit for purpose. The revision has been developed based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

This assurance statement relates to the governance framework in place within the Council for the year ended 31 March 2023 and up to the date of signature of the Council's Annual Accounts for 2022-23.

This Annual Governance Statement explains how the Council has complied with the Local Code and complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2022-23, which details the requirements for the Annual Governance Statement.

Aberdeenshire Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice.

The Director of Business Services has responsibility to:

- Oversee the implementation and monitor the operation of the [Local Code](#) and
- Review the operation of the [Local Code](#) in practice.

In terms of fulfilling these responsibilities the Director of Business Services is assured that the implementation of the [Local Code](#) has been done effectively for a number of reasons. Many of the practical, evidence-based ways the [Local Code](#) has been implemented are set out at in Table 1. That sets out a range of officer and Councillor activities, reinforces good practice in our ways of working and provides evidence of these through a variety of formal reporting arrangements. The 2022/23 Statement has built on solid foundations from previous years. Regular performance reporting is now embedded across the organisation and further enhances the Council's scrutiny activity in particular - accepting more work still needs to be done to ensure that performance information and benchmarking data becomes embedded in decision-making. A new Council was formed following the May elections and it is critical to sustain the progress made. The foundations established and the framework in place will help provide continuity.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual accounts.

## Identification of Key Governance Arrangements

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

Key elements of good corporate governance include honesty; trust and integrity; openness; performance focus; responsibility and accountability; management of risk; mutual respect and commitment to the organisation. Table 1 below sets out the Principles of the Local Code and some of the ways in which the Council complies with them.

Table 1:

Code of Corporate Governance Principle	How the Council demonstrates compliance
Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> <li>• The <a href="#">Scheme of Governance</a> including the <a href="#">Financial Regulations</a></li> <li>• <a href="#">Councillors Code of Conduct</a></li> <li>• One Aberdeenshire Principles (see Appendix 1 for details)</li> <li>• Corporate Integrity Group (see Appendix 1 for details)</li> <li>• Financial and Legal Monitoring Officers</li> <li>• <a href="#">Counter Fraud Strategy</a></li> <li>• <a href="#">Integrated Impact Assessments</a></li> <li>• Fairer Scotland Duty</li> </ul>
Principle 2: Ensuring openness and comprehensive stakeholder engagements	<ul style="list-style-type: none"> <li>• <a href="#">Council Plan</a></li> <li>• <a href="#">Local Outcome Improvement Plan</a></li> <li>• Directorate and Area Plans, now Business Plans from April 2023</li> <li>• <a href="#">Engagement &amp; Participation Policy</a></li> <li>• <a href="#">Participation Requests</a></li> <li>• Participatory Budgeting</li> <li>• Live webcasting of public meetings</li> <li>• Minimising the number of exempt reports</li> <li>• <a href="#">Partnership Reviews and Reporting</a></li> <li>• <a href="#">Engage Aberdeenshire</a></li> </ul>
Principle 3: defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• <a href="#">Council Plan</a> and <a href="#">Strategic Priorities</a></li> <li>• <a href="#">Performance Reporting</a></li> <li>• <a href="#">Community Benefits in Procurement</a></li> <li>• <a href="#">Carbon Budget</a></li> <li>• <a href="#">Climate Change Commitment</a></li> <li>• Aberdeenshire's <a href="#">Digital Strategy</a></li> <li>• <a href="#">Procurement Strategy</a></li> </ul>
Principle 4: determining the interventions necessary to optimise the achievements of the intended outcomes	<ul style="list-style-type: none"> <li>• Legal and Financial Monitoring</li> <li>• <a href="#">Integrated Impact Assessments</a></li> <li>• <a href="#">Budget Setting Process</a></li> <li>• <a href="#">Medium Term Financial Strategy</a></li> <li>• <a href="#">Performance Reporting</a></li> <li>• Financial Performance Reports</li> <li>• Capital Plan Monitoring</li> <li>• <a href="#">Carbon Budget</a></li> <li>• <a href="#">Directorate</a> and <a href="#">Corporate</a> Risk Registers</li> <li>• <a href="#">Policy Review</a></li> </ul>

Code of Corporate Governance Principle	How the Council demonstrates compliance
Principle 5: Developing the entity's capacity including the capability of its leadership and the individual within it	<ul style="list-style-type: none"> <li>• Councillors' Roles and Responsibilities</li> <li>• Multi Member Ward Guidance</li> <li>• Training and CPD for Councillors</li> <li>• Committee Workshops</li> <li>• Leadership Forum (see Appendix 1 for details)</li> <li>• Learning and Development programme</li> <li>• ALDO (Aberdeenshire Learning &amp; Development Online) training</li> <li>• Workforce Strategy</li> <li>• HR Policies and Procedures</li> </ul>
Principle 6: Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> <li>• Corporate Risk Management Steering Group</li> <li>• <a href="#">Corporate, Directorate &amp; Operational Risk Registers</a></li> <li>• <a href="#">Committee Reports</a></li> <li>• Financial Performance Reporting</li> <li>• <a href="#">Audit Committee</a></li> <li>• Internal Audit</li> <li>• <a href="#">Scheme of Governance</a></li> <li>• <a href="#">Financial Regulations</a></li> <li>• <a href="#">Capital Plan</a></li> <li>• Strategic Leadership Team</li> <li>• Strategic Change Board</li> <li>• <a href="#">Contracts Register</a></li> </ul>
Principle 7: implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> <li>• Live Webcasting of Committee Meetings</li> <li>• <a href="#">Annual Performance Report</a></li> <li>• Corporate Improvement Plan</li> <li>• Scrutiny Reports</li> <li>• <a href="#">Performance Reporting</a></li> <li>• <a href="#">Internal Audit Charter</a></li> <li>• Notices of Motion</li> <li>• <a href="#">Audit Committee</a></li> <li>• External Audit Reports to Committee</li> <li>• <a href="#">Committee Review Process</a></li> </ul>

In 2016 the Council approved the [Scheme of Governance](#) to ensure that there were appropriate arrangements for the governance of the Council's resources. The Scheme of Governance is subject to regular ongoing review to ensure it remains fit for purpose and reactive to the environment the Council is operating in. An Annual Review of the Scheme of Governance was presented to Council on [9 March 2023](#).

Following local elections in May 2022 Aberdeenshire Councillors agreed a revised [Council Plan 2022-2027](#) on 24 November 2022. At a meeting held on [24 November 2022](#) Council formally closed the Council Plan 2020-2022 and associated priorities. The Annual Performance Report was presented to Council on [29 September 2022](#) (item 4), presenting the performance information for 2021/22.

The plan is centred around three pillars: People, Environment and Economy. Under those sit six strategic priorities and these are supported by Key Performance Measures. Business plans will provide detail around how outcomes will be delivered and focus on performance and improvement including performance measures, benchmarking and accountability for delivery, as well as workforce planning. A robust performance management framework was approved by Council on [24 June 2021](#). Performance has been consistently reported to Policy and Area Committees since the implementation of the performance management framework, with reporting on the Council Plan 2022-27 commenced from May 2023. Quarterly performance reporting to Strategic Leadership Team commenced in May 2022. The strategic framework has provided a robust foundation to ensure a smooth transition in reporting of the new Council Plan.

The Council's Medium Term Financial Strategy 2023-24 (MTFS) was agreed by Councillors on [9 March 2023](#). The MTFS is the financial embodiment of the Council Plan. It is a key part of the Council's budget setting framework which aims to ensure that all financial resources are directed towards the delivery of the Council Priorities.

In accordance with the governance framework the Council conforms with the

- Role of the Chief Financial Officer in Local Government
- Code of Practice on Managing the Risk of Fraud and Corruption
- Role of the Head of Internal Audit and
- Audit Committees: Practical Guidance for Audit Committees

### **The Impact of Covid-19 on the Governance Framework**

Democratic accountability has continued to be at the heart of our work with Members conducting business throughout the pandemic and into recovery. The Council has continued to adapt its governance arrangements to reflect the fluidity of the pandemic and associated restrictions.

A review of arrangements was considered by Council on [28 April 2022](#). Throughout the pandemic the Council has adapted swiftly to the changing environment, making best use of technology available in order to ensure the continuation of the democratic process.

Future meeting arrangements were considered by all Policy and Area Committees during June 2022. Infrastructure Services Committee meeting on [8 June 2022](#), Education & Children's Services meeting on [9 June 2022](#), Communities Committee meeting on [16 June 2022](#) and Business Services Committee meeting on [23 June 2022](#), and all Committees agreed to adopt a hybrid meeting model. This model was successfully implemented for all Committee and Council meetings and continues in place.

### **Evaluation of the effectiveness of governance**

Aberdeenshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by contributions from the Council and its Committees, including Audit Committee, Strategic Leadership Team (SLT), the Statutory Officers, our Internal and External Auditors and external organisations that carry out audits or inspections of the Council. A new process for evaluating and endorsing compliance with the Local Code was introduced in 2021:

- Strategic Leadership Team – comprising the Chief Executive and Directors, Section 95 Officer, Monitoring Officer to review and update the self-assessment and agree improvement plan if required
- Policy Committees – for comment
- Audit Committee – for comment
- Leader of the Council and Chief Executive – to sign off

The process not only created an opportunity for the Council to set out its standard for good governance but also ensured that its governance arrangements in public services are closely scrutinised.

Aberdeenshire Council adopted the Public Service Improvement Framework (PSIF) self-evaluation model in November 2021. The Public Service Improvement Framework (PSIF) is a self-assessment approach to support improvement in organisations, with a comprehensive review of their own activities and results. It promotes a robust approach to continuous improvement and is mapped to a number of established organisational improvement tools.

The self-assessment indicated the Local Code is being complied with. The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities. The following main strengths and areas for improvement during 2023/24 have been identified through the self-assessment exercise against the Local Code:

Code of Corporate Governance Principle	Strengths	Weakness
Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	We have robust governance and systems of internal control and strong financial management	We need more and earlier stakeholder engagement in our budget setting process
Principle 2: Ensuring openness and comprehensive stakeholder engagements	Open and transparent decision-making is embedded at all levels across the organisation	We need to focus more on long-term financial planning and embedding participatory budgeting
Principle 6: Managing risks and performance through robust internal control and strong public financial management	Risk management is embedded in all Services and a comprehensive review of risk registers has provided greater linkages with Business Plans and strategic priorities	There is a need to carry out a review on the governance of risk which should include a consistent and appropriate approach to oversee risk controls and mitigation and encourage innovation
Principle 2: Ensuring openness and comprehensive stakeholder engagement  Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits	The Council Plan is clear and relatable to frontline services	More clarity is required around transformation programmes; silo working is creating missed opportunities
Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits  Principle 4: Determining the interventions necessary to optimise the achievements of the intended outcomes  Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability	Performance reporting, use of performance data and benchmarking has improved and has become easier to understand and evaluate	Data-driven decision-making needs buy-in from Members
Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits  Principle 4: Determining the interventions necessary to optimise the achievements of the intended outcomes	We're getting better at data-driven decision-making	Benchmarking needs to be more robust. We need to get better at explaining where performance is not as good as other Councils, learning from others and clearly showing how benchmarking leads to service improvement activity

The self-evaluation analysis has been used to develop the improvement plan set out below for progress during 2022/23.

Improvement action	Expected outcome	Start date	End date
Review budget-setting process to include longer-term financial planning, more stakeholder engagement (including communities) and participatory budgeting.	Enhance budget setting processes Improve long term financial visibility Improve budget forecasting Greater community involvement in budget setting process Progress mainstreaming participatory budgeting	April 2023	March 2024
Consider further ways to present performance data to ensure it is accessible and easily understood by a range of stakeholders.	Enhance performance reporting Provide greater linkages between performance information and improvement activity Evidence clear outcomes of improvement activity	May 2023	March 2024
Embed an approach for governance of the risk strategy and risk registers.  Review the approach to ensure it continues to meet our needs.	Collective understanding of and approach around risk  Greater scrutiny of risk	June 2023	June 2024
Share information on transformation projects widely across the Council.	More opportunities for shared learning Reduce silo working on transformation projects Reduce the risk of unintended consequences of transformation projects	June 2023	March 2024
Explore data-sharing opportunities with partners.	The ability to share data with partners will provide greater opportunities to identify need and direct resources appropriately  Enhanced service delivery	April 2023	March 2024
Demonstrate how we are using benchmarking to make service improvements.	Evidence provided of the impacts on residents and communities as a result of benchmarking activity	April 2023	March 2024

## Risk

The Council's senior management is responsible for establishing and maintaining appropriate Risk Management processes, control systems, accounting records and Governance arrangements. The Chief Internal Auditor has the responsibility to review these independently, and report to the Audit Committee annually on the adequacy and effectiveness of the Council's framework of Governance, Risk Management and Control.

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, Aberdeenshire 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, agreed by the Audit Committee in March 2022. The Chief Internal Auditor also advised that there had been no limitation to the scope of Internal Audit's work during 2022/23.

The Committee received a range of reports produced by Internal Audit during the year 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. 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. On balance, most of the audited areas were operating as anticipated, with some areas of good practice, improvement, and procedural compliance identified. Most recommendations made by Internal Audit during 2022/23 continued to relate to general improvements and enhancements to procedures. However, as in previous years, major risks had been identified throughout the year, including breaches of the Council's financial regulations, and in delivery of services related to Adult Social Care. Whilst the foregoing indicates various risk areas, the majority of recommendations made by Internal Audit have been agreed by services, which have committed to appropriate action to improve controls and compliance to address the identified risks. The outcome of these audits, along with others, and the scale of implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year, with management providing updates on implementation and explanation for any delays.

### **Risk and Resilience Planning**

The revised Risk Management Policy, approved by Business Services Committee on [6 January 2022](#), following consultation with Directorate Management Teams, the Corporate Risk Management Steering Group, Strategic Leadership Team, Area and Policy Committees, took into account compliance with ISO Standards, best practice guidance and is looking at strategy, framework, policies, procedures, processes, assurance, accountability, risk appetite and risk registers.

During 2022/23 services began the process of reviewing and updating their Service Risk Registers in accordance with the revised template. Service Risk Registers are now in a digital format on the Council's performance management system, which will enhance the risk management process for risk owners and will improve the visibility of risk for Service and Directorate Management Teams. With the work of refreshing the Service Risk Registers substantially complete, the focus will move to the updating of the Directorate and Corporate Risk Registers in 2023/24.

The Council also began work on assessing its appetite for risk during 2022/23 and this culminated in the Risk Appetite Statement, which was approved by Business Services Committee on [2 March 2023](#). Whilst this is an overarching statement in terms of the Council's risk appetite, the process by which the statement was developed allows for the creation of risk appetite statements for each Directorate and this work will be completed in 2023/24. Work was also ongoing to develop guidance and training to support the Council's approach to risk management and this will be subject to approval by the Corporate Risk Management Steering Group in early 2023/24.

The Council's refreshed approach to risk management was subject to scrutiny by Internal Audit during 2022/23 and the resultant report was presented to Audit Committee on [22 March 2023](#).

The work developing a revised Emergency Planning and Resilience Framework was completed during 2022/23 and this, together with a refreshed Generic Emergency Plan, was approved by Business Services Committee on [17 November 2022](#), following consultation with Directorate Management Teams, Corporate Risk Management Steering Group, Strategic Leadership Team and Area and Policy Committees. The Framework has been supported with the development of guidance, training, testing and exercising throughout the year and this will be further enhanced in 2023/24.

A series of Community Resilience Workshops took place in October 2022 and the output from these workshops is being used to inform the development of a Community Resilience Strategy for Aberdeenshire, with the work being led by a multi-agency working group. The Council was also advised that it was to be allocated £1 million of community resilience funding by SSEN and the arrangements around the governance of this were agreed by Communities Committee on [16 February 2023](#).

### **Best Value**

Audit Scotland's Best Value Assurance Report on [Aberdeenshire Council](#) contained nine recommendations. An action plan was agreed by Council on [19 November 2020](#) and a progress report was considered on [29 April 2021](#). Strategic Leadership Team has since implemented rigorous reporting to ensure actions are progressed and completed within agreed timescales.

## Health & Social Care Integration

The Council, as a key partner within the Aberdeenshire Health and Social Care Partnership (HSCP), has an interest in the governance arrangements within the HSCP. Internal Audit arrangements for the HSCP are provided jointly by the Council's Internal Audit service and NHS Grampian's Internal Auditors. The Council's Internal Audit Service provides assurance over social care services, and oversight of the HSCP's governance arrangements to provide assurance to the Integration Joint Board (IJB).

The HSCP has arrangements in place to review its ongoing compliance with the Local Code. Due to the Council's role as social care service provider, Internal Audit's reports are presented to the Council's Audit Committee as well as the Integration Joint Board's. The Communities Committee and the Education and Children's Services Committee both receive, consider and comment on the Chief Social Work Officer's Annual Report before this is taken to Aberdeenshire Council.

The financial arrangements for the Council's funding to the HSCP are aligned and budget processes run parallel to ensure that appropriate budgets for the HSCP are aligned with Council policy and budgeting approaches, particularly in relation to any efficiency targets for the HSCP funding from the Council, to ensure they are planned for, and appropriate efficiencies are approved by the HSCP. On an ongoing basis the Council continues to receive budgetary control information in relation to HSCP services funded by the Council.

## Aberdeenshire Council Budget

A Medium Term Financial Strategy, together with associated risks, and 5-year revenue plans (1 year annual budget and further 4 indicative years budgets) and 15-year capital plan based on Council priorities are developed on an annual basis. This process is led by Strategic Leadership Team and presented for approval by Council prior to the end of March each year. Revenue and Capital Budget Monitoring reports are presented to the Policy Committees on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements, and areas for development.

## Accountability and action plans

Progress on the actions identified 2021/22 action plan is as follows:

Issue	Improvement action	Progress
<b>Partnership &amp; resources</b>	Develop a procurement strategy that ensures resources are used effectively and efficiently with a focus on climate change and sustainability	In progress, due to be completed August/September 2023
<b>Impact on communities</b>	Build community resilience to ensure communities are ready for an emergency, that they are informed of what's happening and they know who and where to go to for help	Complete
<b>Service planning</b>	Develop a toolkit to deal with increased workload and manage expectations of customers and Councillors	Complete
<b>Service planning</b>	Update the corporate induction to include support for new managers and employees who change role	Complete
<b>Staff</b>	Develop an approach to increase awareness across the organisation for corporate initiatives, including individual responsibility and resilience	In progress
<b>Staff</b>	Develop a more consistent approach to dealing with poor employee performance	In progress

## Conclusion

Our annual governance statement summarises the Council's governance arrangements and affirms our commitment that they are reviewed regularly and remain appropriate for the activities and delivery of services by the Council and its Group. Subject to the above assurances, the development and implementation of the Action Plan and, based on the evidence contained in this statement, we are satisfied that the arrangements continue to provide assurance, are adequate and are operating effectively.

Jim Savege  
Chief Executive

Councillor Gillian Owen  
Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council  
21 December 2023

## Remuneration Report

### Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and Senior Employees. The information disclosed in Tables B to E of the remuneration report will be audited by Grant Thornton UK LLP. The other sections of the Remuneration Report will be reviewed by Grant Thornton UK LLP to ensure they are consistent with the financial statements.

The term Senior Councillor means the Leader of the Council, the Provost, the Chair and Vice-Chair of the Joint Boards, and any Councillor who holds a significant position of responsibility in the Council's political management structure, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007.

The term Senior Employee means any local authority employee:

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

This report will provide background on the arrangements for determining salary levels, followed by detailed tables showing the remuneration and pension benefits for Senior Councillors and Officers covered by this report.

### Arrangements for Remuneration

The Council sets the remuneration levels for Senior Councillors and the rates of pay for Senior Employees. Its role is to ensure the application and implementation of fair and equitable systems for pay within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council needs to consider the requirement to recruit, retain and motivate suitably able and qualified people to deliver the policies and services of the Council.

#### Councillors, Senior Councillors, Council Leader and Provost

The remuneration of Senior Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2022 (SSI No. 2022/18). The regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Council Leader, Provost, Senior Councillors or Councillors. The Council Leader and Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations.

In accordance with the regulations Aberdeenshire Council may have up to 19 Senior Councillor posts. The regulations set out the maximum that the Council may pay as remuneration to its Senior Councillors. For 2022/23 the salary for the Leader of Aberdeenshire Council is £45,669 (2021/22 £43,412). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Council Leader.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits. The remuneration paid to Senior Councillors in 2022/23 totalled £552,180 (2021/22 £550,646) and is detailed in Table B of this report.

The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme (LGPS) in respect of those Councillors who have elected to become members of the pension scheme.

The Aberdeenshire Council Members' Salaries and Expenses Scheme which includes the salaries, allowances and expenses of all elected members including the Council Leader, Provost and Senior Councillors was agreed at a meeting of Council on 17 May 2007.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities.

The revised salary structure for Corporate Directors was approved by Council in January 2009 under which the salaries are based on SJNC Point 53. The Policy and Resources Committee agreed to a revised salary structure in June 2009 for Heads of Service where they would be paid at SJNC Point 34. Where the statutory roles of Section 95 officer, Monitoring Officer and Chief Social Work Officer are held at Head of Service level the jobholders are entitled to an additional two increments to their salary which places them on SJNC Point 36.

Aberdeenshire Council does not pay bonuses to senior officers or performance related pay. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally. Chief Officers are eligible to join the LGPS. The scheme is outlined on page 40 and the costs identified on page 38 of this report.

### Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

**Table A: Payments to Councillors**

The Council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors below) during the year:

2021/22 £'000	Type of Remuneration	2022/23 £'000
1,492	Salaries	1,569
5	Expenses	29
<b>1,497</b>	<b>Totals</b>	<b>1,598</b>

The annual return of Councillors' salaries and expenses for 2022/23 is available on the Council's [website](#).

**Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Full year equivalent salary shown in brackets)**

Total Remuneration 2021/22 £	Pension Contributions 2021/22 £	Name	Salaries, Fees and Allowances 2022/23 £	Total Remuneration 2022/23 £	Pension Contributions 2022/23 £	Accrued Pension Benefits		
						As at 31 March 2023 £'000	Difference from 31 March 2022 £'000	
24,419	4,713	Rosemary Bruce (2022/23 FYE £25,689)	2,486	2,486	480	Pension	2	-
28,489	5,498	Isobel Davidson (2022/23 FYE £29,971, FYE Vice Chair - Committee £25,689)	25,206	25,206	4,865	Lump Sum	-	-
32,560	6,284	Gillian Owen (2022/23 FYE £34,254)	33,057	33,057	6,380	Pension	9	2
24,419	4,713	Alistair McKelvie (2022/23 FYE £25,689)	2,486	2,486	480	Lump Sum	2	-
28,490	-	Ron McKail (2022/23 FYE £29,971)	28,924	28,924	-	Pension	10	1
28,489	-	Wendy Agnew (2022/23 FYE £29,971)	26,794	26,794	-	Lump Sum	2	-
32,560	6,284	William Howatson (2022-23 FYE £34,254)	3,315	3,315	640	Pension	4	1
32,560	6,284	Ross Cassie (2022-23 FYE £34,254)	33,057	33,057	6,380	Lump Sum	-	-
24,419	4,713	Mark Findlater (2022-23 FYE Vice Chair - Committee £25,689, FYE Council Leader £45,669)	42,139	42,139	8,133	Pension	5	1
32,560	6,284	Anne Stirling (2022-23 FYE £34,254)	33,057	33,057	6,380	Lump Sum	-	-
43,412	8,379	Andrew Kille (2022-23 FYE £45,669)	4,420	4,420	853	Pension	10	1
28,489	1,833	Norman Smith (2022-23 FYE £29,971)	2,900	2,900	-	Lump Sum	5	1
<b>360,866</b>	<b>54,985</b>	<b>CARRIED FORWARD</b>	<b>237,841</b>	<b>237,841</b>	<b>34,591</b>	Pension	2	2
						Lump Sum	2	-
						Pension	2	-1
						Lump Sum	-	-
						Pension	-	-4
						Lump Sum	-	-
							<b>65</b>	<b>4</b>

**Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Full year equivalent salary shown in brackets)  
(Continued)**

Total Remuneration 2021/22 £	Pension Contributions 2021/22 £	Name	Salaries, Fees and Allowances 2022/23 £	Total Remuneration 2022/23 £	Pension Contributions 2022/23 £	Accrued Pension Benefits	
						As at 31 March 2023 £'000	Difference from 31 March 2022
<b>360,866</b>	<b>54,985</b>	<b>BROUGHT FORWARD</b>	<b>237,841</b>	<b>237,841</b>	<b>34,591</b>	<b>65</b>	<b>4</b>
24,419	4,713	John Cox (2022-23 FYE £25,689)	24,791	24,791	4,785	Pension 5	1
32,560	6,284	Peter Argyle (2022-23 FYE £34,254)	3,315	3,315	640	Lump Sum -	-
28,489	5,498	Doreen Mair (2022-23 FYE £29,971)	27,957	27,957	5,396	Pension 6	-
24,419	4,713	Gwyneth Petrie (2022-23 FYE £25,689)	25,689	25,689	826	Lump Sum -	-
28,489	5,498	John Latham (2022-23 FYE £29,971)	2,900	2,900	560	Pension 3	1
24,419	4,713	Judy Whyte (2022-23 FYE Vice Chair – Committee £25,689, FYE Provost £34,254)	32,228	32,228	6,220	Lump Sum -	-
26,985	5,208	Dominique Lonchay (2022-23 FYE £29,971)	2,900	2,900	560	Pension 2	-
-	-	Anne Simpson (2022-23 FYE £25,689)	22,305	22,305	4,305	Lump Sum -	-
-	-	Dianne Beagrie (2022-23 FYE £29,971)	24,476	24,476	4,724	Pension 2	-
-	-	Hannah Powell (2022-23 FYE £25,689)	22,305	22,305	4,305	Lump Sum -	-
-	-	Iain Taylor (2022-23 FYE £25,689)	23,894	23,894	4,611	Pension 3	1
-	-	John Crawley (2022-23 FYE £34,254)	29,742	29,742	5,740	Lump Sum -	-
<b>550,646</b>	<b>91,612</b>	<b>CARRIED FORWARD</b>	<b>480,343</b>	<b>480,343</b>	<b>77,263</b>	Pension 1	1
						Lump Sum -	-
						<b>98</b>	<b>9</b>

**Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Full year equivalent salary shown in brackets)  
(Continued)**

Total Remuneration 2021/22 £	Pension Contributions 2021/22 £	Name	Salaries, Fees and Allowances 2022/23 £	Total Remuneration 2022/23 £	Pension Contributions 2022/23 £
550,646	91,612	<b>BROUGHT FORWARD</b>	480,343	480,343	77,263
-	-	Marion Ewenson (2022-23 FYE £29,971)	24,476	24,476	4,724
-	-	Robert Withey (2022-23 FYE £29,971)	25,056	25,056	4,836
-	-	Stewart Adams (2022-23 FYE £25,689)	22,305	22,305	4,305
<b>550,646</b>	<b>91,612</b>	<b>TOTALS</b>	<b>552,180</b>	<b>552,180</b>	<b>91,128</b>

Accrued Pension Benefits		
	As at 31 March 2023 £'000	Difference from 31 March 2022
	98	9
Pension	2	-
Lump Sum	-	-
Pension	2	-
Lump Sum	-	-
Pension	-	-
Lump Sum	-	-
	102	9

The above table has been subject to audit

**Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Continued)**

Name	Post Title	Period in Office
Andrew Kille	Council Leader	From 19 November 2020 until 5 May 2022
Mark Findlater	Council Leader	From 19 May 2022
Andrew Kille	Chair – Business Services Committee	From 19 November 2020 until 5 May 2022
Mark Findlater	Chair – Business Services Committee	From 19 May 2022
William Howatson	Provost	From 18 May 2017 until 5 May 2022
Judy Whyte	Provost	From 19 May 2022
Peter Argyle	Chair – Infrastructure Services Committee	From 18 May 2017 until 5 May 2022
John Crawley	Chair – Infrastructure Services Committee	From 19 May 2022
Anne Stirling	Chair – Communities Committee	From 18 May 2017
Ross Cassie	Chair – Audit Committee	From 18 May 2017
Gillian Owen	Chair – Education and Children’s Services Committee	From 18 May 2017
Norman Smith	Chair - Buchan Area Committee	From 6 June 2017 until 5 May 2022
Dianne Beagrie	Chair - Buchan Area Committee	From 7 June 2022
Isobel Davidson	Chair – Formartine Area Committee	From 13 June 2017 until 5 May 2022
Iain Taylor	Chair – Formartine Area Committee	From 14 June 2022
Dominique Lonchay	Chair - Garioch Area Committee	From 20 April 2021 until 5 May 2022
Marion Ewenson	Chair - Garioch Area Committee	From 7 June 2022

Name	Post Title	Period in Office
Peter Argyle	Deputy Council Leader	From 18 May 2017 until 5 May 2022
Anne Stirling	Deputy Council Leader	From 19 May 2022
Mark Findlater	Vice Chair – Business Services Committee	From 26 September 2019 until 5 May 2022
John Cox	Vice Chair – Business Services Committee	From 19 May 2022
Ron McKail	Deputy Provost	From 18 May 2017
John Cox	Vice Chair – Infrastructure Services Committee	From 18 May 2017 until 5 May 2022
Isobel Davidson	Vice Chair – Infrastructure Services Committee	From 19 May 2022
Judy Whyte	Vice Chair – Communities Committee	From 14 January 2021 until 5 May 2022
Hannah Powell	Vice Chair – Communities Committee	From 19 May 2022
Alistair McKelvie	Vice Chair – Audit Committee	From 18 May 2017 until 5 May 2022
Stewart Adams	Vice Chair – Audit Committee	From 19 May 2022
Rosemary Bruce	Vice Chair – Education and Children’s Services Committee	From 26 September 2019 until 5 May 2022
Anne Simpson	Vice Chair – Education and Children’s Services Committee	From 19 May 2022
Doreen Mair	Chair - Banff and Buchan Area Committee	From 15 December 2020
John Latham	Chair - Marr Area Committee	From 26 January 2021 until 5 May 2022
Robbie Withey	Chair - Marr Area Committee	From 31 May 2022
Wendy Agnew	Chair - Kincardine and Mearns Area Committee	From 13 June 2017

The above table has been subject to audit

**Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Continued)**

**Notes to Table B:**

Note 1: The scheme for Councillor's allowances is not the same as that for MPs, MEPs or MSPs. Councillors receive a basic salary and are entitled to claim for a limited amount of expenses. These are limited to essential travel and subsistence directly related to their duties as Councillors.

Note 2: The figures shown reflect the remuneration for the period of their appointment in the reporting year.

Note 3: No Senior Councillor received any remuneration from a subsidiary body as a representative of the Council.

Note 4: For 2022/23 there was no payment for Bonuses, Taxable Expenses, Compensation for Loss of Employment, and Non-Cash Benefits. These columns have been removed from the above table.

**Table C: Remuneration and Pension Benefits of Senior Employees (Full year equivalent salary shown in brackets)**

Total Remuneration 2021/22 £	Pension Contributions 2021/22 £	Name and Post Title	Salaries, Fees and Allowances 2022/23 £	Total Remuneration 2022/23 £	Pension Contributions 2022/23 £	Accrued Pension Benefits		
							As at 31 March 2023 £'000	Difference from 31 March 2022
166,045	30,175	Jim Savege: Chief Executive (2022/23 FYE £160,249) (Note 1)	164,213	164,213	29,282	Pension	26	4
						Lump Sum	-	-
127,533	24,234	Laurence Findlay: Director of Education and Children's Services (2022/23 FYE £131,841) (Note 2)	133,594	133,594	25,445	Pension	62	5
						Lump Sum	-	-
127,783	24,234	Ritchie Johnson: Director of Business Services (2022/23 FYE £131,841) (Note 2)	133,624	133,624	25,445	Pension	62	5
						Lump Sum	82	4
125,563	24,234	Alan Wood: Director of Environment and Infrastructure Services (2022/23 FYE £131,841)	131,841	131,841	25,445	Pension	57	3
						Lump Sum	88	4
93,397	17,914	Mary Beattie: Head of Service (Finance) (2022/23 FYE £97,458) (Note 2)	97,641	97,641	18,809	Pension	36	3
						Lump Sum	47	2
95,357	17,914	Karen Wiles: Head of Service (Legal and People) (2022/23 FYE £97,458) (Note 2)	99,398	99,398	18,809	Pension	24	2
						Lump Sum	-	-
68,823	13,283	Leigh Jolly: Chief Social Work Officer (2022/23 FYE £97,458)	97,458	97,458	18,809	Pension	30	3
						Lump Sum	26	1
<b>804,501</b>	<b>151,988</b>	<b>TOTALS</b>	<b>857,769</b>	<b>857,769</b>	<b>162,044</b>		<b>540</b>	<b>36</b>

The above table has been subject to audit

**Notes to Table C:**

Note 1: The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2023 includes £3,964 received as the Returning Officer for Aberdeenshire in respect of the Local Council Election on 5 May 2022.

Note 2: The Head of Service (Legal and People), Head of Service (Finance), Director of Education and Children's Services and Director of Business Services also received payments relating to the Local Council Election on 5 May 2022 of £1,940, £183, £1,753 and £1,783 respectively during the year ended 31 March 2023.

For 2022/23 there was no payment for Bonuses, Taxable Expenses, and Non-Cash Benefits. Therefore, no information on these has been included in the table above.

**Table D: Remuneration of Employees receiving more than £50,000**

The Council's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

No of Employees 2021/22	Remuneration Bands	No of Employees 2022/23
289	£50,000 - £54,999	261
182	£55,000 - £59,999	194
105	£60,000 - £64,999	154
32	£65,000 - £69,999	51
5	£70,000 - £74,999	12
6	£75,000 - £79,999	8
5	£80,000 - £84,999	8
12	£85,000 - £89,999	3
6	£90,000 - £94,999	12
1	£95,000 - £99,999	4
-	£100,000 - £104,999	-
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
3	£125,000 - £129,999	-
-	£130,000 - £134,999	3
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
-	£145,000 - £149,999	-
-	£150,000 - £154,999	-
-	£155,000 - £159,999	-
-	£160,000 - £164,999	1
1	£165,000 - £169,999	-
<b>647</b>	<b>TOTALS</b>	<b>711</b>

The above table has been subject to audit

## Pension Benefits

The majority of Senior Councillors and Senior Employees shown in the tables above are members of the LGPS. For benefits accrued before 31 March 2015, the scheme's normal retirement age for both Councillors and employees is 65. For benefits accrued after 1 April 2015 the scheme's retirement age for both Councillors and employees will be his or her "Normal Pension Age".

Elected members' pension benefits are based on a "career average" pay which is the aggregate of each year's pay (adjusted for inflation) divided by the total number of years and part years they have been a member of the LGPS.

The LGPS provides pension benefits on retirement. For Council officers their pension benefits are based on the member's pensionable service (how long they have been a member of the LGPS) and their salary.

For service up to 31 March 2009, the annual pension is calculated by dividing the final pensionable pay by 80 and multiplying this by their total membership years as at 31 March 2009.

The lump sum, which is automatically paid when the person retires for service up to 31 March 2009, is normally three times his or her annual pension and is tax-free.

For service between 1 April 2009 and 31 March 2015, the annual pension is calculated by dividing the final pensionable pay by 60 and multiplying this by their total membership years between 1 April 2009 and 31 March 2015.

For service after 31 March 2015, the annual pension is calculated by dividing the pensionable pay by 49 and then adding this to his or her cumulative pension account, which will subsequently be adjusted in line with the cost of living.

There is no automatic lump sum for service after 31 March 2009 and LGPS members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A Scheme member's pension contribution depends on their actual pay. From 1 April 2009, employee contributions are based on tiered rates. Bandings for 2022/23 and 2021/22 are disclosed below.

Contribution Rates	Pensionable Pay 2022/23	Pensionable Pay 2021/22
5.50%	Earnings up to and including £23,000	Earnings up to and including £22,300
7.25%	On earnings above £23,001 and up to £28,100	On earnings above £22,301 and up to £27,300
8.50%	On earnings above £28,101 and up to £38,600	On earnings above £27,301 and up to £37,400
9.50%	On earnings above £38,601 and up to £51,400	On earnings above £37,401 and up to £49,900
12.00%	On earnings above £51,401	On earnings above £49,901

The value of the accrued benefits shown in this report have been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute 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 just their current appointment.

Termination Benefits

**Table E: Exit Packages**

	Compulsory Number	Compulsory Value £'000	Voluntary Number	Voluntary Value £'000
<b>Bandings 2022/23</b>				
Up to £19,999	5	22	21	105
£20,000 up to £39,999	-	-	7	210
£40,000 up to £59,999	-	-	2	97
£60,000 up to £79,999	1	61	-	-
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	-	-
£150,000 up to £199,999	-	-	-	-
	<b>6</b>	<b>83</b>	<b>30</b>	<b>412</b>
<b>Total</b>				<b>495</b>
<b>Bandings 2021/22</b>				
Up to £19,999	14	49	29	227
£20,000 up to £39,999	3	88	15	422
£40,000 up to £59,999	-	-	2	112
£60,000 up to £79,999	-	-	8	543
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	1	127
£150,000 up to £199,999	-	-	1	153
	<b>17</b>	<b>137</b>	<b>56</b>	<b>1,584</b>
<b>Total</b>				<b>1,721</b>

The above table has been subject to audit

## Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require employers in the public sector to publish information on facility time. The purpose of the regulations is to promote transparency and allow for public scrutiny of facility time. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative. The information set out by the regulations is disclosed below:

**Table F: Trade union representatives and full-time equivalents**

	Non-teaching	Teaching
Trade union representatives:	35	15
FTE trade union representatives:	24.03	10.27

**Table G: Percentage of working hours spent on facility time**

	All
0%	0
1-50%	37
51-99%	0
100%	5

**Table H: Total pay bill and facility time costs**

	Non-teaching	Teaching
Total pay bill:	£311,237,537	£168,564,305
Total cost of facility time:	£120,944	£65,660
Percentage of pay spent on facility time:	0.04%	0.04%

**Table I: Paid trade union activities**

	Non-teaching	Teaching
Hours spent on paid facility time:	6,818	1,782
Hours spent on paid trade union activities:	335	137
Percentage of total paid facility time hours spent on paid TU activities:	4.91%	7.69%

Councillor Gillian Owen  
Leader of the Council

Jim Savege  
Chief Executive

On behalf of the Councillors and Officers of Aberdeenshire Council

21 December 2023

## Independent auditor's report to the members of Aberdeenshire Council and the Accounts Commission

### Reporting on the audit of the financial statements

#### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Aberdeenshire Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council only Comprehensive Income and Expenditure statement, the group and council only Balance Sheet, the group and council only Movement in Reserves Statement, the group and council only Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Trusts and Endowments Income and Expenditure Account and Balance Sheet, the Common Good Fund Income and Expenditure Accounts and Balance Sheet and notes to the financial statements, including the Council Expenditure and Funding Analysis and significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence We have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## Responsibilities of the Head of Finance and Aberdeenshire Council Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Aberdeenshire Council Audit Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Head of Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Head of Finance concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

Mark Stocks for and on behalf of Grant Thornton UK LLP  
110 Queen Street  
Glasgow  
G13BX

**Expenditure and Funding Analysis for year ended 31 March 2023**

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council tax and non-domestic rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

Net Expenditure Chargeable to the General Fund and HRA Balances 2021/22 £'000	Restated Adjustments Between the Funding and Accounting Basis 2021/22 £'000	Restated Net Expenditure in the CIES 2021/22 £'000		Net Expenditure Chargeable to the General Fund and HRA Balances 2022/23 £'000	Adjustments Between the Funding and Accounting Basis 2022/23 £'000	Net Expenditure in the CIES 2022/23 £'000	Notes Ref
			<b>Aberdeenshire Services</b>				
47,457	16,320	63,777	Business Services Committee	47,486	11,637	59,123	
152,312	16,908	169,220	Communities Committee	168,018	16,920	184,938	
362,747	(2,989)	359,758	Education and Children's Services Committee	388,963	(8,503)	380,460	
61,612	37,677	99,289	Infrastructure Services Committee	70,622	38,185	108,807	
-	9,169	9,169	Housing Revenue Account	17	15,601	15,618	
-	-	-	Exceptional Items	(4,166)	-	(4,166)	
<b>624,128</b>	<b>77,085</b>	<b>701,213</b>	<b>NET COST OF SERVICES</b>	<b>670,940</b>	<b>73,840</b>	<b>744,780</b>	
(637,600)	(13,487)	(651,087)	Other (Income) and Expenditure	(664,839)	(8,583)	(673,422)	
<b>(13,472)</b>	<b>63,598</b>	<b>50,126</b>	<b>(Surplus)/Deficit</b>	<b>6,101</b>	<b>65,257</b>	<b>71,358</b>	5
(59,970)			Opening General Fund and HRA Balance at 1 April	(73,362)			
(13,472)			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year	6,101			
80			Transfers to/(from) Statutory Reserves	(153)			
<b>(73,362)</b>			<b>Closing General Fund and HRA balance at 31 March</b>	<b>(67,414)</b>			

**Note to the Expenditure and Funding Analysis**

The table below details the adjustments made to the General Fund and HRA to arrive at the Comprehensive Income & Expenditure Statement in column 2 of the Expenditure and Funding Analysis above.

Adjustments from General Fund to Arrive at CIES Amounts 2022/23	Adjustments for Capital Purpose £'000	Net Change for the Pension Adjustments £'000	Other Statutory Differences £'000	Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Total Adjustments £'000
Business Services Committee	5,360	5,970	313	11,643	162	(168)	11,637
Communities Committee	1,045	12,937	522	14,504	3,078	(662)	16,920
Education and Children's Services Committee	2,417	13,197	(1,092)	14,522	16,653	(39,678)	(8,503)
Infrastructure Services Committee	28,200	8,050	699	36,949	1,248	(12)	38,185
Housing Revenue Account	20,172	2,306	(83)	22,395	5,279	(12,073)	15,601
<b>Net Cost of Services</b>	<b>57,194</b>	<b>42,460</b>	<b>359</b>	<b>100,013</b>	<b>26,420</b>	<b>(52,593)</b>	<b>73,840</b>
Other (Income) and Expenditure	(65,472)	5,148	(852)	(61,176)	-	52,593	(8,583)
<b>Difference Between General Fund Deficit and CIES Deficit on Provision of Services</b>	<b>(8,278)</b>	<b>47,608</b>	<b>(493)</b>	<b>38,837</b>	<b>26,420</b>	<b>-</b>	<b>65,257</b>

Adjustments from General Fund to Arrive at CIES Amounts 2021/22	Restated Adjustments for Capital Purpose £'000	Net Change for the Pension Adjustments £'000	Restated Other Statutory Differences £'000	Restated Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Restated Total Adjustments £'000
Business Services Committee	8,305	7,386	(194)	15,497	156	667	16,320
Communities Committee	3,770	11,983	(1,222)	14,531	3,401	(1,024)	16,908
Education and Children's Services Committee	8,237	12,138	171	20,546	17,659	(41,194)	(2,989)
Infrastructure Services Committee	28,534	7,685	(29)	36,190	1,346	141	37,677
Housing Revenue Account	4,915	1,964	(129)	6,750	7,016	(4,597)	9,169
<b>Net Cost of Services</b>	<b>53,761</b>	<b>41,156</b>	<b>(1,403)</b>	<b>93,514</b>	<b>29,578</b>	<b>(46,007)</b>	<b>77,085</b>
Other (Income) and Expenditure	(62,522)	3,808	(780)	(59,494)	-	46,007	(13,487)
<b>Difference Between General Fund Deficit and CIES Deficit on Provision of Services</b>	<b>(8,761)</b>	<b>44,964</b>	<b>(2,183)</b>	<b>34,020</b>	<b>29,578</b>	<b>-</b>	<b>63,598</b>

**Note to the Expenditure and Funding Analysis (continued)**

**Explanations of Adjustment Columns Above:**

**Adjustments for Capital Purposes** - adds in depreciation, impairment, revaluation gains and losses in the services, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and amounts written-off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those due to be receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments** - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- Note 34 provides further explanations of IAS 19 entries.

**Other Differences** - differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates (NDR) that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- Impairment of debts is now required to be shown under Other Income and Expenditure in the EFA however it is shown within the relevant services in the monitoring.

**Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2023**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the EFA and the Movement in Reserves Statement.

Council				Council			
Restated Gross Expenditure 2021/22 £'000	Restated Income 2021/22 £'000	Restated Net Expenditure 2021/22 £'000	Aberdeenshire Services	Gross Expenditure 2022/23 £'000	Income 2022/23 £'000	Net Expenditure 2022/23 £'000	Notes Ref
100,219	(36,442)	63,777	Business Services Committee	94,927	(35,804)	59,123	
420,683	(251,463)	169,220	Communities Committee	466,635	(281,697)	184,938	
409,719	(49,961)	359,758	Education and Children's Services Committee	433,340	(52,880)	380,460	
124,051	(24,762)	99,289	Infrastructure Services Committee	134,963	(26,156)	108,807	
71,219	(62,050)	9,169	Housing Revenue Account	79,675	(64,057)	15,618	
-	-	-	Exceptional Items*	1,020	(5,186)	(4,166)	
<b>1,125,891</b>	<b>(424,678)</b>	<b>701,213</b>	<b>COST OF SERVICES</b>	<b>1,210,560</b>	<b>(465,780)</b>	<b>744,780</b>	EFA
1,022	-	1,022	(Gains)/Losses on the Disposal of Non Current Assets and AHfS	-	(450)	(450)	5
<b>1,022</b>	-	<b>1,022</b>	<b>Other Operating (Income)/Expenditure</b>	-	<b>(450)</b>	<b>(450)</b>	
30,715	-	30,715	Interest payable and similar charges	32,851	-	32,851	20
3,808	-	3,808	Net interest on net defined benefit liability (asset)	5,148	-	5,148	34
186	-	186	Income and expenditure in relation to investment properties and changes in their fair value	448	-	448	15
-	(279)	(279)	Interest Receivable and Similar Income	-	(778)	(778)	20
808	(1,000)	(192)	Increase/(Decrease) in Provision for Bad Debts	844	-	844	
<b>35,517</b>	<b>(1,279)</b>	<b>34,238</b>	<b>Financing and Investment Income and Expenditure</b>	<b>39,291</b>	<b>(778)</b>	<b>38,513</b>	
		<b>(686,347)</b>	<b>Taxation and Non-Specific Grant Income</b>			<b>(711,485)</b>	8
		<b>50,126</b>	<b>Deficit on Provision of Services</b>			<b>71,358</b>	5
		(16,816)	Surplus on revaluation of Non Current assets and AHfS			(57,554)	
		(34,010)	Actuarial (gains)/losses on pension assets/liabilities			(192,654)	34
		<b>(50,826)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(250,208)</b>	
		<b>(700)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(178,850)</b>	

\*In 2022/23 the Council received additional income as the result of a successful legal claim relating to VAT. This income has been included above within Exceptional Items.

**Balance Sheet as at 31 March 2023**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and its Group. The net assets of the Council/Group (assets less liabilities) are matched by the reserves held by the Council/Group. Reserves are reported in two categories: (i) Usable reserves, i.e. those reserves that the Council/Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and (ii) Unusable reserves, which the Council/Group may not use to provide services. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line "Adjustments between accounting basis and funding basis under regulations".

Restated Council 2020/21 £000	Restated Council 2021/22 £000		Council 2022/23 £000	Note Ref
2,266,003	2,327,759	Property, Plant and Equipment	2,433,332	13
1,944	1,944	Heritage Assets	2,492	14
1,310	1,124	Investment Properties	660	15
749	713	Intangible Assets	825	16
77	77	Long Term Investments	77	20
9,302	9,367	Long Term Debtors	9,439	20, 23
<b>2,279,385</b>	<b>2,340,984</b>	<b>Long Term Assets</b>	<b>2,446,825</b>	
-	-	Short Term Investments	-	20
296	296	Assets Held for Sale	96	17
4,845	6,075	Inventories	7,752	22
67,666	67,925	Short Term Debtors	78,240	23
41,124	40,343	Cash and Cash Equivalents	10,989	20, 24
<b>113,931</b>	<b>114,639</b>	<b>Current Assets</b>	<b>97,077</b>	
(185,695)	(134,703)	Short Term Borrowing	(89,635)	20
(117,998)	(115,485)	Short Term Creditors	(140,859)	25
(267)	(484)	Provisions	(274)	26
(637)	(589)	Revenue Grants Receipts in Advance	(242)	27
<b>(304,597)</b>	<b>(251,261)</b>	<b>Current Liabilities</b>	<b>(231,010)</b>	
(621,503)	(730,761)	Long Term Borrowing	(810,501)	20
(3,282)	(2,098)	Long Term Creditors	(2,248)	25
(6,656)	(7,256)	Provisions	(7,031)	26
(163,658)	(174,612)	Pension Liabilities	(29,566)	34
(2,910)	(2,905)	Finance Leases	(2,774)	
(99,476)	(93,958)	PFI and PPP Liabilities	(87,742)	19
(15,322)	(16,160)	Capital Grants Receipts in Advance	(17,568)	27
<b>(912,807)</b>	<b>(1,027,750)</b>	<b>Long Term Liabilities</b>	<b>(957,430)</b>	
<b>1,175,912</b>	<b>1,176,612</b>	<b>Net Assets</b>	<b>1,355,462</b>	
(78,884)	(88,263)	Usable Reserves	(84,846)	MIRS
(1,097,028)	(1,088,349)	Unusable Reserves	(1,270,616)	28
<b>(1,175,912)</b>	<b>(1,176,612)</b>	<b>Total Reserves</b>	<b>(1,355,462)</b>	

The unaudited accounts were issued on 30 June 2023. and the audited accounts were authorised for issue on 21 December 2023

Mary Beattie, FCCA  
Head of Finance  
30 June 2023

**Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2023**

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax (or rents) for the year. The Net Decrease/(Increase) line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year, following those adjustments.

	Restated General Fund Balance £'000	Housing Revenue Account £'000	Repairs and Renewals Fund £'000	Insurance Fund £'000	Capital Reserves £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000	Restated Total Council Reserves £'000	Notes Ref
<b>Balance as at 31 March 2021 Carried Forward</b>	<b>(57,970)</b>	<b>(2,000)</b>	-	<b>(1,571)</b>	<b>(17,343)</b>	<b>(78,884)</b>	<b>(1,097,028)</b>	<b>(1,175,912)</b>	
<b>Movement in Reserves During 2021/22</b>									
Total Comprehensive Income and Expenditure	43,691	6,435	-	-	-	50,126	(50,826)	<b>(700)</b>	
Depreciation Charged to Revaluation Reserve	(22,562)	(7,016)	-	-	-	(29,578)	29,578	-	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(35,585)	1,565	-	-	4,093	(29,927)	29,927	-	6
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>(14,456)</b>	<b>984</b>	-	-	<b>4,093</b>	<b>(9,379)</b>	<b>8,679</b>	<b>(700)</b>	
Transfers to/(from) Statutory Reserves	1,064	(984)	(1,300)	360	860	-	-	-	
<b>Balance as at 31 March 2022</b>	<b>(71,362)</b>	<b>(2,000)</b>	<b>(1,300)</b>	<b>(1,211)</b>	<b>(12,390)</b>	<b>(88,263)</b>	<b>(1,088,349)</b>	<b>(1,176,612)</b>	
<b>Movement in Reserves During 2022/23</b>									
Total Comprehensive Income and Expenditure	63,476	7,882	-	-	-	71,358	(250,208)	(178,850)	
Depreciation Charged to Revaluation Reserve	(21,141)	(5,279)	-	-	-	(26,420)	26,420	-	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(36,820)	(2,017)	-	-	(2,684)	(41,521)	41,521	-	6
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>5,515</b>	<b>586</b>	-	-	<b>(2,684)</b>	<b>3,417</b>	<b>(182,267)</b>	<b>(178,850)</b>	
Transfers to/(from) Statutory Reserves	433	(586)	-	-	153	-	-	-	
<b>Balance as at 31 March 2023 Carried Forward</b>	<b>(65,414)</b>	<b>(2,000)</b>	<b>(1,300)</b>	<b>(1,211)</b>	<b>(14,921)</b>	<b>(84,846)</b>	<b>(1,270,616)</b>	<b>(1,355,462)</b>	
Notes Ref	7						28		

\*An analysis of the capital reserves can be found in the Annex.

**Cash Flow Statement for the Year Ended 31 March 2023**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Restated 2021/22 £'000		2022/23 £'000	Notes Ref
<b>(50,126)</b>	<b>Net deficit on the provision of services</b>	<b>(71,358)</b>	
149,363	Adjust net deficit on the provision of services for non cash movements	158,608	
1,924	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(56,497)	
<b>101,161</b>	<b>Net Cash Flows from Operating Activities</b>	<b>30,753</b>	36
	<b>Investing Activities:</b>		
(155,434)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(146,620)	
(50,000)	Purchase of Short and Long Term Investments	-	
(501)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,873	
51,384	Other Receipts from Investment Activities	55,578	
<b>(154,551)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(89,169)</b>	
	<b>Financing Activities:</b>		
259,988	Cash Receipts of Short Term and Long Term Borrowing	179,909	
(5,694)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(5,648)	
(201,685)	Repayments of Short Term and Long Term Borrowing	(145,199)	
<b>52,609</b>	<b>Net Cash Flows from Financing Activities</b>	<b>29,062</b>	
<b>(781)</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>(29,354)</b>	
41,124	Cash and cash equivalents at 1 April	40,343	
<b>40,343</b>	<b>Cash and cash equivalents at 31 March</b>	<b>10,989</b>	24

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**Note 1 – Significant Accounting Policies****1.1 General Principles**

The Annual Accounts summarise transactions of the Council and its Group for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

The Council has no transactions that will be reclassified subsequently to the Surplus or Deficit on the Provision of Services in terms of International Accounting Standard 1 (IAS 1) and has, therefore, not grouped the items in Other Comprehensive Income and Expenditure into amounts that are re-classifiable and amounts that are not, i.e. all the amounts in Other Comprehensive Income and Expenditure are not re-classifiable in the Surplus or Deficit on the Provision of Services.

**1.2 Accruals of Income and Expenditure**

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

- income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) 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 respectively as expenditure and income 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 income 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.

**1.3 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 highly liquid 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 Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**1.4 Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

**Note 1 – Significant Accounting Policies (continued)**

The Council is not required to raise Council Tax to fund these items. However, it is required to make an annual loan fund principal repayment from revenue to reduce the overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by loans fund principal by way of an adjusting transaction between the General Fund and the Capital Adjustment Account within the MIRS.

**1.5 Employee Benefits****(i) Benefits Payable During Employment**

Short-term employee benefits such as wages, salaries and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council.

An accrual is made for the value of holiday entitlements and flexi time 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 wage and salary rates applicable in the following year in which the employee takes the benefit and is charged to the Surplus or Deficit on the Provision of Services. It is reversed in the MIRS so that holiday benefits are charged in the financial year in which the holiday absence occurs.

**(ii) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the relevant service line in the CIES when the Council is demonstrably committed to the termination.

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 MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

**(iii) Retirement Benefits**

The Council participates in two pension schemes, the Scottish Teachers' Pension Scheme, administered by the Scottish Government; and the Local Government Pension Scheme, the North East Scotland Pension Fund, administered by Aberdeen City Council. Liabilities for the teachers' scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as a defined contributions scheme.

The Local Government Scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS19). The Council's share of the net pension liability in the North East Scotland Pension Fund and a pension reserve are included in the Balance Sheet.

Changes in the pension liability during the year are recognised in the CIES.

Service expenditure includes pension costs based on the employers' pension contributions payable and payments to pensioners during the year.

Liabilities are included in the Balance Sheet on an actuarial basis using the 'projected unit credit 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 projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount (currently 4.8%) based on an average of high quality corporate bonds.

Assets are included in the Balance Sheet at their fair value, the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

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.

**Note 1 – Significant Accounting Policies (continued)****1.6 Events after the Balance Sheet Date**

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

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

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

**1.7 Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets, investment properties and some financial instruments such as equity shareholdings, at fair value at each reporting date. Fair value is broadly the price that would be received to sell an asset or paid to settle a liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's Annual Accounts are categorised within the fair value hierarchy, as follows:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset or liability.

**1.8 Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

**(i) Financial Liabilities**

Financial liabilities are initially measured at fair value and subsequently carried at amortised cost.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the CIES is the annual amount payable per 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 CIES 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 CIES 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 CIES, 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 CIES 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 MIRS.

## Note 1 – Significant Accounting Policies (continued)

### (ii) Financial Assets (investments, loans, debtors)

Financial assets can be classified into two types:

1. Loans and receivables – assets which have fixed or determinable payments but are not quoted in an active market.
2. Available for sale assets – assets that have a quoted marked price and/or do not have fixed or determinable payments e.g. dividends.

Loans and receivables are initially measured at fair value and subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 reflected in Debtors) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CIES.

Available for sale assets are initially measured and carried at fair value, and payments received credited to the CIES when it becomes receivable.

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 process – independent appraisal of company valuations

The Council has made loans to organisations mainly to support business at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the organisation with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

### 1.9 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 on which 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 CIES.

### 1.10 Government Grants and Contributions and Donated Assets

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.

**Note 1 – Significant Accounting Policies (continued)**

Amounts recognised as due to the Council are not credited to the CIES until conditions attaching 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 CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants & Receipts Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants & Receipts Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**1.11 Group Accounts**

Group Accounts are required to be prepared under the Code where the Council has interests in subsidiaries, associates and/or joint ventures, unless the interest is considered immaterial. The Council has a material interest in a number of entities. Its interest in the Integrated Joint Board, Create Homes, Aberdeenshire Trusts and Common Good Funds have been included in the Council's Group Accounts.

**1.12 Heritage Assets**

Heritage Assets are assets which are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Examples include: archaeological sites, military and scientific equipment of historical importance, civic regalia, medals, museum collections and works of art.

In accordance with FRS 102, Heritage Assets are recognised as a separate class of assets in the financial statements. The Council has applied a de minimus value of £100,000 for reporting Heritage Assets on the Balance Sheet.

Heritage Asset valuations may be made by any method that is appropriate and relevant. In the opinion of the Council, reliable information on cost or valuation is not available for the majority of these collections. This is owing to the lack of information on purchase cost, the lack of comparable market values, the diverse nature of the objects and the volume of items held.

Heritage Assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. 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 1.19.

**1.13 Intangible Assets**

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

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

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The amortisable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. No amortisation charge is made for an intangible asset in the year of acquisition. Thereafter, the straight-line method is applied, based on the opening balance. A full year's amortisation charge is made in the year of disposal.

**Note 1 – Significant Accounting Policies (continued)**

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

**1.14 Inventories and Work in Progress**

Inventories are included in the Balance Sheet at lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. 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.

**1.15 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are valued at highest and best use. 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 CIES. 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 MIRS and posted to the Capital Adjustment Account and (for sale proceeds greater than £10,000) the Capital Grants and Receipts Unapplied Account.

**1.16 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 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.

**(i) The Council as Lessee****Finance Leases**

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at the fair value measured at the inception of the lease.

**Operating Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a rent-free period at the commencement of the lease).

**Note 1 – Significant Accounting Policies (continued)****(ii) The Council as Lessor****Finance Leases**

Where the Council grants a finance lease over a property the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES 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), matched by a debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a capital receipt for the disposal of the asset – applied to write down the debtor; and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the MIRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to an earmarked part of the Capital Receipt Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the debtor.

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 balance in the MIRS.

**Operating Leases**

Where the Council grants an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

**1.17 Overheads and Support Services**

The costs of overheads and support services are shown in full against the line for Business Services Committee in the CIES, which reflects the management and reporting arrangement for those costs.

**1.18 Prior Year Adjustments**

When items of income and expenditure are material, their nature and amount are disclosed separately either on the face of the CIES or in the Notes to the Accounts, depending on how significant the items are to the Council's financial performance.

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

**1.19 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 for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**(i) 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. 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.

**Note 1 – Significant Accounting Policies (continued)**

The de minimis applied when accounting for expenditure of a capital nature that is funded from revenue is £6,000 for Plant, Furniture and Equipment, £10,000 for Vehicles and £20,000 for all other categories of Property, Plant and Equipment which reflects the concept of materiality when preparing the financial statements.

**(ii) 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.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, where the asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund balance to the Capital Adjustment Account in the MIRS.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of Existing Use Value for social housing (EUV-SH). The Adjustment Factor applied is a measure of the difference between private Market Rent and socially rented property within the Aberdeenshire Council area. It is the discount which, when applied to the cumulative total of all beacon values, gives rise to the Existing Use Value-Social Housing (EUV-SH) for the housing stock. The Adjustment Factor, therefore, is the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent public sector investment;
- non-specialised property – current value, determined as an amount that would be paid for the asset in its existing use (existing use value – EUV);
- specialised property – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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. In exceptional cases, gains will be credited to the CIES where they arise from the reversal of a revaluation loss charged previously to a service.

**Note 1 – Significant Accounting Policies (continued)**

Where decreases in value are identified, they are accounted for as follows:

- 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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.

**(iii) Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

- 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

**(iv) Disposals**

When it becomes probable that an asset will be sold rather than continuing to be used for service delivery it is reclassified as an Asset Held for Sale. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the Council must be committed to a plan to sell the asset, and an active programme to locate a buyer must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

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 CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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.

## Note 1 – Significant Accounting Policies (continued)

Amounts received for a disposal are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund balance in the MIRS.

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 Balance in the MIRS.

### (v) 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 calculated on the following bases:

- Council Dwellings and Other Buildings - straight-line allocation over the useful life of the property (between 10 and 60 years) as estimated by the valuer;
- Vehicles, Plant and Equipment – straight-line allocation over the useful life of the asset (between 4 and 30 years) as advised by a suitably qualified officer;
- Infrastructure – straight-line allocation over the useful life of the asset (between 10 and 60 years) as advised by a suitably qualified officer;
- Community Assets – straight-line allocation over the useful life of the asset (between 5 and 60 years) as advised by a suitably qualified officer; and
- Where a specific component has a demonstrable different useful life, consider and adopt this time period.

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.

Depreciation is not calculated in the year an asset is acquired but is calculated in the year of disposal. Assets that have been recategorized as Assets Held for Sale are not depreciated.

### (vi) Componentisation

Components of an item of Property, Plant and Equipment are recognised separately for depreciation purposes where it is considered that the cost of the component is significant in relation to the total cost of the asset. Assets with a carrying value of £5m and below will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.

Assets that are above the £5m de minimis threshold will be componentised where the cost of the component is significant in relation to the overall total cost of the asset and the difference in useful life is significant in relation to the main asset.

The components that will be considered in terms of this policy are:

- External Works;
- Walls and Structure;
- Roof; and
- Mechanical and Electrical.

This policy applies to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010. It excludes land assets which are already identified separately.

## Note 1 – Significant Accounting Policies (continued)

### (vii) Derecognition of Infrastructure Assets

Where any components of infrastructure assets are replaced, an adaptation provided in an update to the Code assumes that from the commencement of the IFRS based Code, when parts of an asset are replaced or restored, the carrying amount of the derecognised component will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed and are, as a result, fully depreciated at the date of replacement.

### 1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI 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 PFI contractor. As the Council is deemed to control the services that are provided under its PFI 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.

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 PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the four PFI and similar contracts held by Aberdeenshire Council are as follows:
 

▪ Robertson Education (Aberdeenshire) Limited	8.69%
▪ Elgin Education (Aberdeenshire2) Limited	5.18%
▪ Hub North Scotland (Alford) Limited	7.59%
▪ Hub North Scotland (Inverurie) Limited	5.98%
- 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 CIES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### 1.21 Provisions, Contingent Liabilities and Contingent Assets

#### (i) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation where it is probable that settlement by a transfer of economic benefits or service potential will be required, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES 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.

**Note 1 – Significant Accounting Policies (continued)**

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.

**(ii) 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.

**(iii) 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 of uncertain 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.

**1.22 Reserves**

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

**Usable Reserves**

The Council has several funds within this category – the detail and the purpose of these reserves are shown in Note 7.

**Unusable Reserves**

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and that do not represent usable resources for the Council. These reserves are explained in Note 28 Unusable Reserves.

**1.23 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 has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the costs of this expenditure by borrowing, a transfer in the MIRS 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.

**1.24 VAT**

The CIES excludes amounts relating to VAT and will only be included as an expense if not recoverable from HM Revenue and Customs (HMRC). VAT receivable is excluded from income within the Council's Income and Expenditure Account.

## Note 2 – Accounting Standards that have been Issued but have not yet been Adopted

The following Accounting Standards will be adopted by the Code in 2023/24. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

IFRS 16 Leases – The implementation of IFRS 16 for Lease Accounting has not yet been adopted as a mandatory standard within the Code. The Code permits local authorities to implement IFRS 16 Leases as of 1 April 2022. However, mandatory implementation has been deferred until 1 April 2024. 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.

## Note 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. Where a critical judgement has been made, this is referred to in the relevant note in the financial statements. The critical judgements deemed to have the most significant effect on amounts included in the annual accounts are:

### Funding

There is a high degree of uncertainty about future levels of funding for local government in Scotland. 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 or a need to close facilities and reduce levels of service provision. The level of future uncertainty and associated risk is considered as part of the Council's Medium Term Financial Strategy.

### Private Finance Initiative

In considering IFRIC12, Service Concession Arrangements, the Council is deemed to control the services provided under the agreement for the provision of educational establishments, and the assets will transfer to Council ownership at the end of the lease period. The Council is committed to four PFI and similar contracts, in respect of Education & Leisure facilities Accounting policies for PFI schemes and similar arrangements have been applied and the assets under the contracts are included within Property, Plant and Equipment on the Council's Balance Sheet, with detail, are included within Note 13, Note 19 and the Annex provides further details on PFI and similar Contracts.

### Council Acting as Principal or Agent.

If the Council has no discretion over utilisation of funding it receives it is deemed to be acting as an Agent. During 22/23 the Council has acted as an Agent for the Scottish and UK Governments, and other External Agencies. Details can be found in Note 10 Agency Services. If the Council was deemed not to be acting as an Agent, the income would be recorded in the CIES.

### Investment Properties.

The Council measures Investment Properties at Fair Value, with further detail in Note 15. These are based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Aberdeenshire area. This is considered to give a fairer reflection than Cost Price. There has been no change in the valuation technique used during the year for Investment Properties.

**Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Annual Accounts contain 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.

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 result differs from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The value of assets is measured by an internal valuer in accordance with the policies set out in Note 1.19 (ii) and the impact recorded in the accounts. The Council is currently in the second year of a 10 year programme of maintenance spend on existing assets.	If the useful life of assets (PPE, Assets Held for Sale, Heritage, Intangibles and Investment Property) is reduced, depreciation increases or the asset may be impaired, and the carrying amount of the assets falls, it is estimated that the annual depreciation charge for buildings would increase by £6.572m if useful lives were to be reduced by one year, and increase by £16.528m if they were to reduce by 2 years. Current asset value is £2.418bn.
Council Dwellings	Council dwellings are valued on the basis of Current Value, which is determined using the basis of Existing Use Value of Social Housing (EUV-SH). This value is then reduced by the Adjustment Factor which is a measure of the difference between private market rent and socially rented property within the Aberdeenshire Council area. It is the discount which, when applied to the cumulative total of all Beacon values, gives rise to the EUV-SH for the housing stock. The Adjustment Factor, therefore, is the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent public sector investment.	It is estimated that the dwellings with value of £536m would fall in value by £12.761m if the adjustment factor was to be increased by 1% to a new rate of 59%, and by £25.522m if this was to increase further to 60%.
Pension Liability/Asset	The estimation of the defined benefit obligations is sensitive to various actuarial assumptions.	<a href="#">Note 34</a> provides more information on the Council's pension liability/asset.
Fair value of Assets & Liabilities	Financial liabilities and financial assets represented by current and long term debtors and creditors are carried in the Balance Sheet at amortised cost.	<a href="#">Note 20</a> Financial Instruments provides further detail on the calculation of fair values and assumptions behind this.
Specialised Property	Specialised properties are reported at current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.	<a href="#">Note 1</a> Significant Accounting Policies covers specialised properties (Section 1.19 – Property, Plant & Equipment.)

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the years beyond the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Provision – Asset Decommissioning	The Council has made a provision of £6.656m for asset decommissioning costs relating to a number of assets owned by Aberdeenshire Council. Asset decommissioning costs were recognised at the end of financial year 2015/16 for the first time. The provision is an estimate of costs to dismantle, remove items and to restore the related sites for 14 HWRC sites; 6 waste transfer sites; 5 landfill sites and 2 quarries.	While the associated decommissioning costs were not settled in 2022/23 the obligation exists to settle these costs in the future and the Council must capitalise these costs and fund from borrowing in accordance with LASAAC accounting guidance issued in September 2014.

**Note 5 – Expenditure and Income Analysed by Nature**

The Council's expenditure and income is analysed as follows:

Restated Total 2021/22 £'000		Total 2022/23 £'000
493,892	Employee Expenses	538,344
533,944	Other Service Expenses	569,473
2,501	Support Service Recharges	3,003
96,362	Depreciation, Amortisation & Impairment	100,584
34,523	Interest Payments	37,999
186	Loss on Investments	448
1,022	Loss on Disposal of Non- Current Assets & Ahfs	-
<b>1,162,430</b>	<b>Total Expenditure</b>	<b>1,249,851</b>
(299,447)	Fees, Charges & Other Service Income	(330,689)
(279)	Interest & Investment Income	(778)
(256,632)	Income from Council Tax and Business Rates	(297,501)
(555,946)	Government Grants & Contributions	(549,075)
-	Gain on Disposal of Non- Current Assets & Ahfs	(450)
<b>(1,112,304)</b>	<b>Total Income</b>	<b>(1,178,493)</b>
<b>50,126</b>	<b>Deficit on the Provision of Services</b>	<b>71,358</b>

**Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations**

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

2022/23	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £000	Total Usable Reserves £000	Total Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation and impairment of non current assets	(42,759)	(31,175)	-	(73,934)	73,934
Revaluation losses on PPE and AHfS	2,329	171	-	2,500	(2,500)
Transfers from Non Current to Current	254	-	-	254	(254)
Movements in the market value of Investment Properties	(448)	-	-	(448)	448
Amortisation of intangible assets	(219)	(11)	-	(230)	230
Grants and contributions used to fund capital expenditure	32,111	15,177	-	47,288	(47,288)
Revenue expenditure funded by Capital under Statute	(4,829)	-	-	(4,829)	4,829
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(1,420)	(4)	-	(1,424)	1,424
Temporary Statutory Accounting Flexibility - Use of Capital Grant to Fund Capital Investment in the Housing Capital Programme	(5,542)	5,542	-	-	-
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the repayment of debts	17,609	1,226	-	18,835	(18,835)
Capital expenditure charged against the General Fund and HRA balances	2,555	9,618	-	12,173	(12,173)
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
<b>Adjustment involving the Capital Grants and Receipts Unapplied Account:</b>					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	6,220	-	(6,220)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	3,536	3,536	(3,536)
Capital Receipts transferred to the Capital Grants and Receipts Unapplied Account	-	-	-	-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,659	214	-	1,873	(1,873)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	851	211	-	1,062	(1,062)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(89,837)	(5,195)	-	(95,032)	95,032
Employer's pensions contributions and direct payments to pensioners payable in the year	45,087	2,337	-	47,424	(47,424)
<b>Adjustment involving the Employee Statutory Adjustment Account:</b>					
Movement in annual leave earned but not used by 31 March	(441)	(128)	-	(569)	569
<b>Total Adjustments</b>	<b>(36,820)</b>	<b>(2,017)</b>	<b>(2,684)</b>	<b>(41,521)</b>	<b>41,521</b>

**Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations (continued)**

2021/22	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £000	Total Usable Reserves £000	Total Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation and impairment of non current assets	(39,208)	(27,358)	-	(66,566)	66,566
Revaluation losses on PPE and AHfS	(7,997)	(691)	-	(8,688)	8,688
Transfers from Non Current to Current	-	-	-	-	-
Movements in the market value of Investment Properties	(186)	-	-	(186)	186
Amortisation of intangible assets	(208)	(10)	-	(218)	218
Grants and contributions used to fund capital expenditure	36,588	8,776	-	45,364	(45,364)
Revenue expenditure funded by Capital under Statute	(8,424)	-	-	(8,424)	8,424
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(2,176)	(55)	-	(2,231)	2,231
Temporary Statutory Accounting Flexibility - Use of Capital Grant to Fund Capital Investment in the Housing Capital Programme	-	-	-	-	-
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the repayment of debts	20,846	4,664	-	25,510	(25,510)
Capital expenditure charged against the General Fund and HRA balances	1,296	18,482	-	19,778	(19,778)
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(490)	(11)	-	(501)	501
<b>Adjustment involving the Capital Grants and Receipts Unapplied Account:</b>					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	3,212	-	(3,212)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,016	9,016	(9,016)
Capital Receipts transferred to the Capital Grants and Receipts Unapplied Account	1,663	48	(1,711)	-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	780	183	-	963	(963)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(84,958)	(4,326)	-	(89,284)	89,284
Employer's pensions contributions and direct payments to pensioners payable in the year	42,403	1,917	-	44,320	(44,320)
<b>Adjustment involving the Employee Statutory Adjustment Account:</b>					
Movement in annual leave earned but not used by 31 March	1,274	(54)	-	1,220	(1,220)
<b>Total Adjustments</b>	<b>(35,585)</b>	<b>1,565</b>	<b>4,093</b>	<b>(29,927)</b>	<b>29,927</b>

**Note 7 – Usable Reserves and Earmarked Balances**

The table below details the amounts transferred between the General Fund Working Balance and Earmarked Reserves to finance expenditure during 2022/23:

	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000
<b>Earmarked Balances:</b>							
Affordable Housing - LTE and Second Homes Council Tax	(5,749)	984	(1,850)	(6,615)	548	(1,801)	(7,868)
Earmarked Grants	(3,669)	1,357	(3,796)	(6,108)	782	(6,970)	(12,296)
<b>Total Earmarked Balances</b>	<b>(9,418)</b>	<b>2,341</b>	<b>(5,646)</b>	<b>(12,723)</b>	<b>1,330</b>	<b>(8,771)</b>	<b>(20,164)</b>
<b>Other Commitments:</b>							
Devolved School Management (DSM)	(2,847)	2,729	(4,899)	(5,017)	5,004	(3,232)	(3,245)
Pupil Equity Funding	(1,473)	1,473	(2,181)	(2,181)	2,181	(1,405)	(1,405)
Regeneration Reserve	(3,019)	458	-	(2,561)	454	-	(2,107)
Renewable Energy	(350)	25	-	(325)	325	-	-
AWPR Reserve	(1,319)	1,319	-	-	-	-	-
Supporting Council Priorities	(700)	-	-	(700)	700	-	-
Additional Scottish Government Funding	(19,472)	13,633	(875)	(6,714)	4,187	-	(2,527)
Resilience and Recovery Fund	(11,000)	435	(3,780)	(14,345)	5,993	-	(8,352)
Infrastructure Fund	-	-	(700)	(700)	700	(752)	(752)
Tackling Poverty and Inequalities Reserve	-	-	(3,500)	(3,500)	53	-	(3,447)
Roads Maintenance Fund	-	732	(3,819)	(3,087)	-	-	(3,087)
Repairs and Maintenance Fund	-	-	(500)	(500)	-	-	(500)
ECS Holiday Recovery Programme Reserve	-	351	(2,000)	(1,649)	670	-	(979)
Pay Award Reserve	-	-	(5,628)	(5,628)	1,163	-	(4,465)
2022/23 Funding Allocations (Council 6/21)	-	-	(780)	(780)	780	-	-
Digital Strategy Reserve	-	52	(2,000)	(1,948)	455	-	(1,493)
Local Authority Covid Economic Recovery Fund (LACER)	-	-	-	-	2,674	(4,365)	(1,691)
Devolved School Management Projects	-	-	-	-	-	(2,221)	(2,221)
Other Commitments (each less than £500,000)	(315)	120	(197)	(392)	44	(360)	(708)
<b>Total</b>	<b>(40,495)</b>	<b>21,327</b>	<b>(30,859)</b>	<b>(50,027)</b>	<b>25,383</b>	<b>(12,335)</b>	<b>(36,979)</b>
<b>Total Commitments</b>	<b>(49,913)</b>			<b>(62,750)</b>			<b>(57,143)</b>
<b>General Fund Working Balance</b>	<b>(8,057)</b>			<b>(8,612)</b>			<b>(8,271)</b>
<b>Total General Fund Balance</b>	<b>(57,970)</b>			<b>(71,362)</b>			<b>(65,414)</b>

**Explanatory Note of Reserves:**

- **General Fund Balance** – The General Fund Balance decreased by £5.948m in 2022/23 giving a balance at the end of the year of £65.414m. Once the commitments of £57.143m shown above are set against this, an uncommitted working balance of £8.271m remains at 31 March 2023. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.
- **Affordable Housing – Long Term Empty (LTE) & Second Homes Council Tax** – Scottish Government legislation requires that a proportion of income collected from Council Tax on second homes and long term empty properties is utilised to fund Affordable Housing. This reserve represents the balance of funds collected compared to those used.
- **Earmarked Grants** – The balance held relates to situations where the paying agency allows retention of unspent grant. In order to recognise that the grant is ring-fenced, the element of the balance relating to the unspent grant has been earmarked.
- **Devolved School Management (DSM)** – Amounts carried forward by schools permitted under DSM Scheme.

**Note 7 – Usable Reserves and Earmarked Balances (continued)**

- **Pupil Equity Funding (PEF)** – Scottish Government Funding to improve attainment in schools. Monies drawn down when spent in schools.
- **Regeneration Reserve** – Funding for regeneration projects in Banff, Peterhead, Macduff and Fraserburgh.
- **Renewable Energy Reserve** – Balance of funding set aside in the 2016/17 Budget to fund renewable energy initiatives. Council agreed to release this balance as part of the 2022/23 Medium Term Financial Strategy.
- **AWPR Reserve** – Funding to restore non trunk roads in Aberdeen. The balance has been subsumed within the Roads Maintenance Fund.
- **Supporting Council Priorities** – Funds set aside as part of Medium Term Financial Strategy in 2020/21 towards achieving our strategic priorities and the significant work required to address the impacts on our communities and businesses, from COVID-19, Brexit, the economic crisis and climate change. Council agreed to release this balance as part of the 2022/23 Medium Term Financial Strategy.
- **Additional Scottish Government Funding** – This reserve comprises Scottish Government Covid Recovery funding to fund ongoing costs.
- **Resilience and Recovery Fund** – Funds transferred to Reserves in 2020/21 to support and aid the recovery from the Covid-19 pandemic and other future financial risks.
- **Infrastructure Fund** – Reserve created in 2021/22 to fund the borrowing costs associated with the Infrastructure 2 Fund.
- **Tackling Poverty and Inequalities Reserve** – Reserve created in 2021/22 to provide continued support to families and individuals impacted by Covid-19.
- **Roads Maintenance Fund** – Reserve created in 2021/22 to provide for any unexpected pressures on the Roads Maintenance budgets.
- **Repairs and Maintenance Fund** – Reserve created in 2021/22 to provide for any unexpected pressures on the Repairs and Maintenance budgets.
- **ECS Holiday Recovery Programme Reserve** – Reserve created in 2021/22 to provide activities for young people during the school holidays to help them re-connect following lockdown.
- **Pay Award Reserve** – Reserve created in 2021/22 to cover any pay award that is agreed over and above the amount budgeted for.
- **2022/23 Funding Allocations (Council 6/21)** – Reserve created in 2021/22 for previously agreed savings postponed for 2 years for HWRC (£258,000); Flooding (£282,000) and Supporting Local Bus Service (£120,000) and for Funding to Enhance Demand Responsive Transportation over 2 years (£240,000). The reserve relates to Year 2 of the saving and was drawn down in 2022/23.
- **Digital Strategy Reserve** – Reserve created in 2021/22 aimed at improving efficiencies, making Council services accessible to customers, removing barriers which impact on ability to transform service delivery, building digital confidence through the workforce and supporting capacity building/strengthening resilience and recovery from Covid in the long term.
- **Local Authority Covid Economic Recovery Fund (LACER)** – The Council received £3.665m LACER funding from Scottish Government and at its meeting on 30 June 2022 agreed to supplement this with £700,000 Discretionary Business Funding to support specific projects.
- **Devolved School Management Projects** – Ring-fencing of amounts carried forward by schools for specific projects.
- **Other Commitments** – Number of minor commitments with balances less than £500,000 each.

The above Roads Maintenance and Repairs and Maintenance reserves were set up and agreed as part of the budget setting process for 2021/22. These are separate from the Repairs and Renewals Fund held and reflected in the Movement in Reserves Statement. The Council hold the Repairs and Renewals Fund solely for Winter Maintenance. As at 31 March 2023 this Fund had a balance of £1.300m.

**Note 8 – Taxation and Non-Specific Grant Income**

An analysis of Taxation and Non-Specific Grant Income is set out in the table below:

2021/22 £'000		2022/23 £'000
(151,765)	Council Tax Income	(158,715)
(104,867)	Non-Domestic Rates	(138,786)
(381,139)	Non-Ring-Fenced Government Grants	(360,475)
(48,576)	Non-Specific Grant Income – Capital	(53,509)
<b>(686,347)</b>	<b>Total</b>	<b>(711,485)</b>

**Note 9 – Prior Years Adjustments****1 Costs of Asset Disposals**

Costs associated with asset disposals, where sales were not completed in prior years, were previously being accounted for through an accruals adjustment. The appropriate accounting treatment is to process the costs alongside the sales that have completed, in turn, reducing the gain in each financial year. To adjust the gains previously posted to the Capital Adjustment Account, an unusable reserve, a prior year adjustment amounting to £502,000 has been reflected in the accounts.

**2 Employee Adjustment Accounts – Flexi Leave/TOIL**

In February 2018 the Scottish Government issued circular [2/2018](#) which stated that from 2021/22 the statutory adjustment relating to short term accumulating paid absence, namely paid annual leave would be amended and the adjustment for flexi-leave and TOIL would be withdrawn. As at 31 March 2022 it was identified that Aberdeenshire Council was still carrying a value in the Employee Adjustment Account that related to Flexi Leave and Toil. A Prior Year Adjustment of £530,000 has been reflected in the accounts.

**3 Council Dwellings**

- 3.1 Opening Balances Restated for Dwellings - The 2020/21 Statement of Accounts included an adjustment that was processed accounting for the Dwellings revaluations, which were carried out during 2020/21, were reflected in the previous financial year, 2019/20. Although the closing Net Book Value was correctly accounted for in the Balance Sheet a matching entry of £30.353m on the Cost/Valuation side of the note and the Accumulated Depreciation/Impairment side of the note meant the opening balances were incorrectly stated. This opening and closing balance has been adjusted in the audited Statement of Accounts as part of Note 13 and means that an equivalent sum can be removed from the information table at the end of the note.
- 3.2 Prior Period Adjustment for Dwellings – Valuations for Dwellings were last carried out in 2020/21. Following a review of market data including Registers of Scotland indices it was decided that the Dwellings valuation should be revised using an indexation uplift, pending a full valuation review in 2023/24. This results in a restated 2021/22 Net Book Value of £569.271m, an upward movement of £43.491m.

**4 PFI Lifecycle Maintenance**

Prior to 2022/23 Lifecycle Maintenance assets with a Net Book Value of £19.64m were being accounted for on a Historic Cost basis which was separate from the individual PFI/PPP schools. This led to the Historic Cost element being double counted as the revalued schools factored in the lifecycle maintenance. The duplicated assets have been removed from the PPE Balance Sheet which has resulted in prior period movements; 2020/21 has been reduced to £2.266bn from £2.284bn a movement of £18m; 2021/22 comparator reflects a reduction of £0.976m, which together with the Dwellings PPA of £43.491m restates the closing PPE position from £2.303bn to £2.327bn

**Note 9 – Prior Years Adjustments (continued)**

The impact of these adjustments on the Prior Year Comprehensive Income and Expenditure Statement, Balance Sheet are shown below.

Prior Year Adjustment - Comprehensive Income and Expenditure Statement						
Aberdeenshire Services	Net Expenditure 2021/22 £'000	Adjustment 1 Asset Disposals	Adjustment 2 Employee Leave	Adjustment 3 Dwellings	Adjustment 4 PFI Lifecycle	Restated Net Expenditure 2021/22 £'000
Business Services Committee	63,986		(209)			63,777
Communities Committee	169,315		(95)			169,220
Education and Children's Services Committee	360,198		(120)		(320)	359,758
Infrastructure Services Committee	99,353		(64)			99,289
Housing Revenue Account	8,996		(42)	215		9,169
<b>COST OF SERVICES</b>	<b>701,848</b>	<b>-</b>	<b>(530)</b>	<b>215</b>	<b>(320)</b>	<b>701,213</b>
(Gains)/Losses on the Disposal of Non Current Assets and AHfS	520	502				1,022
<b>Other Operating (Income)/Expenditure</b>	<b>520</b>	<b>502</b>				<b>1,022</b>
<b>Deficit on Provision of Services</b>	<b>50,259</b>	<b>502</b>	<b>(530)</b>	<b>215</b>	<b>(320)</b>	<b>50,126</b>
Surplus on revaluation of Non Current assets and AHfS	25,594			(43,706)	1,296	(16,816)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>41,843</b>	<b>502</b>	<b>(530)</b>	<b>(43,491)</b>	<b>976</b>	<b>(700)</b>

Prior Year Adjustment - Balance Sheet						
	2021/22 £000	Adjustment 1 Asset Disposals	Adjustment 2 Employee Leave	Adjustment 3 Dwellings	Adjustment 4 PFI Lifecycle	Restated 2021/22 £'000
Property Plant and Equipment	2,303,268			43,491	(19,000)	2,327,759
<b>Long Term Assets</b>	<b>2,316,493</b>			<b>43,491</b>	<b>(19,000)</b>	<b>2,340,984</b>
Short Term Creditors	(115,513)	(502)	530			(115,485)
<b>Current Liabilities</b>	<b>(251,289)</b>	<b>(502)</b>	<b>530</b>			<b>(251,261)</b>
<b>Net Assets</b>	<b>1,152,093</b>	<b>(502)</b>	<b>530</b>	<b>43,491</b>	<b>(19,000)</b>	<b>1,176,612</b>
Unusable Reserves	(1,063,830)	502	(530)	(43,491)	19,000	(1,088,349)
<b>Total Reserves</b>	<b>(1,152,093)</b>	<b>502</b>	<b>(530)</b>	<b>(43,491)</b>	<b>19,000</b>	<b>(1,176,612)</b>

**Note 9 – Prior Years Adjustments (continued)**

The impact of the above adjustments on the MIRS and Cash Flow are summarised below

Movement in Reserves 2021/22	Restated General Fund Balance £'000	Housing Revenue Account £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000	Restated Total Council Reserves £'000
Balance as at 31 March 2021 Carried Forward	(57,970)	(2,000)	(78,884)	(1,115,052)	(1,193,936)
<b>Movement in Reserves During 2021/22</b>					
Total Comprehensive Income and Expenditure	44,008	6,251	50,259	(8,416)	41,843
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(35,902)	1,749	(30,060)	30,060	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>(14,456)</b>	<b>984</b>	<b>(9,379)</b>	<b>51,222</b>	<b>41,843</b>
Balance as at 31 March 2022	(71,362)	(2,000)	(88,263)	(1,063,830)	(1,152,093)

**Adjustments applied**

Balance as at 31 March 2021 Carried Forward	-	-	-	18,024	18,024
	-	-	-	-	-
<b>Movement in Reserves During 2021/22</b>					
Total Comprehensive Income and Expenditure	(317)	184	(133)	(42,410)	(42,543)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	317	(184)	133	(133)	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,543)</b>	<b>(42,543)</b>
	-	-	-	-	-
Balance as at 31 March 2022	-	-	-	(24,519)	(24,519)

Restated Movement in Reserves 2021/22	Restated General Fund Balance £'000	Housing Revenue Account £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000	Restated Total Council Reserves £'000
Balance as at 31 March 2021 Carried Forward	(57,970)	(2,000)	(78,884)	(1,097,028)	(1,175,912)
<b>Movement in Reserves During 2021/22</b>					
Total Comprehensive Income and Expenditure	43,691	6,435	50,126	(50,826)	(700)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(35,585)	1,565	(29,927)	29,927	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>(14,456)</b>	<b>984</b>	<b>(9,379)</b>	<b>8,679</b>	<b>(700)</b>
Balance as at 31 March 2022	(71,362)	(2,000)	(88,263)	(1,088,349)	(1,176,612)

**Note 9 – Prior Years Adjustments (continued)**

Cash Flow Statement 2021/22	2021/22 £'000	Adjustments	Restated 2021/22 £'000
<b>Net deficit on the provision of services</b>	<b>(50,259)</b>	<b>(133)</b>	<b>(50,126)</b>
Adjust net deficit on the provision of services for non cash movements	149,496	133	149,363
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,423	(501)	1,924
<b>Net Cash Flows from Operating Activities</b>	<b>100,660</b>	<b>(501)</b>	<b>101,161</b>
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-	501	(501)
<b>Net Cash Flows from Investing Activities</b>	<b>(154,050)</b>	<b>501</b>	<b>(154,551)</b>

The Expenditure and Funding Analysis and all related notes have also been updated to reflect the revised totals.

The overall impact of these adjustments is a £133,000 reduction in the deficit on provision of services and a £24.419m increase in net assets. These adjustments have been reflected as an Adjustment between the Funding and Accounting Basis and therefore have no impact on the value chargeable to the General Fund in 2021/22.

**PFI Lifecycle – Additional Balance Sheet Disclosure**

As required by the Code and in accordance with IAS 1, when an authority applies a change in accounting policy, or when it reclassifies items, it is required to present an additional Balance Sheet at the beginning of the preceding period. Due to the impact of Adjustment 4 on the prior year's PFI Assets a third Balance Sheet has been presented. The impact of this is shown below.

Prior Year Adjustment - Balance Sheet	2020/2021 £000	Adjustment 4 PFI Lifecycle	Restated 2020/21 £'000
Property Plant and Equipment	2,284,027	(18,024)	2,266,003
<b>Long Term Assets</b>	<b>2,297,409</b>	<b>(18,024)</b>	<b>2,279,385</b>
<b>Net Assets</b>	<b>1,193,936</b>	<b>(18,024)</b>	<b>1,175,912</b>
Unusable Reserves	(1,115,052)	18,024	(1,097,028)
<b>Total Reserves</b>	<b>(1,193,936)</b>	<b>18,024</b>	<b>(1,175,912)</b>

**Note 9 – Prior Years Adjustments (continued)**

**5 - Integration Joint Board 2021/22 Prior Year Audit Adjustments**

Final audit changes to the 2021/22 IJB Annual Accounts necessitated adjustments to the Council's accounts in respect of the IJB.

These included an additional expenditure accrual of £4.2m in relation to Sustainability Payments to be funded by COVID 19 reserves. As this accrual was funded by a drawdown of IJB reserves and shown as income to the IJB, these adjustments had no impact on the overall IJB position.

A further £666,000 adjustment was made in relation to interparty transactions which required to be eliminated from the IJB Accounts.

The result of these changes was to increase the overall figure for Services Commissioned from Aberdeenshire Council by £4.866m, taking the total from £179.667m to £184.533m. This is reflected in the IJB Grossing Up figure in the Council's CIES. This adjustment effectively increases the IJB Expenditure and Income within the CIES to show the Council's contribution to IJB funding as a distinct and separate transaction from the commissioning income received, and the subsequent service expenditure incurred by the Council.

The impact on the Council's CIES is shown on the following table. All related notes have been updated to reflect the revised totals, including the group accounts..

	Council		Reserves Adjustment		Grossing Up Adjustment		Restated Council	
	Gross Expenditure 2021/22 £'000	Income 2021/22 £'000						
<b>Aberdeenshire Services</b>								
Communities Committee	411,712	(242,397)	4,200	(4,200)	4,866	(4,866)	420,778	(251,463)
<b>COST OF SERVICES</b>	<b>1,122,946</b>	<b>(421,628)</b>	<b>4,200</b>	<b>(4,200)</b>	<b>4,866</b>	<b>(4,866)</b>	<b>420,778</b>	<b>(251,463)</b>

**6 - Group Accounts - Consolidation**

During the 2022/23 audit a review of the consolidation arrangements for the group accounts established that the current arrangements were inadequate. In prior years only the IJB accounts were consolidated to arrive at a group position. From 2022/23 onwards the Common Good, Trusts, Create Homes LLP and the Integration Joint Board have all been consolidated in to the council's Group Accounts. These accounts now sit out with the main accounting statements and can be found on pages [127-134](#).

As this is the first year that all of these bodies are included and in line with accordance with IAS 1, a third balance sheet has been disclosed to show the group balances as at 31 March 2021.

### Note 10 – Agency Services

The Council is the billing authority for Non-Domestic Rates (NDR) in Aberdeenshire and, in this role, acts as an agent of the Scottish Government. During 2022/23, the Council billed £126.1 million (2021/22 £106.7 million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the Council contributed £124.3 million to the National Non-Domestic Rates Pool (2021/22 £101.0 million) and received back from the pool £138.8 million in income (2021/22 £104.9 million).

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water from households within the authority. During 2022/23 the Council received £682,000 for providing this service (2021/22 £682,000).

Business Improvement District Levies (BIDS) are collected by the Council on behalf of the BIDS projects within Aberdeenshire. Two BIDS projects were active during 2022/2023: Peterhead and Inverurie, however Peterhead ended in November 2022. The Council received a fee associated with BIDS collections at a rate of £5 per property up until 31 July 2022 and after this date at a rate of 3% of the total Levy charged. The Council received £2,000 for these fees in 2022/23 (2021/22 £2,000).

During 2022/23 the Council acted as an agent for the Scottish Government to distribute support grants to businesses and individuals in response to the Covid-19 pandemic. The Council received £183,000 from the Scottish Government to cover the administrative costs of distributing the grants (2021/22 £1.020m).

During 2022/23 the Council acted as an agent for the Scottish Government to distribute cost of living grants. The Council received £164,000 from the Scottish Government to cover the administrative costs of distributing the grants (2021/22 £0).

During 2022/23 the Council acted as an agent for the UK government to distribute grants for the Energy Bills Support Scheme and the Alternative Fuel Payment. These grants are to provide support to households not eligible for the automatic Energy Bills Support Scheme. The Council received 80% of the funding in 2022/23, receiving £1.302m (2021/22 £0) and paid out £168,000 (2021/22 £0) in grants. No administration fee has been received for these payments, this will be determined in 2023/24.

Through the Aberdeen City Region Deal, Aberdeenshire Council, Aberdeen City Council and regional partners, together with the UK and Scottish Governments are committed to jointly investing £826m to secure the Region's economic vision. More information on the deal can be found in the latest annual report [2021-22 Aberdeen City Region Deal Annual Report](#).

Aberdeenshire Council acts as the Accountable Body for the Aberdeen City Region Deal Joint Committee which includes the role of providing a bank account, processing grant claims for relevant expenditure, and transferring funds received from Scottish Government to third party partners. A total of £28.566m was transferred to third parties in 2022/23 (2021/22 £33.054m) on behalf of the Scottish Government.

### Note 11 – External Audit Costs

The Council incurred fees of £471,000 (2021/22 £397,000\*) for the statutory audit of the Annual Accounts by Audit Scotland. These fees include £10,000 (2021/22 £7,000) in relation to audit requirements for the Charities' Accounts of local authorities.

\* Prior year restatement due to £19,000 rebate received from Audit Scotland for 2021/22 fees.

**Note 12 – 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 PFI/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. The CFR is analysed in the second part of this note.

Restated 2021/22 £'000		2022/23 £'000
987,905	<b>Opening Capital Financing Requirement</b>	1,049,347
	<b>Capital Investment</b>	
152,004	Property, Plant and Equipment	147,373
182	Intangible Assets	342
8,423	Revenue Expenditure Funded by Capital under Statute	4,829
	<b>Sources of Finance</b>	
501	Capital Receipts	(1,873)
(54,380)	Government Grants and Other Contributions	(50,824)
	<b>Sums Set Aside from Revenue:</b>	
(19,778)	Capital Financed from Current Revenue	(12,173)
(25,510)	Loans Fund Principal Repayments	(18,835)
<b>1,049,347</b>	<b>Closing Capital Financing Requirement</b>	<b>1,118,186</b>
	<b>Explanation of movements in year</b>	
61,442	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	68,839
<b>61,442</b>	<b>Increase in Capital Financing Requirement</b>	<b>68,839</b>

**Note 13 – Property, Plant and Equipment (PPE)**

Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2022</b>	<b>569,422</b>	<b>1,270,828</b>	<b>153,184</b>		<b>1,128</b>	<b>142,024</b>	<b>11,219</b>	<b>2,147,805</b>	<b>190,611</b>
Additions	42,040	14,714	20,452	39,952	100	30,106	9	147,373	3,143
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve	(40,442)	(1,171)	-	-	-	-	24	(41,589)	(19,699)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	(1)	2,586	-	-	-	-	(85)	2,500	405
Derecognition – Disposals	-	(1,550)	(2,474)	-	-	-	(1,352)	(5,376)	-
Assets Reclassified (to)/from AHFS	-	454	-	-	-	-	(641)	(187)	-
Assets Reclassified to/(from) Investment Properties	-	-	-	-	-	-	16	16	-
Transfers or Reclassifications of Assets	1,385	32,401	(1,235)	464	30	(36,829)	3,784	-	36,535
<b>At 31 March 2023</b>	<b>572,404</b>	<b>1,318,262</b>	<b>169,927</b>		<b>1,258</b>	<b>135,301</b>	<b>12,974</b>	<b>2,250,542</b>	<b>210,995</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2022</b>	<b>(151)</b>	<b>(11,350)</b>	<b>(79,856)</b>		<b>(13)</b>	<b>(39,015)</b>	<b>(1,284)</b>	<b>(131,669)</b>	<b>-</b>
Depreciation Charge	(14,122)	(37,019)	(15,171)	(14,222)	-	-	(165)	(80,699)	(5,374)
Accumulated Depreciation & Impairment written out	40,697	75,405	-	-	-	-	138	116,240	39,787
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(8,717)	(1,135)	-	-	-	(9,798)	-	(19,650)	-
Impairment Losses recognised in the RR	(17,031)	(610)	-	-	-	-	(4)	(17,645)	-
Derecognition - Disposals	-	1,485	2,466	-	-	-	642	4,593	-
Assets Reclassified to/(from) AHFS	-	-	-	-	-	-	-	-	-
Other Movements in Depreciation & Impairment	(813)	(31,221)	1,221	(294)	(3)	32,367	(1,257)	-	(34,413)
<b>At 31 March 2023</b>	<b>(137)</b>	<b>(4,445)</b>	<b>(91,340)</b>		<b>(16)</b>	<b>(16,446)</b>	<b>(1,930)</b>	<b>(128,830)</b>	<b>-</b>
<b>Net Book Value at 31 March 2023</b>	<b>572,267</b>	<b>1,313,817</b>	<b>78,587</b>	<b>337,520</b>	<b>1,242</b>	<b>118,855</b>	<b>11,044</b>	<b>2,433,332</b>	<b>210,995</b>

Infrastructure asset values are disclosed in accordance with the Scottish Government's Finance Circular 9/2022 Statutory Override - Accounting for Infrastructure Assets. The Net Book Value of these assets as at 31 March 2023 is £337.520m (2021/22 £311.623m), and is included in the total disclosed for Property, Plant and Equipment total in the Balance Sheet.

The Council has applied both statutory overrides :

- For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- For the accounting 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 to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part. The approach is set out in Note 1, Significant Accounting Policies.

**Note 13 – Property, Plant and Equipment (PPE) (continued)**

Movements in 2021/22	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Restated Total PPE £'000	PFI Assets included in PPE £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2021</b>	<b>508,697</b>	<b>1,354,988</b>	<b>123,042</b>		<b>1,082</b>	<b>126,341</b>	<b>11,360</b>	<b>2,125,510</b>	<b>193,863</b>
Additions	34,457	17,728	30,422	30,940	30	38,427	-	152,004	2,594
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve	15,793	(97,857)	-	-	-	-	1,023	(81,041)	(3,667)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	92	(8,088)	-	-	-	-	(692)	(8,688)	(2,179)
Derecognition – Disposals	(55)	(1,498)	(2,819)	-	-	(1,744)	(2,568)	(8,684)	-
Assets Reclassified (to)/from AHFS	-	(301)	-	-	-	-	-	(301)	-
Assets Reclassified to/(from) Investment Properties	-	-	-	-	-	-	-	-	-
Transfers or Reclassifications of Assets	10,438	5,856	2,539	55	16	(21,000)	2,096	-	-
<b>At 31 March 2022</b>	<b>569,422</b>	<b>1,270,828</b>	<b>153,184</b>		<b>1,128</b>	<b>142,024</b>	<b>11,219</b>	<b>2,178,800</b>	<b>190,611</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2021</b>	<b>(117)</b>	<b>(43,411)</b>	<b>(71,198)</b>		<b>(13)</b>	<b>(37,914)</b>	<b>(701)</b>	<b>(153,354)</b>	<b>(3,754)</b>
Depreciation Charge	(20,445)	(36,151)	(12,604)	(13,221)	-	-	(79)	(82,500)	(4,911)
Accumulated Depreciation & Impairment written out	48,264	69,461	-	-	-	-	256	117,981	8,665
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(4,797)	(575)	-	-	-	(8,110)	(165)	(13,647)	-
Impairment Losses recognised in the RR	(16,545)	(2,209)	-	-	-	(1,246)	(123)	(20,123)	-
Derecognition - Disposals	-	1,470	2,742	-	-	1,744	797	6,753	-
Assets Reclassified to/(from) AHFS	-	-	-	-	-	-	-	-	-
Other Movements in Depreciation & Impairment	(6,511)	65	1,204	-	-	6,511	(1,269)	-	-
<b>At 31 March 2022</b>	<b>(151)</b>	<b>(11,350)</b>	<b>(79,856)</b>		<b>(13)</b>	<b>(39,015)</b>	<b>(1,284)</b>	<b>(144,890)</b>	<b>-</b>
<b>Net Book Value at 31 March 2022</b>	<b>569,271</b>	<b>1,259,478</b>	<b>73,328</b>	<b>311,623</b>	<b>1,115</b>	<b>103,009</b>	<b>9,935</b>	<b>2,327,759</b>	<b>190,611</b>

**Note 13 – Property, Plant and Equipment (PPE) (continued)**

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2022/23 and future years. The major commitments amounting to £93.669m are listed below. Similar commitments at 31 March 2022 were £87.003m.

Project Title	£'000
Sheltered Housing – Sprinkler Programme	550
Central Area – All Housing Projects – HIP Framework	11,134
North Area – All Housing Projects – HIP Framework	12,727
East Area – All Housing Projects – HIP Framework	8,867
South Area – All Housing Projects – HIP Framework	4,412
Fraserburgh – Merryhillock New Build Housing	738
Huntly – King Street New Housing	1,947
Ellon – Former Academy New Housing	743
Stonehaven – Carlton House – Conversion to 16 Residential Units	1,630
Fraserburgh – 2-4 Bervie Road – New Build Housing	853
Blackdog – Strabathie – New Build Housing	7,868
Fraserburgh – Academy Annexe – Conversion to 16 Flats	3,322
Non-Domestic Energy Efficiency (NDEE)	1,620
Gairnshiel Bridge	500
Easter Balmoral Non-Motorised Bridge – Refurb	561
LAN Wireless Networks	3,400
Huntly Depot – Affordable Housing	564
Chapelton Primary School	10,500
Bin Collection 3 Weekly System – Supply & Distribution of Bins	2,876
Energy from Waste	12,102
North East Scotland & Northern Isles Integrated Mortuary	3,930
Commitments on Projects < £500K	2,825
<b>Total</b>	<b>93,669</b>

During 2022/23, the Council has recognised an impairment loss of £5.658m in relation to its PPE, which are detailed in the Table below:

2021/22 £'000		2022/23 £'000
33,770	Consumption Loss	(37,303)
(32,204)	Economic Loss	42,961
<b>1,566</b>		<b>5,658</b>

This is due to downward revaluations being accounted for and adjusting for capital expenditure during the financial year which, although meeting the enhancement definition, added no value (Consumption Loss) to the Council's Balance Sheet and also reflects the discount that is applied to Dwellings assets on the Council's Balance Sheet. Of the Consumption Loss, all relates to PPE.

**Revaluations**

The Council carries out a rolling programme that ensures that all PPE required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. 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 Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

**Note 13 – Property, Plant and Equipment (PPE) (continued)**

The significant assumptions applied in estimating the fair values are:

- No investigation has been carried out to determine the presence of contamination, deleterious or hazardous materials of any of the properties;
- Original documents of title and lease documentation have not been read;
- The assets and their values are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by any statutory notice, and that neither the construction of the properties nor their condition, use or intended use was, is or will be unlawful or in breach of any covenant;
- Mechanical and electrical installations and other specialist installations and services have not been tested;
- No access audit has been undertaken to ascertain compliance with the Equality Act 2010; and
- Where a building is either listed or is in a conservation area, this will be identified in any individual report or on the valuation schedules.

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Other PPE £'000</b>	<b>Total £'000</b>
Carried at Historical Cost	-	10,164	347,612	<b>357,776</b>
Valued at fair value as at:				
31 March 2023	572,404	1,258,645	2,597	<b>1,833,646</b>
31 March 2022	-	20,516	9,667	<b>30,183</b>
31 March 2021	-	5,963	-	<b>5,963</b>
1 April 2020	-	3,618	-	<b>3,618</b>
1 April 2018	-	19,356	-	<b>19,356</b>
<b>Total Cost or Valuation</b>	<b>572,404</b>	<b>1,318,262</b>	<b>359,876</b>	<b>2,250,542</b>

\*Gross Book Value for Infrastructure Assets, removed in the 2022/23 movements table applying the statutory overrides, have also been removed in the table above.

**Note 14 – Heritage Assets**

Reconciliation of the carrying value of Heritage Assets Held by the Council

	<b>Human History £'000</b>	<b>Archaeology £'000</b>	<b>Fine Art £'000</b>	<b>Total Assets £'000</b>
<b>Cost or Valuation at 31 March 2022</b>	<b>1,504</b>	<b>320</b>	<b>120</b>	<b>1,944</b>
Revaluations	-	-	548	<b>548</b>
<b>Cost or Valuation at 31 March 2023</b>	<b>1,504</b>	<b>320</b>	<b>668</b>	<b>2,492</b>

**Human History**

A small number of archaeological items on loan to National Museums Scotland were valued by them in 2011 on the basis Museum Service's Acquisition & Disposal Policies of current sale room prices. One item, the Deskford Carnyx, has been valued at £750,000 in view of its national importance.

In addition, the following assets are included in the Balance Sheet:

- Hareshowe Farm, Aden Country Park which was valued at £180,000 in 2018/19 and is valued every 5 years; and
- Kindrochit Castle, Braemar, is included at £214,000, being the historical cost of the improvements carried out in 2014/15 and 2015/16; and
- 18 Neolithic carved stone balls are included at a value of £360,000. These have been revalued in 2016/17 and the value is based on similar items that have been sold at auction in recent years. The value of £20,000 per stone ball is a median value.

Three items have been valued at a combined total of £80,000, and these are not reported on the Balance Sheet.

### Note 14 – Heritage Assets (continued)

#### Archaeology

The Archaeology item is the Vertical Area Photograph Collection, which has been valued at £320,000 and is shown in the Balance Sheet.

Further Information on Museums Collections is shown in the Annex.

#### Fine Art

The Fine Art items include a painting by Sir David Wilkie which was valued by John Milne, Fine Art Auctioneers in 2014. The Council also holds certain items which the Curators regard as particularly important to the collections e.g. Fine Art, coin collection, the Banff silver collection, much of the numismatics collection and the arms and armour. Most of these items were acquired by the Museum Service in the late 19<sup>th</sup> century and some have recently been valued at £402,000 for the coin collection and £146,000 for the silver collection, which are now reported in the Balance Sheet as a revaluation.

### Note 15 – Investment Properties

No material items of income and expenditure in relation to investment properties have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

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

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

2021/22 £'000		2022/23 £'000
1,310	Balance at 1 April	1,124
(186)	Net Gains from Fair Value Adjustments	(448)
-	Reclassified as Property, Plant and Equipment	(16)
<b>1,124</b>	<b>Balance at 31 March</b>	<b>660</b>

#### Fair Value Measurement

Details of the Council's Investment Properties and information about the fair value hierarchy is shown in the following table:

Other Significant Observable Inputs (Level 2) 2021/22 £'000		Other Significant Observable Inputs (Level 2) 2022/23 £'000
	<b>Recurring fair value measurements using:</b>	
15	Residential (Market Rental) Property	7
650	Residential Development Land	540
447	Commercial Development Land	108
12	Agricultural Land	5
<b>1,124</b>	<b>Balance at 31 March</b>	<b>660</b>

#### Transfers Between Levels of the Fair Value Hierarchy.

There were no transfers between Levels during the year.

**Note 15 – Investment Properties (continued)**

**Valuation Techniques Used to Determine Level 2 for Investment Properties**

The fair value for the Investment Properties has been based on the market approach using current market conditions, recent sales prices and other relevant information for similar assets in the Aberdeenshire area. Market conditions are such that similar properties are purchased and sold actively and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. In estimating the fair value of the Council's Investment Properties, the highest and best use of the properties is their current use. There has been no change in the valuation technique used during the year for Investment Properties.

**Valuation Process for Investment Properties**

The fair value of the Council's Investment Properties is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Head of Finance on a regular basis regarding all valuation matters.

**Note 16 – Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PPE. The intangible assets include purchased licenses. The Council does not have any internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. All software suites used by the Council have been assigned a useful life of five years.

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

2021/22 £'000		2022/23 £'000
	<b>Balance at 1 April:</b>	
9,625	Gross carrying amounts	9,807
(8,876)	Accumulated amortisation	(9,094)
<b>749</b>	<b>Net Carrying amount at 1 April</b>	<b>713</b>
182	Additions - Purchases	342
(218)	Amortisation for the year	(230)
<b>713</b>	<b>Net carrying amount at 31 March</b>	<b>825</b>
	<b>Comprising:</b>	
9,807	Gross carrying amounts	10,149
(9,094)	Accumulated amortisation	(9,324)
<b>713</b>	<b>Net carrying amount at 31 March</b>	<b>825</b>

**Note 17 – Assets Held for Sale (AHfS)**

AHfS are assets that are available for immediate sale in their present condition, their sale is highly probable, management are committed to a plan to sell the assets, an active programme to locate a buyer and complete the plan has been initiated, the assets are being actively marketed for sale at prices that are reasonable in relation to their current value and the sales are expected to be completed within one year from the date of classification as Held for Sale. The movement in AHfS balances is as follows:

2021/22 £'000		2022/23 £'000
296	<b>Balance Outstanding at 1 April</b>	296
	Assets Newly Classified as Held for Sale:	
301	Property, Plant and Equipment	641
	Assets Declassified as Held for Sale:	
-	Property, Plant and Equipment	(454)
(301)	Assets Sold	(641)
-	Change of Plan to Sell - Transfers from Non-Current to Current	254
296	<b>Balance Outstanding at 31 March</b>	96

**Note 18 - Leases**

**The Council as Lessee - Finance Leases**

The Council has acquired two properties under Finance Leases. These assets acquired under these leases are held as property, plant and equipment on the Balance Sheet at the following net amounts:

2021/22 £'000		2022/23 £'000
2,905	Other Land and Buildings	2,774
2,905	<b>Total</b>	2,774

The gross investment in these leases is made up of the minimum lease payments payable over the remaining term and the residual value at the end of the lease. The gross investment is made up of the following amounts:

2021/22 £'000		2022/23 £'000
	Finance lease creditor (net present value of minimum lease payments):	
7	Current	8
67	Non-current	59
22	Unearned finance income	17
96	<b>Gross investment in the lease</b>	84

The gross investment in the finance leases and the minimum lease payments will be payable over the following periods:

Minimum Lease Payments 2021/22 £'000	Finance Lease Liabilities 2021/22 £'000		Minimum Lease Payments 2022/23 £'000	Finance Lease Liabilities 2022/23 £'000
12	7	Not later than one year	12	8
48	34	Later than one year and not later than five years	48	36
36	32	Later than five years	24	22
96	73	<b>Total</b>	84	66

**Note 18 – Leases (continued)**

The total expenditure during the year in relation to these leases was £19,000 (2021/22 £19,000) which comprised Minimum Lease Payments of £12,000 (2021/22 £12,000) and Contingent Rentals of £7,000 (2021/22 £7,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**The Council as Lessee - Operating Leases**

These comprise property, vehicles and cars for the employee car leasing scheme. The minimum lease payments due under non-cancellable leases in future years are:

2021/22 £'000		2022/23 £'000
821	Not later than one year	920
1,896	Later than one year and not later than five years	2,459
4,808	Later than five years	6,425
<b>7,525</b>	<b>Minimum Lease Payments</b>	<b>9,804</b>

The total expenditure during the year in relation to these leases was £265,000 (2021/22 £365,000) which comprised Minimum Lease Payments of £234,000 (2021/22 £349,000) and Contingent Rentals of £31,000 (2021/22 £16,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**The Council as Lessor - Finance Leases**

The Council has leased out a number of properties on a finance lease basis. The gross investment in the leases is made up of the minimum lease payments receivable over the remaining term and the residual value at the end of the lease. The gross investment is made up of the following amounts:

2021/22 £'000		2022/23 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1	Current	1
422	Non-current	422
3,170	Unearned finance income	3,115
<b>3,593</b>	<b>Gross investment in the lease</b>	<b>3,538</b>

The minimum lease payments will be received over the following periods:

Minimum Lease Payments 2021/22 £'000	Finance Lease Liabilities 2021/22 £'000		Minimum Lease Payments 2022/23 £'000	Finance Lease Liabilities 2022/23 £'000
56	23	Not later than one year	56	23
225	92	Later than one year and not later than five years	225	92
3,312	1,750	Later than five years	3,257	1,729
<b>3,593</b>	<b>1,865</b>	<b>Total</b>	<b>3,538</b>	<b>1,844</b>

Although there is a possibility that worsening financial circumstances might result in lease payments not being made, the Council has made no specific bad debt provision in relation to finance leases, albeit a general provision is made in relation to this area of the Council's activity.

In 2022/23, £14,000 contingent rents were receivable by the Council (2021/22 £10,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**Note 18 – Leases (continued)**

**The Council as Lessor - Operating Leases**

The Council leases out property under operating leases for the following purposes:

- for economic development purposes to provide suitable affordable accommodation for local businesses; and
- for community activity purposes to provide suitable facilities for local community groups.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2021/22 £'000		2022/23 £'000
3,472	Not later than one year	3,273
9,729	Later than one year and not later than five years	8,939
20,742	Later than five years	20,036
<b>33,943</b>	<b>Minimum Lease Payments</b>	<b>32,248</b>

In 2022/23, £271,000 contingent rents were receivable by the Council (2021/22 £498,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**Note 19 – Private Finance Initiatives (PFI) and Similar Contracts**

**Education PFI Schemes**

The Council is committed to four PFI and Similar Contracts. Details of the contracts can be found in Note 1 and the Annex. The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in the assets value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment (PPE) balance in Note 13.

**Payments**

The Council makes an agreed payment each year which is increased annually 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 PFI contracts at 31 March 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Obligations Payable	Operating Costs £'000	Interest Charges £'000	Contingent Rentals £'000	Liability Repayment £'000	Lifecycle Maintenance £'000	Total Unitary Charge £'000
2023/24	5,533	5,880	2,747	6,216	1,791	22,167
Between 2024/25 and 2027/28	21,433	18,957	13,040	27,674	5,565	86,669
Between 2028/29 and 2032/33	14,538	15,688	7,667	20,052	6,531	64,476
Between 2033/34 and 2037/38	6,179	10,558	(77)	16,544	6,986	40,190
Between 2038/39 and 2042/43	5,503	4,957	(876)	16,823	8,575	34,982
Between 2043/44 and 2046/47	1,784	605	(301)	6,649	2,870	11,607

**Note 19 – Private Finance Initiatives (PFI) and Similar Contracts (continued)**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractors 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 outstanding liability to the contractor for capital expenditure is as follows:

Total Liability 2021/22 £'000		Total Liability 2022/23 £'000
(105,164)	Balance Outstanding at 1 April	(99,475)
5,689	Payments During the Year	5,517
<b>(99,475)</b>	<b>Balance Outstanding at 31 March</b>	<b>(93,958)</b>

The total outstanding liability is reflected in the Balance Sheet as follows:

2021/22 £'000		2022/23 £'000
(5,517)	Short Term Creditors	(6,216)
(93,958)	Long Term Liabilities	(87,742)
<b>(99,475)</b>	<b>Balance Outstanding at 31 March</b>	<b>(93,958)</b>

**Note 20 – Financial Instruments**

**Table 1: Categories of Financial Instruments**

The Financial Instruments disclosed in the Balance sheet are made up of the following categories:

Long Term 2021/22 £'000	Current 2021/22 £'000	Balance Sheet Category		Long Term 2022/23 £'000	Current 2022/23 £'000
			<b>Financial Assets</b>		
77	-	Investments	Financial Assets at amortised cost	77	-
9,367	27,366	Debtors	Financial Assets at amortised cost	9,439	21,590
-	40,343	Cash and Cash Equivalents	Financial Assets at amortised cost	-	10,989
<b>9,444</b>	<b>67,709</b>		<b>Total Financial Assets</b>	<b>9,516</b>	<b>32,579</b>
			<b>Financial Liabilities</b>		
(730,761)	(134,703)	Borrowing	Financial liabilities at amortised cost	(810,501)	(89,635)
(2,905)	-	Finance Leases	PFI and finance lease liabilities	(2,774)	
(93,958)	-	PFI and PPP Liabilities	PFI and finance lease liabilities	(87,742)	
	(5,517)	Creditors	PFI and finance lease liabilities		(6,216)
(2,098)	(92,454)	Creditors	Financial liabilities at amortised cost	(2,248)	(107,741) *
<b>(829,722)</b>	<b>(232,674)</b>		<b>Total Financial Liabilities</b>	<b>(903,265)</b>	<b>(202,864)</b>

\*At 31 March 2023 accrued interest of £6,737,000 (£5,413,000 at 31 March 2022) on borrowing is included in the current creditors figure at 31 March 2023 of £107,741,000.

The current creditors figure has been adjusted to exclude £33,117,000 (£23,031,000 at 31 March 2022) of statutory contractual items.

The current debtors figure has been adjusted to exclude £56,650,000 (£40,559,000 at 31 March 2022) of statutory contractual items.

**Note 20 – Financial Instruments (Continued)**

**Material Soft Loans Made by the Council**

The Council has made one soft loan which is deemed to be material (i.e. over £500,000). This is an interest free loan of £3.743m to Osprey Housing (previously known as Aberdeenshire Housing Partnership) to construct, manage, maintain, and generally develop new housing for rental or low cost home ownership.

**Valuation assumptions** – The interest rate at which the fair value of this soft loan has been made is arrived at by taking the Council’s prevailing cost of borrowing at the point of recognition (5.25%) and adding an allowance for the risk that the loan might not be repaid by Osprey Housing, in this case a zero rate. The debt is amortised over the loan period and the fair value will rise until the repayment of the loan commences in 2026. The fair value of the loan is £2.801m (2021/22 £2.661m) hence the increase in the discounted amount during the year was £140,000 (2021/22 £133,000).

**Table 2: Income, Expense, Gains and Losses**

	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
<b>31 March 2023</b>			
Interest Expense	(32,617)	-	(32,617)
Gains	-	284	284
Fee Expense	(234)	-	(234)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(32,851)</b>	<b>284</b>	<b>(32,567)</b>
Interest Income	-	778	778
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>778</b>	<b>778</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(32,851)</b>	<b>1,062</b>	<b>(31,789)</b>

	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
<b>Comparative Figures 31 March 2022</b>			
Interest Expense	(30,448)	-	(30,448)
Gains	-	419	419
Fee Expense	(267)	-	(267)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(30,715)</b>	<b>419</b>	<b>(30,296)</b>
Interest Income	-	279	279
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>279</b>	<b>279</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(30,715)</b>	<b>698</b>	<b>(30,017)</b>

**Note 20 – Financial Instruments (Continued)****Fair Value of Assets and Liabilities**

Financial liabilities and financial assets represented by current 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 over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2023 of 4.34% to 4.78% for loans from the PWLB and 4.34% to 4.79% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. The valuation basis adopted in this report uses **Level 2 Inputs** – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. In order to highlight the changes in the accounting code relating to the measurement of fair value, the data disclosed below details both the early repayment and new borrowing rates to discount the future cash flows.

The value of liabilities is as follows:

- Premature repayment rates fair value is £831.556m (2021/22 £1,115.990m) and the carrying amount is £905.669m (2021/22 £869.677m)
- New loan rates fair value is £731.730m (2021/22 £942.563m) and the carrying amount is £905.669m (2021/22 £869.677m)

The value of liabilities with a 1% increase in discount rates is as follows:

- Premature repayment rates fair value of £726.325m
- New loan rates fair value is £650.486m

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower 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.

**Note 21 – Nature and Extent of Risks Arising from Financial Instruments**

The Council’s management of the treasury risks focuses on the unpredictability of financial markets and seeks to protect the resources available to fund services by:

- complying with the requirements of the CIPFA Treasury Management Code of Practice;
- the adoption of a Treasury Management Strategy which includes the Council’s Investment Strategy, and compliance with the treasury section within the Financial Regulations as part of the Council’s Scheme of Governance;
- [Treasury Management Strategy 2022/23](#);
- approving annually in advance prudential and treasury management indicators for the following three years and reporting on performance twice a year.

**The Council’s activities expose it to a variety of financial risks detailed below: -**

**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 minimum credit ratings with two major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested in any one financial institution and restricts the countries in which these institutions are located.

The Council has a policy of not lending more than £25m of its surplus balances to any one institution, with the exception of the Debt Management Office where the limit is not capped and UK government backed institutions and the Council’s bankers, where the limit is £30m. The Council currently has its banking services with Virgin Money. Recent results have shown that Virgin Money Group has returned to profitability with rating agencies upgrading their outlook. As with other UK banks, their long and short-term outlooks moved from a negative to stable outlook.

Deposits are with banks and other institutions in line with the Council’s prevailing counterparty limits as set out in the Council’s Treasury Management Strategy Statement and Prudential Indicators. Investment decisions are considered as part of the daily cash flow management by the Council’s Treasury Team who can and do restrict the list further in light of market conditions and advice from the Council’s Treasury Management Advisors. The Annual Investment Strategy is contained within the Council’s approved full Treasury Management Strategy.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies of £8.500m (2021/22 £39.750m), detailed in the following table, 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 recoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

31 March 2022 £'000		31 March 2023 £'000
39,750	Call Accounts	8,500
-	Fixed Term Deposits	-
-	Money Market Funds	-
<b>39,750</b>	<b>Total</b>	<b>8,500</b>

Credit limits were not exceeded during the reporting period. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The following table summarises the Council’s potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last three financial years, adjusted to reflect current market conditions.

**Note 21 – Nature and Extent of Risks Arising from Financial Instruments (continued)**

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 and parameters set by the Council.

	Debtors as at 31 March 2023 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2023 %	Estimated maximum exposure to default and collectability at 31 March 2023 £'000	Estimated maximum exposure at 31 March 2022 £'000
	A	B	C	(A X C)	
Customers	13,139	22.91%	22.91%	3,010	3,002
Housing Rents	3,006	73.89%	73.89%	2,221	2,293
	<b>16,145</b>			<b>5,231</b>	<b>5,295</b>

The customers' historical experience of default rate can be attributed to the majority of debts being older than 180 days when the rate of recovery is expected to decline. The housing rents' historical experience of default rate can be attributed to rent arrears of former tenants as well as current tenants with high levels of arrears where recovery is unlikely.

The past due amount can be analysed by age as follows:

31 March 2022 £'000		31 March 2023 £'000
4,421	Less than Three Months	3,950
395	Three to Six Months	355
563	Six Months to One Year	708
1,782	More than One Year	1,123
<b>7,161</b>	<b>Total</b>	<b>6,136</b>

**Liquidity Risk**

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day-to-day obligations to make payments.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as required. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowing from the money markets and the Public Works Loans Board. There is no significant risk that the Council will be unable to meet its commitments under financial instruments.

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of its Treasury and Investment Strategies, as well as through cash flow management procedures required by the CIPFA Code of Practice.

The Council uses a purpose-built cash flow forecasting tool to determine the maximum period for which funds may be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's Medium Term Financial Strategy and cash flow forecast. The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

**Note 21 – Nature and Extent of Risks Arising from Financial Instruments (continued)**

	31 March 2022 £'000	31 March 2023 £'000
Less than one year	(134,703)	(89,635)
Between one and two years	(20,214)	(27,231)
Between two and five years	(69,686)	(72,656)
Between five and ten years	(90,641)	(120,477)
Between ten and twenty years	(42)	(10,005)
More than 20 Years	(550,178)	(580,132)
<b>Total</b>	<b>(865,464)</b>	<b>(900,136)</b>

**Market Risk – Interest Rate Risk**

The Council is exposed to interest rate risk in two ways, the first being the uncertainty of interest paid/received on variable rate financial instruments and the second being the effect of fluctuations in interest rates of the fair value of a financial instrument.

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 Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair values 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 Comprehensive Income and Expenditure Statement. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher with all other variables held constant, the financial effect would have been as follows:

	31 March 2023 £'000
Increase in interest receivable on variable rate investments	441
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>441</b>
<b>Share of overall impact debited to the HRA</b>	<b>119</b>

**Price Risk**

The Council does not generally invest in equity shares but does have shareholdings to the value of £77,000 in the Lecht Ski Company. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

**Foreign Exchange Risk**

The Council holds a bank account in Euros in order to meet certain contractual requirements. This account has a maximum balance of approximately £700,000, therefore has limited exposure to foreign exchange risk and in turn mitigates risk to the Council through payment default.

**Note 22 – Inventories**

	Consumable Stores/ Finished Goods 2022/23 £'000	Maintenance Materials/ Raw Materials 2022/23 £'000	Client Services/ Work in Progress 2022/23 £'000	Total 2022/23 £'000
<b>Balance at 1 April 2022</b>	<b>3,094</b>	<b>2,082</b>	<b>899</b>	<b>6,075</b>
Purchases	6,627	5,577	5,449	17,653
Recognised as an Expense in Year	(5,064)	(5,677)	(5,449)	(16,190)
Written off balances	7	99	108	214
<b>Balance at 31 March 2023</b>	<b>4,664</b>	<b>2,081</b>	<b>1,007</b>	<b>7,752</b>

	Consumable Stores/ Finished Goods 2021/22 £'000	Maintenance Materials/ Raw Materials 2021/22 £'000	Client Services/ Work in Progress 2021/22 £'000	Total 2021/22 £'000
<b>Balance at 1 April 2021</b>	<b>2,257</b>	<b>1,791</b>	<b>797</b>	<b>4,845</b>
Purchases	4,727	3,648	4,229	12,604
Recognised as an Expense in Year	(3,704)	(3,542)	(4,229)	(11,475)
Written off balances	(186)	185	102	101
<b>Balance at 31 March 2022</b>	<b>3,094</b>	<b>2,082</b>	<b>899</b>	<b>6,075</b>

**Note 23 – Debtors**

Balance at 31 March 2022 £'000	Cumulative Soft Loan Adjustment at 31 March 2022 £'000	Fair Value Amortised Costs at 31 March 2022 £'000	Long Term Debtors at 31 March	Balance at 31 March 2023 £'000	Cumulative Soft Loan Adjustment at 31 March 2023 £'000	Fair Value Amortised Costs at 31 March 2023 £'000
3,743	(1,083)	2,660	Osprey Housing	3,743	(943)	2,800
5,417	-	5,417	Create Homes Aberdeenshire LLP	5,417	-	5,417
424	-	424	Leasing	423	-	423
986	(49)	937	Other Long Term Debtors (each less than £500,000)	878	(19)	859
<b>10,570</b>	<b>(1,132)</b>	<b>9,438</b>		<b>10,461</b>	<b>(962)</b>	<b>9,499</b>
		(71)	Repayments due within one year			(60)
		<b>9,367</b>	<b>Balance at 31 March</b>			<b>9,439</b>

Local authorities sometimes make loans for policy reasons that are interest free or below the prevailing market rates. Fair value on loans normally equates to the consideration given however financial instruments accounting requires the fair value to reflect interest lower than the market rate.

Restated 2021/22 £'000	Short Term Debtors	2022/23 £'000
18,859	Central Government Bodies	24,328
6,774	Other Local Authorities	3,827
4,335	NHS Bodies	11,255
716	Public Corporations and Trading Funds	612
37,241	Other Entities and Individuals	38,218
<b>67,925</b>	<b>Total Short-Term Debtors</b>	<b>78,240</b>

The 2021/22 categorisation of Short Term Debtors above has been revised. There has been no change to the overall value of reflected.

Other entities and individuals in the table above include the following material balances:

2021/22 £'000	Short Term Debtors	2022/23 £'000
15,947	Council Tax Debtors including Second Homes	15,272
3,777	NDR Debtors	7,818
7,459	Trade Debtors	7,767
2,221	Prepayments	1,974
1,090	Rent Arrears HRA and Temporary Accommodation	1,079
796	Developer Obligations	793
458	IJB – Adult Care Services	555
2,720	Other Debtors	2,960
2,773	Covid – Business Support Grants	-
<b>37,241</b>	<b>Other Entities and Individuals</b>	<b>38,218</b>

### Note 23 – Debtors (continued)

#### Council Tax Debtors

Council Tax debtors represent the total amount of Council Tax uncollected, reduced by amounts impaired. The total amount outstanding at 31 March 2023 is £32.817m (31 March 2022 £32.481m). The outstanding amounts have been impaired for doubtful debts of £17.545m 31 March 2023, (£16.534m 31 March 2022).

The past due but not impaired amount for Council Tax can be analysed by age as follows:

	31 March 2022 £'000	31 March 2023 £'000
Current year outstanding – up to 1 year old	4,198	3,482
Previous year outstanding – More than one year	11,749	11,790
	<b>15,947</b>	<b>15,272</b>

### Note 24 – Cash and Cash Equivalents

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

2021/22 £'000		2022/23 £'000
23	Cash held by the Council	25
40,320	Bank Current Accounts	10,964
<b>40,343</b>	<b>Total Cash and Cash Equivalents</b>	<b>10,989</b>

### Note 25 – Creditors

2021/22 £'000	Short Term Creditors - due within one year	2022/23 £'000
(23,549)	Central Government Bodies	(29,620)
(12,100)	Other Local Authorities	(14,047)
(986)	NHS Bodies	(1,705)
(1,063)	Public Corporations and Trading Funds	(372)
	<b>Other Entities and Individuals</b>	
(30,037)	Trade Creditors	(36,021)
(12,224)	Employee Benefits	(12,798)
(3,708)	Receipts in Advance	(3,542)
(1,201)	Interest Payable	(1,204)
(1,910)	Bonds	(2,548)
(5,523)	PFI	(6,222)
(23,184)	Other Creditors	(32,780)
<b>(115,485)</b>	<b>Total Short Term Creditors</b>	<b>(140,859)</b>

2021/22 £'000	Long Term Creditors – due in more than one year	2022/23 £'000
(1,665)	Other Entities	(2,248)
(433)	Central Government Bodies	-
<b>(2,098)</b>	<b>Total Long Term Creditors</b>	<b>(2,248)</b>

**Note 26 – Provisions**

**(i) Specific Provisions**

	Balance at 31 March 2022 £'000	Provision Made in Year £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2023 £'000
Asset Decommissioning	(6,656)				(6,656)
Other Provisions (each less than £500,000)	(1,084)		87	348	(649)
<b>Total Provisions</b>	<b>(7,740)</b>	<b>-</b>	<b>87</b>	<b>348</b>	<b>(7,305)</b>
Provisions anticipated to be utilised within 12 months, shown as Current Provisions	484	(210)			274
<b>Non-Current Provisions at 31 March</b>	<b>(7,256)</b>	<b>(210)</b>	<b>87</b>	<b>348</b>	<b>(7,031)</b>

The provisions above are for liabilities which exist at 31 March 2023 but are likely to be incurred in financial years 2023/24 and beyond. In estimating the amount in each provision required, the most up to date information available is used to determine a reasonable figure. Comments on the above provisions are as follows:

Asset Decommissioning – the provision was created to cover the capital costs associated with the decommissioning of Home Recycling Waste Centres, Waste Transfer Sites and Landfill Sites, and Quarries owned by the Council.

**(ii) Debtors Provision**

	Balance at 31 March 2022 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2023 £'000
<b>Debtors Provision</b>			
General Debtors	(3,002)	(8)	(3,010)
Revenues	(16,535)	(1,011)	(17,546)
Housing Rents	(3,099)	292	(2,807)
<b>Total</b>	<b>(22,636)</b>	<b>(727)</b>	<b>(23,363)</b>

Estimates have been made of possible losses on the non-collection of debts. These estimates have increased the debtor provisions figures in accordance with accounting practice. The categories of provision are:

- General Debtors - provides for possible losses on debts and loans which the Council considers may not be settled in full;
- Revenues - provides for possible losses on the collection of Council Tax; and
- Housing Rents - Provides for possible losses on housing tenants' rents. At 31 March 2023, the total rent arrears was £3.006m for HRA tenants (2021/22 £3.069m) and £612,000 for Temporary Accommodation tenants (2021/22 £870,000).

**Note 27 – Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

Restated 31 March 2022 £'000		31 March 2023 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	<b>Revenue Grant Income</b>	
(381,139)	Revenue Support Grant	(360,475)
(104,867)	NDR Receipts from Pool	(138,786)
-	Revenue Non Specific Grant Income – Other Government Grants	-
-	Revenue Non Specific Grant Income – Health Authority	-
	<b>Capital Grant Income</b>	
(18,897)	Scottish Government General Capital Grant	(25,729)
(1,033)	Education – Primary Replacement & Enhancement	(1,345)
(8,776)	Housing Revenue Account	(15,177)
(2,335)	Roads and Transport Services – Network and Traffic Management	(925)
(11,457)	REFCUS Grant (City Region Deal/AWPR)	(1,585)
-	Waste - 3 Weekly Waste Strategy	(1,853)
(654)	Cycling & Walking - CWSR Grant	(1,333)
-	Free School Meals	(1,893)
-	Levelling Up Fund	(1,241)
(5,424)	Other Capital Grants (each less than £500,000)	(2,428)
<b>(534,582)</b>	<b>Total</b>	<b>(552,770)</b>
	<b>Credited to Services</b>	
(1,877)	Alford Campus – Scottish Government Funding	(1,883)
(4,475)	Inverurie Academy - Scottish Government Funding	(4,482)
(597)	Active Schools	(607)
(2,077)	Foundation Apprenticeships	(2,778)
(3,490)	Scottish Attainment Fund	(3,240)
(28,838)	Early Years Expansion	(27,893)
(3,407)	Criminal Justice Service Grant	(3,480)
(3,511)	Home Energy Efficiency Programme for Scotland	(3,983)
(2,907)	Nestrans	(1,443)
(28,794)	Housing Benefits	(26,222)
(1,164)	Private Sector Housing Grant	(1,050)
(13,384)	NHS Social Care Funding	(13,384)
(551)	NHS Integrated Care Fund	(549)
(13,287)	NHS Resource Transfer	(13,287)
(1,009)	NHS Delayed Discharge	(1,009)
-	Young Persons Guarantee scheme	(583)
(716)	Scottish Crown Estate	(669)
-	Ukraine Education Support	(596)
-	Ukraine Refugee Support	(4,161)
(19)	Unaccompanied Asylum seeking children	(541)
-	Scottish Government - Teachers Pay Award	(1,677)
(373)	Scottish Government - Scottish Milk and Healthy Snack Scheme Funding	(740)
(367)	Community Mental Health and Wellbeing Funding	(1,220)
(182)	Scottish Government - No One Left Behind (NOLB)	(1,231)
-	Alcohol and Drug Partnership (ADP) Funding	(1,031)
(2,894)	IJB - COVID Funding	(4,936)
(842)	Joint Equipment Store - Recharge to NHS	(845)
(1,027)	NHS Grampian Contrats	(1,679)
(2,960)	NHS Inter Partner Fund Transfer	(2,244)
(10,137)	Other grants (each less than £500,000)	(8,227)
<b>(128,885)</b>	<b>Total</b>	<b>(135,670)</b>

The 2021/22 Comparators have been adjusted to now include contributions from the NHS for the Integration Joint Board. In addition, the Roads and Transport Services – Network and Traffic Management 2021/2022 figure has been amended to reflect CWSR Grant comparator on separate row.

**Note 27 – Grant Income (continued)**

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 giver. The balances at the year end are as follows:

31 March 2022 £'000	Short Term Liabilities – Revenue Grants Receipts in Advance	31 March 2023 £'000
(589)	Other grants (each less than £500,000)	(242)
<b>(589)</b>	<b>Total</b>	<b>(242)</b>

31 March 2022 £'000	Long Term Liabilities – Capital Grants Receipts in Advance	31 March 2023 £'000
(16,160)	Developer Obligations	(17,568)
<b>(16,160)</b>	<b>Total</b>	<b>(17,568)</b>

**Note 28 – Unusable Reserves**

The Unusable Reserves can be analysed as follows:

Restated 2021/22 £'000		2022/23 £'000
(930,949)	Revaluation Reserve	(961,483)
(351,548)	Capital Adjustment Account	(357,742)
7,787	Financial Instruments Adjustment Account	6,725
174,612	Pensions Reserve	29,566
11,749	Employee Statutory Adjustment Account	12,318
<b>(1,088,349)</b>	<b>Total</b>	<b>(1,270,616)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases 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; or
- 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.

Restated 2021/22 £'000	Revaluation Reserve	2022/23 £'000
<b>(945,091)</b>	<b>Balance at 1 April</b>	<b>(930,949)</b>
(36,939)	Upward Revaluation of Assets	(75,199)
20,123	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	17,644
<b>(16,816)</b>	<b>Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services</b>	<b>(57,555)</b>
29,578	Difference Between Fair Value Depreciation and Historical Cost Depreciation	26,420
1,380	Accumulated Gains on Assets Sold or Scrapped	601
<b>(930,949)</b>	<b>Balance at 31 March</b>	<b>(961,483)</b>

**Note 28 – Unusable Reserves (continued)**

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated 2021/22 £'000	Capital Adjustment Account	2022/23 £'000
<b>(337,314)</b>	<b>Balance at 1 April</b>	<b>(351,548)</b>
	<b>Reversal of items relating to Capital Expenditure debited or credited to the CIES:</b>	
66,566	Charges for Depreciation and Impairment of Non-Current Assets	73,934
8,688	Revaluation losses on PPE and AHfS	(2,754)
218	Amortisation of Intangible Assets	230
8,424	Revenue Expenditure Funded by Capital Under Statute	4,829
2,231	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	1,424
(1,380)	Adjusting amounts written out of the Revaluation Reserve	(601)
<b>84,747</b>		<b>77,062</b>
	<b>Capital Financing Applied in the Year:</b>	
501	Use of Capital Receipts to finance new Capital Expenditure	(1,873)
(45,364)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(47,288)
(9,016)	Application of Grants to Capital Financing from the Capital Grants & Receipts Unapplied Account	(3,536)
(25,510)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(18,834)
(19,778)	Capital Expenditure charged against the General Fund and HRA Balances	(12,173)
<b>(99,167)</b>		<b>(83,704)</b>
<b>186</b>	<b>Movements in the Market Value of Investment Properties debited or credited to the CIES</b>	<b>448</b>
<b>(351,548)</b>	<b>Balance at 31 March</b>	<b>(357,742)</b>

**Note 28 – Unusable Reserves (continued)**

**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 the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES 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 on Council tax. 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 2023 will be charged to the General Fund over the next 34 years.

2021/22 £'000	Financial Instruments Adjustment Account	2022/23 £'000
<b>8,750</b>	<b>Balance at 1 April</b>	<b>7,787</b>
(782)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(782)
(181)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(280)
<b>7,787</b>	<b>Balance at 31 March</b>	<b>6,725</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 CIES 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 pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a 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 £'000	Pensions Reserve	2022/23 £'000
<b>163,658</b>	<b>Balance at 1 April</b>	<b>174,612</b>
(34,010)	Actuarial (gains) or losses on pensions assets and liabilities	(192,654)
89,284	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	95,032
(44,320)	Employer's pensions contributions and direct payments to pensioners payable in the year	(47,424)
<b>174,612</b>	<b>Balance at 31 March</b>	<b>29,566</b>

**Employee Statutory Adjustment Account**

The Employee Statutory Adjustment 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.

Restated 2021/22 £'000	Employee Statutory Adjustment Account	2022/23 £'000
<b>12,969</b>	<b>Balance at 1 April</b>	<b>11,749</b>
(12,969)	Settlement or cancellation of accrual made at the end of the preceding year	(11,749)
11,749	Amounts accrued at the end of the current year	12,318
<b>(1,220)</b>	<b>Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>569</b>
<b>11,749</b>	<b>Balance at 31 March</b>	<b>12,318</b>

**Note 29 – Capital Grants and Receipts Unapplied Account**

The Capital Grants and Receipts Unapplied Account shows amounts that have been credited to the Comprehensive Income and Expenditure Statement but have not yet been applied to fund expenditure. The statutory adjustments against the General Fund and HRA balances result in them being posted to this usable capital reserve until the relevant expenditure is incurred. It also holds capital receipts to fund qualifying expenditure on service transformation and service redesign projects.

2021/22				2022/23		
Capital Grants Unapplied £'000	Capital Receipts for Transformation Projects £'000	Total £'000	Capital Grants and Receipts Unapplied Account	Capital Grants Unapplied £'000	Capital Receipts for Transformation Projects £'000	Total £'000
(16,502)	(416)	<b>(16,918)</b>	<b>Opening Balance</b>	(10,698)	(1,268)	<b>(11,966)</b>
(3,212)	(1,711)	<b>(4,923)</b>	Additions	(6,220)	-	<b>(6,220)</b>
9,016	859	<b>9,875</b>	Applied	3,536	1,268	<b>4,804</b>
<b>(10,698)</b>	<b>(1,268)</b>	<b>(11,966)</b>	<b>Closing Balance</b>	<b>(13,382)</b>	-	<b>(13,382)</b>

**Note 30 – Events after the Balance Sheet Date**

The unaudited accounts were issued on 30 June 2023 by Mary Beattie, FCCA, Head of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973. Where events taking place before the balance sheet date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Otherwise, there have been no material events since the date of the balance sheet which necessitate the revision of the figures in the financial statements or notes.

**Note 31 – Contingent Liabilities****Guarantor in relation to North East Scotland Pension Fund (NESPF)**

Aberdeenshire Council act as guarantor to NESPF for admission agreements with, Outdoor Access Trust (formerly Cairngorms Outdoor Access Trust), Robertson's Facility Management (Aberdeenshire) and Xerox UK (Ltd). Forth and Oban (Shire) have terminated from the NESPF with effect from 28 February 2023 when the last active member in respect of their admission agreement left the scheme. As a result of the termination Aberdeenshire Council will subsume the fully funded liabilities going forward.

During 2022/23, Aberdeenshire Council agreed to also act as guarantor to NESPF for an admission agreement with Inspire along with Aberdeen City Council and Moray Council. Aberdeenshire Councils share of the guarantee is 53.3%.

**Guaranteed Minimum Pension (GMP) Equalisation**

This relates to pension schemes which were 'contracted out' of additional state pension arrangements. The UK Government has stated "defined benefit pension schemes that were Contracted-Out Salary Related (COSR) schemes before contracting out ended on 6 April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man."

The Government launched a consultation on this issue and, based on the responses received, implemented an interim solution whilst a long term approach is finalised. There is potential for a financial cost to the Council as a result of this issue but, until a long term solution can be determined by the UK Government, the extent of such a cost cannot be determined.

**Energy from Waste - Ness Facility**

This is a three-authority project between Aberdeenshire Council, Aberdeen City as lead partner, and Moray Council. 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. Until these adjudications progress it is not possible to determine the potential liability.

**Ellon Academy Annexe – New Housing 40 units**

A contractor has been awarded an extension of time by the contract administrator for a delay incurred in obtaining necessary approvals required from the Utility company to connect the water infrastructure for the site. In consequence, to the award of the extension, the contractor is entitled to claim for loss and expense associated with the delay. The contractor has submitted a claim however, further information from the contractor to substantiate the claim is still awaited therefore it is difficult at this time to quantify the value of the claim and the overall project.

**Stonehaven Flood Protection Scheme – Homeowner Compensation Payments**

The Valuation Office Agency are managing the assessment of homeowner compensation due to disturbance/loss of property value as a result of the construction of Stonehaven Flood Protection Scheme. There are multiple claimants to date and each claim will go through multiple iterations of negotiations before a final position can be agreed, therefore difficult to quantify values or timescales.

**Stonehaven Flood Protection Scheme – Construction Costs**

Commercial discussions continue with the contractor, related to costs for works to construct Stonehaven Flood Protection Scheme. Until discussions progress to a later stage it is not possible to quantify the liability.

### Note 32 – Contingent Assets

#### Defects Claim

A defects claim against a contractor for the build of Ellon Academy has not yet been settled, therefore the date and amount of settlement may differ.

#### Truck Cartel Claim

A claim has been submitted on behalf of several Scottish Local Authorities in respect of price fixing of vehicles purchased by these Councils in the last 20 years. It is expected the claim will take a number of years to be heard.

#### Stonehaven Flood Protection

A dispute has been raised against the external contractors. Work on the case is still progressing and until this is settled the amount cannot be recognised in the accounts.

### Note 33 – Pension Schemes Accounted for as Defined Contribution Pension Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an executive agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2022/23 the Council paid £28.774m in respect of teacher's retirement benefits representing 23% of pensionable pay. (£27.970m and 23% in 2021/22). Contributions remaining payable at the year end were of £3.372m (£3.377m in 2021/22).

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers pensions' use a notional fund as the basis for calculating the employers' contribution paid by local authorities. However, it is not possible for the Council to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside the terms of the teachers scheme. For 2022/23 these amounted to £12,509 or 0.01% of pensionable pay (£22,262 and 0.02% in 2021/22).

**Note 34 – Defined Benefit Pension Schemes****Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes, the North East Scotland Pension Fund (NESPF), administered by Aberdeen City Council and the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government through the Scottish Public Pensions Agency.

**North East Scotland Pension Fund (NESPF)**

All employees, with the main exception of teachers, are eligible to join this scheme, subject to certain qualifying criteria. This is a funded defined benefit final salary scheme, which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**Scottish Teachers' Pension Scheme**

This scheme meets the definition of a defined benefit scheme, but it is accounted for on the same basis as a defined contribution scheme as described in note 33.

The North East Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations.

Public Service Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 regulates the governance of the pension fund and in compliance with these regulations the Pension Board comprises of representation from Employers, Unions and Elected members.

Principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and the Housing Revenue Account the amounts required by statute as described in the Significant Accounting Policy on Employee Benefits (note 1.5).

**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 investment assets built up to meet these pension liabilities.

**Transactions Relating to Post-employment Benefits**

In relation to the Local Government Pension Scheme the Council recognises the cost of retirement benefits 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 the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out in the General Fund via the Movement in Reserves Statement.

At the most recent valuation of the Fund as at 31 March 2020, the Fund's assets were sufficient to cover 103% of its liabilities. This is known as the funding level. The funding objective is to achieve and maintain a funding level of 100% of liabilities. In line with the Funding Strategy Statement (which can be found at [www.nespf.org.uk](http://www.nespf.org.uk)).

The valuation looks at the normal cost of benefits that will be built up over the year after the valuation date, using a set of assumptions. This is used to calculate a Common Contribution Rate, which is 22% for the Fund. The actuaries have maintained the average employer contribution rate payable at the previous valuation of 19.3% of pensionable pay, which implies a secondary contribution of 2.7% of projected pensionable pay at the valuation date.

Each employer's position is assessed separately and individual rates set for each employer over the three year period to 31 March 2024. The Council's contribution rate will, therefore, be 19.3% over the three year period.

**Note 34 – Defined Benefit Pension Schemes (continued)**

Under the terms and conditions of the scheme, the Council has agreed to act as guarantor for four admitted bodies. Should any of these employers terminate from the fund following the last member leaving the scheme or the organisation ceasing to exist they would still be required to pay any “ongoing” termination payment due. Following recovery of this payment, the Council would then subsume all assets and liabilities held for the existing employer. If, for any reason, NESPF were unable to recover all or part of the termination fee, this too would be subsumed by the Council and considered by the scheme actuary during the triennial valuation process.

In the event that the Council withdraws from the scheme, the Council’s share of the deficit will be calculated at that point in time. At 31 March 2023, the Council makes up 44.07% (2021/22: 44.13%) of the total membership of the scheme.

The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

NESPF 2021/22 £'000	Teachers Additional Unfunded Pensions 2021/22 £'000	Total 2021/22 £'000		NESPF 2022/23 £'000	Teachers Additional Unfunded Pensions 2022/23 £'000	Total 2022/23 £'000
			<b>Cost of Services:</b>			
83,980	-	83,980	Current Service Cost	89,720	-	89,720
-	-	-	Past Service Costs	-	-	-
1,496	-	1,496	Loss from Curtailments	164	-	164
-	-	-	Loss from Settlements	-	-	-
			<b>Financing and Investment Income and Expenditure:</b>			
2,583	388	2,971	Net Interest Expense	3,724	500	4,224
837	-	837	Administration Expenses	924	-	924
<b>88,896</b>	<b>388</b>	<b>89,284</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>94,532</b>	<b>500</b>	<b>95,032</b>
			<b>Other Post Employment Benefit charged to the CIES</b>			
(34,125)	115	(34,010)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	(514,936)	(4,198)	(519,134)
-	-	-	Adjustment for IFRIC14 Net asset reduction	326,480	-	326,480
<b>54,771</b>	<b>503</b>	<b>55,274</b>	<b>Total Post Employment Benefit charged to the CIES</b>	<b>(93,924)</b>	<b>(3,698)</b>	<b>(97,622)</b>
			<b>Movement in Reserves Statement</b>			
(88,896)	(388)	(89,284)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code	(94,532)	(500)	(95,032)
			Actual amount charged against the General Fund Balance for pensions in the year:			
43,156		43,156	Employers' Contributions Payable to the Scheme	46,303		46,303
	1,164	1,164	Retirement Benefits Payable to Pensioners		1,121	1,121

**Note 34 – Defined Benefit Pension Schemes (continued)**

**Assets and Liabilities Recognised in the Balance Sheet**

The change in the net pension's liability is analysed into the following components:

Current service cost: The increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.

Past service cost: The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES as part of the Business Services Committee expenditure.

Net interest on the net defined benefit liability/(asset): 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 CIES. It is the difference between the interest (increase) in the value of the liabilities/(assets) as the benefits are one year closer to being paid and the interest on pension assets based on the assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

Re-measurements : Comprising the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/asset) which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and Actuarial Gains and Losses which are 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 Pensions Reserve as Other Comprehensive Income and Expenditure.

Effect of asset ceiling: The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. An asset ceiling test is performed to determine the limit on the amount of the net pension asset that can be recognised.

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.

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

NESPF		Teachers			NESPF		Teachers	
Funded Benefits 2021/22 £'000	Unfunded Benefits 2021/22 £'000	Additional Unfunded Pensions 2021/22 £'000	Total 2021/22 £'000		Funded Benefits 2022/23 £'000	Unfunded Benefits 2022/23 £'000	Additional Unfunded Pensions 2022/23 £'000	Total 2022/23 £'000
(2,002,081)	(21,072)	(18,415)	(2,041,568)	Present value of the defined benefit obligation	(1,471,602)	(15,970)	(13,596)	(1,501,168)
1,866,956	-	-	1,866,956	Fair value of plan assets	1,798,082	-	-	1,798,082
-	-	-	-	Net asset reduction applied	(326,480)	-	-	(326,480)
(135,125)	(21,072)	(18,415)	(174,612)	<b>Net asset/(liability) arising from defined benefit obligations</b>	-	(15,970)	(13,596)	(29,566)

IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The actuaries have calculated the limit on surplus in the Council's Local Government Pension Scheme based on the present value of the accounting accrual cost less the present value of certified contributions and concluded that the asset ceiling is Nil. An adjustment to the defined benefit plan asset has been made in accordance with IAS19 and IFRIC 14. Unfunded benefit obligations have been excluded from the asset ceiling calculations as IAS19 treats them as termination benefits and the Council does not have a right to set them off against a pension asset.

**Note 34 – Defined Benefit Pension Schemes (continued)**

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

NESPF		Teachers			NESPF		Teachers	
Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions	Total		Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions	Total
2021/22	2021/22	2021/22	2021/22		2022/23	2022/23	2022/23	2022/23
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(1,949,805)	(22,263)	(19,076)	(1,991,144)	Opening Balance at 1 April	(2,002,081)	(21,072)	(18,415)	(2,041,568)
(83,980)	-	-	(83,980)	Current Service Cost	(89,720)	-	-	(89,720)
(40,609)	(453)	(388)	(41,450)	Interest Cost	(55,639)	(569)	(500)	(56,708)
(12,472)	-	-	(12,472)	Contributions from Scheme Participants	(13,932)	-	-	(13,932)
				Remeasurement (gains) and losses:				
(4,987)	(61)	(53)	(5,101)	Actuarial experience (gains)/losses	(143,136)	(1,248)	(392)	(144,776)
36,480	239	(192)	36,527	Actuarial (gains)/losses arising from changes in financial assumptions	745,436	5,045	4,138	754,619
10,178	102	130	10,410	Actuarial (gains)/losses arising from changes in demographic assumptions	43,779	431	452	44,662
44,610	1,364	1,164	47,138	Benefits Paid	43,855	1,443	1,121	46,419
-	-	-	-	Past Service Cost	-	-	-	-
(1,496)	-	-	(1,496)	Losses on Curtailments	(164)	-	-	(164)
-	-	-	-	Losses on Settlements	-	-	-	-
<b>(2,002,081)</b>	<b>(21,072)</b>	<b>(18,415)</b>	<b>(2,041,568)</b>	<b>Closing Balance at 31 March</b>	<b>(1,471,602)</b>	<b>(15,970)</b>	<b>(13,596)</b>	<b>(1,501,168)</b>

**Note 34 – Defined Benefit Pension Schemes (continued)**

**Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets**

NESPF		Teachers		Total		NESPF		Teachers		Total
Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions				Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions		
2021/22	2021/22	2021/22	2021/22			2022/23	2022/23	2022/23	2022/23	
£'000	£'000	£'000	£'000			£'000	£'000	£'000	£'000	
1,827,486	-	-	1,827,486	Opening fair value scheme assets at 1 April	1,866,956	-	-	1,866,956		
38,479	-	-	38,479	Interest Income	52,484	-	-	52,484		
(7,826)	-	-	(7,826)	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	(135,371)	-	-	(135,371)		
(837)	-	-	(837)	Administration expenses	(924)	-	-	(924)		
41,792	1,364	1,164	44,320	Contributions from employer	44,860	1,443	1,121	47,424		
12,472	-	-	12,472	Contributions from employees into the scheme	13,932	-	-	13,932		
-	-	-	-	Loss on Settlements	-	-	-	-		
(44,610)	(1,364)	(1,164)	(47,138)	Benefits paid	(43,855)	(1,443)	(1,121)	(46,419)		
<b>1,866,956</b>	-	-	<b>1,866,956</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>1,798,082</b>	-	-	<b>1,798,082</b>		

**North East Pension Scheme Assets Comprised:**

Asset category	Sub-category	31 March 2022	31 March 2023
		£'000	£'000
Equities:	Quoted	788,976	676,080
	Pooled	330,451	339,837
Bonds:	Government fixed	-	-
	Government indexed	153,090	115,077
	Other	-	-
	Corporate	-	-
Property:	UK Direct	121,726	125,866
Alternatives:	Private Equity	115,565	131,260
	Private Debt	44,060	52,144
	Private Equity Infrastructure	34,352	48,548
	Infrastructure Pooled Funds	32,298	39,558
	Private Equity Real Estate	23,524	32,365
	Multi Asset Credit Fund	167,839	151,039
	Diversified Growth Funds	-	-
Cash:	Cash instruments	55,075	86,308
<b>Total</b>		<b>1,866,956</b>	<b>1,798,082</b>
	Effect of Asset Ceiling	-	(326,480)
<b>Total</b>		<b>1,866,956</b>	<b>1,471,602</b>

**Note 34 – Defined Benefit Pension Schemes (continued)**

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method and assets are measured at their fair value. An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2020. The next triennial valuation will be based on the Fund as at 31 March 2023.

The significant assumptions used by the actuary have been:

NESPF		Teachers Additional Unfunded Pensions 2021/22		NESPF		Teachers Additional Unfunded Pensions 2022/23
Funded Benefits 2021/22	Unfunded Benefits 2021/22			Funded Benefits 2022/23	Unfunded Benefits 2022/23	
			Mortality Assumptions:			
			Longevity at 65 for Current Pensioners:			
21.5	21.5	21.5	Men	21	21	21
24.2	24.2	24.2	Women	23.4	23.4	23.4
			Longevity at 65 for Future Pensioners:			
23	-	-	Men	22.4	-	-
26.3	-	-	Women	25.4	-	-
3.30%	3.30%	3.30%	Rate of Inflation	2.70%	2.70%	2.70%
4.80%	-	-	Rate of Increase in Salaries	4.20%	-	-
3.40%	3.40%	3.40%	Rate of Increase in Pensions	2.80%	2.80%	2.80%
2.80%	2.80%	2.80%	Rate for Discounting Scheme Liabilities	4.80%	4.80%	4.90%
-	-	-	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	-	-	-

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis below have been determined based on reasonably possible changes of 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. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	30,368	(30,368)
Rate of inflation (increase or decrease by 0.25%)	56,110	(56,110)
Rate of increase in salaries (increase or decrease by 0.25%)	6,890	(6,890)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(104,128)	104,128

**Note 34 – Defined Benefit Pension Schemes (continued)**

**Funding Strategy Statement**

The Pension Committee’s long term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2020 and the results indicate that overall the assets represented 101.7% of projected accrued liabilities at the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund’s liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment returns is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However, the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment returns from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The asset proportions of the Fund at 31 March 2023 were: equities, including alternatives 81.8% (2021/22: 82.3%), bonds 6.4% (2021/22: 8.2%), property 7.0% (2021/22: 6.5%) and cash 5.0% (2021/22: 3.0%).

**Impact on the Council’s Cash Flows**

The next triennial valuation is due to be completed on 31 March 2023.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £46.040m. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2020 valuation is 17 years.

**Joint Boards**

Local Government legislation provides that local authorities have an obligation to meet the expenditure of the Joint Boards of which they are constituent members. As a consequence, the Council has the following additional assets arising from the pension surplus:

Total 2021/22 £'000	Aberdeenshire Share 2021/22 £'000		Total 2022/23 £'000	Aberdeenshire Share 2022/23 £'000
502	224	Grampian Valuation Joint Board	(10,246)	(4,570)

Further information regarding this deficit can be found in the annual report and accounts of the Grampian Valuation Joint Board.

**Note 35 – 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.

**Scottish Government**

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from the Scottish Government are set out in the subjective analysis in Note 5 on Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2023 are shown in Note 27.

**Councillors**

Councillors have direct control over the Council's financial and operating policies. The total of Councillors allowances paid in 2022/23 is shown in the Remuneration Report. During 2022/23 Councillors have been involved with 470 outside bodies, 180 of which are in a decision-making role and 290 in an observational role. During 2022/23, works and services to the value of £7.193m were commissioned from companies in which 30 Councillors' had an interest (2021/22 £3.254m and 16 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £776,076 were awarded to organisations in which 20 Councillors had positions on the governing body (2021/22 £744,191 and 13 Councillors). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Councillors did not take part in any discussion or decision relating to the grants. Details of all the declarations of interest are recorded in the Register of Councillors' Interest, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.

[\(Declaration of Interests\)](#) Please note the current declaration of interests refer to the forms submitted by members who were elected as a result of the Local Elections on 5 May 2022.

**Officers – Key Management Personnel**

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report. These officers have responsibility for planning, directing and controlling the activities of the Council. Their scope of influence is determined by the Scheme of Delegation and Financial Regulations. During 2022/23 there were no material amounts commissioned from companies in which Chief Officials and their family members had an interest and no grant payments of material value. On this basis the Council is satisfied that appropriate controls are in place to manage and monitor the influence of the Council's Key Management Personnel. Details of Chief Officers declarations of interest are recorded in the Register of Interests for Chief Officers which is available on the Council's website.

[\(Chief Officer Register of Interests\)](#)

**Note 35 – Related Parties (continued)**

**Joint Ventures and Other Entities Controlled or significantly Influenced by the Authority**

Grampian Valuation Joint Board

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Non-Domestic Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council and are Councillors. For the year ended 31 March 2023, the total comprehensive income and expenditure statement shows a surplus of £10.763m (2021/22 deficit £234,000) and net assets of £11.527m (2021/22 net assets £764,000). The Board is funded by requisitions from the three Councils. The nature of transactions included within the Council's financial statements are shown in the following table:

2021/22 Expenditure £'000	2021/22 Income £'000	2021/22 Debtors £'000	Nature of transaction	2022/23 Expenditure £'000	2022/23 Income £'000	2022/23 Debtors £'000
2,160	(225)	225	Requisition Payments and Debtor/Income adjustment for expected rebate based on unaudited GVJB accounts	1,901	(120)	120

A copy of the accounts can be obtained from The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX.

North East of Scotland Transport Partnership (Nestrans)

Nestrans was created under the Transport (Scotland) Act 2005 by the Scottish Executive. The Partnership aims 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 Shire. Four of the twelve Board members are appointed by Aberdeenshire Council and are Councillors. For the year ended 31 March 2023, the total comprehensive income and expenditure statement was a surplus of £2.457m (2021/22 surplus £1.853m) and the net assets were £4.148m (2021/22 Net Assets £1.691m). The two Councils fund the Partnership. The nature of transactions included within the Council's financial statements are shown in the following table:

2021/22 Expenditure £'000	2021/22 Debtors £'000	Nature of transaction	2022/23 Expenditure £'000	2022/23 Debtors £'000
1,672	5,103	Expenditure - Requisition Payment and Capital Funding Debtors balance held - Owed to Council	1,591	2,604

A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Trusts and Endowments and Common Good Funds

The Council acts as Trustee for 359 Trusts & Endowments and 17 Common Good Funds. Disbursements from the Trusts range from Educational grants for books and equipment to donations to the elderly. In administering the Common Good Funds, the Council has regard to the interests of the inhabitants of the area to which the Common Good Fund formerly related and overall, the funds are used for purposes which are of benefit to the relevant communities. For the year ended 31 March 2023, the net assets were £7.056m (2021/22 £7.694m) for Trusts and £8.013m (2021/22 restated £7.603m) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 123-126. The Trusts and Common Good Funds had £4.324m (2021/22 £4.440m) invested in the Council's loans fund at 31 March 2023. A full analysis of the individual Trusts and Common Good Funds can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

**Note 35 – Related Parties (continued)**

Aberdeenshire Integration Joint Board

Aberdeenshire Integration Joint Board (the Board) of Aberdeenshire Health and Social Care Partnership was established as a Body by Scottish Ministers on 6 February 2016. Its purpose is to improve the wellbeing of the people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. Five of the ten Voting Board members are appointed by Aberdeenshire Council and are Councillors. Three Non-Voting Board members are employees of the Council, one of these is a stakeholder representative.

For the year end 31 March 2023, the total comprehensive income and expenditure statement shows a deficit of £27.933m (2021/22 £24.296m restated surplus). £6.396m was drawn down from the general fund balance in Reserves and £21.537m was drawn down from Earmarked Reserves. The net assets are £16.928m (2021/22 £44.862m).

The Board is funded by the Council and NHS Grampian.

In the year, the following Aberdeenshire Council Financial transactions were made in relation to integrated health and social care functions:

Restated 2021/22 £'000	Nature of Transactions	2022/23 £'000
132,337	Contribution Made to Aberdeenshire Integration Joint Board	148,601
29,080	Resource Transfer	30,674
17,340	Service Income	21,202
3,769	Additional NHS Transfer	9,050
(248)	Less Running Costs	(246)
<b>182,278</b>	<b>Total</b>	<b>209,281</b>
184,533	Services Commissioned from Aberdeenshire Council	207,590
<b>(2,255)</b>	<b>Balance Owed to IJB (IJB Reserve held as Creditor)</b>	<b>1,691</b>

Restated 2021/22 £'000	IJB Reserve held as Creditor	2022/23 £'000
5,986	Opening Balance	3,731
(2,255)	Balance Owed to IJB	1,691
<b>3,731</b>	<b>Closing Balance</b>	<b>5,422</b>

A copy of the accounts can be obtained from the IJB Chief Finance Officer, c/o Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

**Note 36 – Cash Flow Statement – Operating Activities**

Restated 2021/22 £'000		2022/23 £'000
(50,126)	<b>Net Deficit on the Provision of Services</b>	<b>(71,358)</b>
	<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>	
96,144	Depreciation and Impairment	100,354
8,688	Downward / (Upward) Revaluations	(2,754)
218	Amortisation	230
(8)	Soft Loans (non subsidiary) - Interest adjustment credited to CIES during year	(8)
(45)	Adjustments for Effective Interest Rates	(46)
259	Increase/(Decrease) in Interest Creditors	1,324
(585)	Increase/(Decrease) in Creditors	22,059
(9)	(Increase)/Decrease in Interest and Dividend Debtors	(80)
(2,276)	(Increase)/Decrease in Debtors	(9,845)
(1,230)	(Increase)/Decrease in Inventories	(1,677)
44,973	Movement in Pension Asset / Liability	47,614
817	Contributions to/ (from) Provisions	(435)
2,231	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,424
186	Movement in Investment Property Values	448
<b>149,363</b>		<b>158,608</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(48,577)	Capital Grants credited to surplus or deficit on the provision of services	(53,509)
50,000	Net Adjustment from the Sale of Short and Long Term Investments	-
501	Proceeds from the sale of property plant and equipment and intangible assets	(1,873)
-	Capital Receipts for Transformation Projects (Transfer from Capital Grants and Receipts Unapplied Account)	(1,115)
<b>1,924</b>		<b>(56,497)</b>
<b>101,161</b>	<b>Net Cash Flows from Operating Activities</b>	<b>30,753</b>

The cash flows for operating activities include the following items:

2021/22 £'000		2022/23 £'000
262	Interest Received	601
(30,501)	Interest Paid	(31,573)

**Housing Revenue Account**

The Housing Revenue Account (HRA) is a ring-fenced account for the provision and maintenance of Council owned houses. It is managed and monitored separately from the Council's General Fund. The figures are also included in the Council's Core Financial Statements, but there is a requirement to present it separately as a supplementary statement in the Annual Accounts.

Restated 2021/22 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2022/23 £'000	Notes Ref
	<b>Expenditure</b>		
15,582	Repairs and Maintenance	21,787	
9,977	Supervision and Management	10,148	
35,077	Depreciation, Amortisation and Impairment of Non-Current Assets	36,293	
10,583	Other Expenditure	11,447	
<b>71,219</b>	<b>Total Expenditure</b>	<b>79,675</b>	
	<b>Income</b>		
(57,272)	Dwelling Rents	(58,456)	
(1,183)	Non-dwelling Rents	(1,151)	
(3,595)	Other Income	(4,450)	
<b>(62,050)</b>	<b>Total Income</b>	<b>(64,057)</b>	
<b>9,169</b>	<b>Net Cost of HRA Services as Included in the CIES</b>	<b>15,618</b>	
203	HRA Services' Share of Corporate and Democratic Core	223	
27	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	3	
<b>9,399</b>	<b>Net Expenditure for HRA Services</b>	<b>15,844</b>	
	<b>HRA Share of the Operating Income and Expenditure Included in the CIES</b>		
18	(Gain)/Loss on Sale of HRA Non Current Assets	(210)	
5,157	Interest Payable and Similar Charges	7,036	
(11)	Interest and Investment Income	(354)	
158	Net Interest on Net Defined Benefit Liability (Asset)	241	
(8,777)	Non-specific Grant Income	(15,177)	
491	Movement in Allowance for Bad Debts	502	
<b>6,435</b>	<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>7,882</b>	
	HRA Notes		2-5

Restated 2021/22 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2022/23 £'000	Notes Ref
<b>(2,000)</b>	<b>Balance on the HRA at 1 April</b>	<b>(2,000)</b>	
6,435	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	7,882	
(7,016)	Depreciation charged to the Revaluation Reserve	(5,279)	
1,565	Adjustments Between Accounting Basis and Funding Basis Under Statute	(2,017)	6~
984	Net Decrease/(Increase) before transfers to/from reserves	586	
(984)	Transfer (from)/to reserves	(586)	1
-	Movement in Year on the HRA	-	
<b>(2,000)</b>	<b>Balance on the HRA at 31 March</b>	<b>(2,000)</b>	

~ Refers to note 6 to the Council's Financial Statements on pages [69-70](#)

### HRA Note 1 – Transfer to (from) Reserves

2021/22 £'000		2022/23 £'000
(984)	Transfer from General Fund	(548)
-	Transfer from Insurance Fund	(21)
-	Transfer from Capital	(17)
<b>(984)</b>	<b>Total</b>	<b>(586)</b>

### HRA Note 2 – Housing Stock

The Council's housing stock at 31 March 2023 was 13,207 (13,167 at 31 March 2022) in the following categories:

2021/22	Types of dwellings:	2022/23
1,505	- Sheltered Housing	1,504
72	- 1 apartment	95
3,818	- 2 apartment	3,835
5,124	- 3 apartment	5,111
2,488	- 4 apartment	2,496
160	- 5 + apartment	166
<b>13,167</b>	<b>Total Housing Stock as at 31 March</b>	<b>13,207</b>

The Council's housing stock includes 16 properties (2021/22: 24 properties) that are not in the ownership of the Council.

### HRA Note 3 – Rent Arrears

Rent arrears at 31 March 2023 were £3.006m (£3.069m at 31 March 2022).

### HRA Note 4 – Impairment of Debtors

In 2022/23 an impairment of £2.221m has been provided in the Balance Sheet for irrecoverable rents, a decrease of £72,000 from the provision in 2021/22.

### HRA Note 5 – Void Properties

The loss on void properties in 2022/23 was £2.030m compared to a loss on void properties of £2.690m in 2021/22.

### HRA Note 6 – Prior Year Adjustment

During the 2022/23 audit process, it was ascertained that the HRA Income and expenditure Statement included income that was internal to the council and therefore not true income to the HRA. The following lines were adjusted in the 2021/22 Income and Expenditure Statement with an overall impact of nil.

Adjusted Income and Expenditure	2021/22
Repairs and Maintenance	3,450
Supervision and Management	2,566
Other Income	-6,016
<b>Net Cost of HRA Services as Included in the CIES</b>	<b>-</b>

## Council Tax Income Account

The Council Tax Income Account shows the gross income raised from Council taxes levied and deductions made under Statute. The resultant net income is transferred to the CIES of the Council.

Council Tax is a property based tax which relates to the capital value of domestic properties as determined by the Assessor. The Assessor publishes a Valuation List which contains information on each property and the band to which it has been assigned. All the properties in the Valuation List are liable for Council Tax, but some may be exempt from payment or may attract a discount depending on whether they are unoccupied, the number of persons in occupation and/or the status of the persons resident.

The statement below also includes any residual Community Charges collected.

2021/22 £'000		2022/23 £'000	Notes Ref
<b>(180,366)</b>	<b>Gross Council Tax Levied and Contributions in Lieu</b>	<b>(187,572)</b>	
	Less:		
8,903	Council Tax Reduction Scheme	9,154	
19,106	Other Discounts and Reductions	20,082	
1,633	Write Off of Uncollectable Debts and Allowance for Impairment	1,715	
<b>29,642</b>		<b>30,951</b>	
808	Adjustments to Previous Years'	(293)	
(1,849)	Second Homes Council Tax – In Year	(1,801)	
<b>(151,765)</b>	<b>Transfer to CIES</b>	<b>(158,715)</b>	
Council Tax Income Account notes			1, 2

## CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	2021/22 Proportion of Band D	2021/22 Council Tax	2022/23 Proportion of Band D	2022/23 Council Tax
A	Up to £27,000	0.6667	£867.21	0.6667	£893.22
B	£27,001 – £35,000	0.7778	£1,011.74	0.7778	£1,042.09
C	£35,001 – £45,000	0.8889	£1,156.28	0.8889	£1,190.96
D	£45,001 - £58,000	1.0000	£1,300.81	1.0000	£1,339.83
E	£58,001 - £80,000	1.3139	£1,709.12	1.3139	£1,760.39
F	£80,001 - £106,000	1.6250	£2,113.82	1.6250	£2,177.22
G	£106,001 - £212,000	1.9583	£2,547.42	1.9583	£2,623.83
H	Above £212,000	2.4500	£3,186.98	2.4500	£3,282.58

**CT Note 2 – Calculation of Council Tax Base 2022/23**

<b>BAND</b>	<b>Band A*</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>	<b>TOTAL</b>
Properties	20,533	16,330	14,664	18,628	22,550	17,440	11,323	628	<b>122,096</b>
Less:									
Exemptions	1,555	749	576	508	396	225	117	8	<b>4,134</b>
Discount - 25%	2,737	1,874	1,411	1,531	1,349	743	366	14	<b>10,025</b>
Discount - 50%	407	270	231	217	204	126	81	16	<b>1,552</b>
Number of chargeable dwellings subject to disabled reduction	-54	-39	-12	-80	37	49	94	5	<b>0</b>
Number of adjusted chargeable dwellings	15,888	13,476	12,458	16,452	20,564	16,297	10,665	585	<b>106,385</b>
Ratio to Band D	0.6667	0.7778	0.8889	1.0000	1.3139	1.6250	1.9583	2.4500	
<b>Number of Band D equivalents for RSG purposes</b>	<b>10,587</b>	<b>10,482</b>	<b>11,074</b>	<b>16,452</b>	<b>27,019</b>	<b>26,483</b>	<b>20,885</b>	<b>1,433</b>	<b>124,415</b>
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2022/23									<b>12</b>
Less: Adjustment to base for Council Tax Reduction Scheme									<b>6,832</b>
<b>COUNCIL TAX BASE 2022/23</b>									<b>117,595</b>
<b>COUNCIL TAX BASE 2021/22</b>									<b>116,250</b>

\* Of the 10,587 Band A properties, 51 receive a discount in the ratio 5/9 relating to disabled relief.

## Non-Domestic Rate Income Account

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from rates and deductions made under Statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

The occupiers of non-domestic properties are liable to pay rates which are assessed on their property's rateable value. Each property is assigned a rateable value by the Assessor, which is published in the Valuation Roll. The Non-Domestic Rates poundage which is used to calculate the amounts of rates payable is set by the Scottish Government.

In 2022/23 the rate poundage was 49.8p (49p in 2021/22). Properties with a rateable value of over £95,000 attract a Higher Property Rate (formerly Large Business Supplement) of 2.6p on top of the poundage (2.6p in 2021/22). Properties with a rateable value of between £51,000 and £95,000 will now only be charged an additional 1.3p on rates on top of the standard poundage (1.3p 2021/22).

Reliefs and Exemptions are available for certain properties. A list of [Reliefs and Exemptions](#) can be viewed on Aberdeenshire Council Website.

The rates collected during the year are shown in the table below. Any difference between the rates collected and the amount the Council is guaranteed to receive under the National Pooling arrangements is adjusted and redistributed back to local authorities along with the Revenue Support Grant.

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing non-domestic rates income and encourage new business start-up. The Scottish Government set a target for each Council and the Council retains 50% of any additional income above the target. However, this scheme was temporarily suspended for both 2020/21 and 2021/22 and continues to be suspended for 2022/23.

2021/22 £'000		2022/23 £'000	Notes Ref
(150,669)	Gross Rates Levied and Contributions in Lieu	(154,596)	
	Less:		
43,865	Reliefs and Other Deductions	28,341	
114	Write Off of Uncollectable Debts and Allowance for Impairment	154	
(106,690)	Net Non-Domestic Rate Income	(126,101)	
5,697	Adjustments to Previous Year's Non-Domestic Rates	1,777	
(100,993)	Total Non-Domestic Rate Income (before Council Retentions)	(124,324)	
<b>(100,993)</b>	<b>Contribution to National Non-Domestic Rate Pool</b>	<b>(124,324)</b>	
<b>(104,867)</b>	<b>Sum due from Central Rates Pool</b>	<b>(138,786)</b>	
<b>(104,867)</b>	<b>Income Credited to Comprehensive Income and Expenditure Statement</b>	<b>(138,786)</b>	
	Non-Domestic Rate Income Account Note		1

Non-Domestic Rate Disclosures

NDR Note 1 – Rateable Values and Number of Entries at 1 April 2022

As at 1/4/21 Number of Entries	As at 1/4/21 Rateable Value £'000		As at 1/4/22 Number of Entries	As at 1/4/22 Rateable Value £'000
2,001	40,255	Shops	2,000	40,245
103	2,590	Public Houses	101	2,671
1,526	40,200	Offices (Including Banks)	1,519	39,982
221	7,633	Hotel, Boarding Houses etc.	207	7,428
3,510	115,083	Industrial and Freight Transport Subjects	3,537	114,322
1,328	10,650	Leisure, Entertainment, Caravans and Holiday Sites	1,382	10,880
383	3,884	Garage and Petrol Stations	387	4,062
57	746	Cultural	57	746
2,245	1,802	Sporting Subjects	2,248	1,798
262	20,635	Education and Training	261	21,222
744	13,659	Public Services Subjects	742	13,492
47	5,278	Communications (Non Formula)	45	5,199
218	1,432	Quarries, Mines etc.	220	1,298
15	15,452	Petrochemical	15	15,452
441	2,054	Religious	441	2,077
140	4,242	Health Medical	140	3,591
1,100	1,700	Other	1,108	1,687
123	4,627	Care Facilities	121	4,635
16	58	Advertising	15	56
42	2,963	Undertaking	45	8,361
<b>14,522</b>	<b>294,943</b>	<b>Total</b>	<b>14,591</b>	<b>299,204</b>

Note: The Revaluation Roll came into force on 1 April 2017 and contains revised rateable values. National revaluations normally take place every five years, although this will change to every three years from 1 April 2023.

**Trusts and Endowments**

Trusts and Endowments for which the Council is the sole Trustee are subsidiaries of the Council. A summary of their Accounts is presented below.

The Council administers 359 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet, a summary of the balances of the Trusts at 31 March 2023 and details of how these balances were invested at that date are shown below.

**Income and Expenditure Account for the Year Ended 31 March 2023**

Restated All Trusts 2021/22 £'000	Restated Charitable Trusts 2021/22 £'000		All Trusts 2022/23 £'000	Charitable Trusts 2022/23 £'000	Notes Ref
		<b>Expenditure</b>			
57	57	Administrative Costs	57	57	2
221	211	Donations, Grants etc.	468	456	
1	-	Other Costs	2	-	
<b>279</b>	<b>268</b>	<b>Total Expenditure</b>	<b>527</b>	<b>513</b>	
		<b>Income</b>			
(109)	(91)	Investment Income	(174)	(133)	
(83)	(77)	Other Income	(77)	(72)	2,3
<b>(192)</b>	<b>(168)</b>	<b>Total Income</b>	<b>(251)</b>	<b>(205)</b>	
<b>87</b>	<b>100</b>	<b>(Surplus)/Deficit for the year</b>	<b>276</b>	<b>308</b>	

**Balance Sheet as at 31 March 2023**

Restated All Trusts 2021/22 £'000	Restated Charitable Trusts 2021/22 £'000		All Trusts 2022/23 £'000	Charitable Trusts 2022/23 £'000	Notes Ref
		<b>Current Assets</b>			
18	17	Other	19	19	3
4,748	3,349	Investments	4,386	3,260	
3,021	1,736	Loans Fund Balance	2,893	1,574	
<b>7,787</b>	<b>5,102</b>	<b>Total Current Assets</b>	<b>7,298</b>	<b>4,853</b>	
		<b>Current Liabilities</b>			
(93)	(93)	Creditors	(242)	(240)	
<b>7,694</b>	<b>5,009</b>	<b>Net Current Assets</b>	<b>7,056</b>	<b>4,613</b>	
<b>7,694</b>	<b>5,009</b>	<b>Total Net Assets</b>	<b>7,056</b>	<b>4,613</b>	
		<b>Financed by:</b>			
(6,539)	(4,670)	Capital	(5,876)	(4,285)	3
(1,160)	(339)	Revenue Balance	(1,180)	(328)	
<b>(7,699)</b>	<b>(5,009)</b>	<b>Reserves</b>	<b>(7,056)</b>	<b>(4,613)</b>	
		Trusts & Endowments Notes			1, 3

The unaudited accounts were issued on 30 June 2023. and the audited accounts were authorised for issue on 21 December 2023

Mary Beattie, FCCA  
Head of Finance  
30 June 2023

**Trusts and Endowments (Continued)**

**Summary of Funds as at 31 March 2023**

Restated Total Funds 2021/22 £'000	Restated Charitable Trusts 2021/22 £'000		Total Funds 2022/23 £'000	Charitable Trusts 2022/23 £'000	Notes Ref
		<b>Education Trusts</b>			
4,455	4,455	Aberdeenshire Educational Trust	4,070	4,070	3
		<b>Other Trusts</b>			
2,106	460	General	1,855	448	
164	94	Libraries	169	95	
		<b>Endowment Funds</b>			
537	-	Educational Endowments	527	-	
432	-	Social Work Endowments	435	-	
<b>7,694</b>	<b>5,009</b>	<b>Total</b>	<b>7,056</b>	<b>4,613</b>	

**TF Note 1 – Purpose and Administration of Trusts**

The money earned from the investments of the Trusts is used for the prevention or relief of poverty; the advancement of education; the advancement of health; the advancement of citizenship or community development; the advancement of the arts, heritage, culture or science; the advancement of public participation in sport, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; the advancement of environmental protection or improvement; and the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage. This may be done through the provision of grants, prizes and dux medals for school children and requisitions for clients in Social Work homes.

In addition to administering the Trusts, the Council is also the appointed Trustee for all the Trusts.

With the exception of the Other Trusts, the investments of the Trusts, apart from property superiorities, were transferred on 1 April 1977 to a Central Investment Fund. The quoted investments of this Fund were revalued to market value at 31 March 2023 and the resultant gain on revaluation has been credited to the various Trusts in proportion to their holding in the Central Fund.

**TF Note 2 – Administrative Costs**

With effect from 1 April 2013, Administrative Costs are no longer charged to the Trusts and Endowments in accordance with the decision of Policy and Resources Committee on 20 September 2012. These are shown as a donated service in the accounts, with matching income and expenditure.

**TF Note 3 – Prior Year Restatement**

As part of the 2021/22 audit a late adjustment was made to reduce a debtor in a Charity Trust by £5,000. The 2021/22 figures have been amended to reflect this change.

**TF Note 4 – Further Details**

A full analysis of all individual Trusts and the Common Good Funds and Charities' Statement of Recommended Practice compliant accounts for the Charitable Trusts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

**Common Good Funds**

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs. The Accounts for the Common Good Fund are presented below.

**Income and Expenditure Account for the Year Ended 31 March 2023**

Net Expenditure 2021/22 £'000	Services	Net Expenditure 2022/23 £'000	Notes Ref
22	Donations, Grants etc.	8	
61	Depreciation	62	
629	Repairs to Assets	266	
58	Other Expenditure	-	
<b>770</b>	<b>Expenditure</b>	<b>336</b>	
(20)	Rental Income	(20)	
(3)	Interest Receivable and Similar Income	(31)	
(628)	Grants Receivable	(263)	
-	Other Income	(1)	
<b>(651)</b>	<b>Income</b>	<b>(315)</b>	
119	(Surplus)/Deficit on the Provision of Services	21	
(59)	Transfer from Revaluation Reserve	(61)	
<b>60</b>	<b>Decrease/(Increase) in the Year</b>	<b>(40)</b>	
Common Good Fund Notes			1

**Balance Sheet as at 31 March 2023**

2021/22 £'000		2022/23 £'000	Notes Ref
6,129	Property, Plant and Equipment	6,496	
<b>6,129</b>	<b>Long Term Assets</b>	<b>6,496</b>	
15	Short Term Investments	16	
1,603	Cash and Cash Equivalents	1,475	
<b>1,618</b>	<b>Current Assets</b>	<b>1,491</b>	
(144)	Creditors	(44)	
<b>(144)</b>	<b>Current Liabilities</b>	<b>(44)</b>	
<b>7,603</b>	<b>Net Assets</b>	<b>7,943</b>	
	Usable Reserves:		
(1,275)	Revenue	(1,315)	
(378)	Capital	(380)	
	Unusable Reserves:		
(5,950)	Revaluation Reserve	(6,248)	
<b>(7,603)</b>	<b>Total Reserves</b>	<b>(7,943)</b>	
Common Good Fund Notes			2

The unaudited accounts were issued on 30 June 2023 and the audited accounts were authorised for issue on 21 December 2023

Mary Beattie, FCCA  
Head of Finance  
21 December 2023

## Common Good Fund Disclosures

### CG Note 1 – Accounting Policies

The Accounts of the Common Good Funds have been prepared using the same accounting policies as the Council's Accounts. The only exception to this is in relation to accounting adjustments as there is no statutory mitigation for the Common Good Funds. However, depreciation relating to the revalued portion of non-current assets is offset against the Revaluation Reserve.

### CG Note 2 – Summary of Balances

The balances in the Common Good Funds are as follows:

Restated Total Funds 2021/22 £'000		Total Funds 2022/23 £'000
1,339	Macduff	1,341
3,629	Banff	3,852
4	Rosehearty	4
5	Portsoy	5
4	Aberchirder	4
65	Fraserburgh	67
466	Peterhead	474
98	Turriff	129
5	Oldmeldrum	5
1,594	Inverurie	1,660
25	Kintore	25
105	Stonehaven	107
57	Inverbervie	58
37	Laurencekirk	38
134	Huntly	137
36	Banchory	37
0	Ballater	0
<b>7,603</b>	<b>Total</b>	<b>7,943</b>

**Group Accounts**

The Council has the requirement to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality.

The following Group Accounts and associated notes include detail regarding the consolidation of Aberdeenshire Council, Aberdeenshire Trusts, Common Good Funds, Create Homes LLP and Aberdeenshire Integration Joint Board.

**Group Comprehensive Income and Expenditure Statement**

Group		Group
<b>Restated Net Expenditure 2021/22 £'000</b>	<b>Aberdeenshire Services</b>	<b>Net Expenditure 2022/23 £'000</b>
63,777	Business Services Committee	59,123
169,220	Communities Committee	184,938
359,758	Education and Children's Services Committee	380,460
99,289	Infrastructure Services Committee	108,807
9,265	Housing Revenue Account	15,719
-	Exceptional Items	(4,166)
79	Charitable Trusts and Endowments	148
89	Common Good Fund	(168)
(276)	Create Homes - Subsidiary	(222)
<b>701,201</b>	<b>COST OF SERVICES</b>	<b>744,639</b>
1,022	(Gains)/Losses on the Disposal of Non Current Assets and AHFS	(450)
<b>1,022</b>	<b>Other Operating (Income)/Expenditure</b>	<b>(450)</b>
30,715	Interest payable and similar charges	32,851
3,808	Net interest on net defined benefit liability (asset)	5,148
186	Income and expenditure in relation to investment properties and changes in their fair value	448
(102)	Interest Receivable and Similar Income	(601)
(192)	Increase/(Decrease) in Provision for Bad Debts	844
(192)	Investment Losses/(Gains) on Charitable Trusts and Endowments	362
980	Investment Losses/(Gains) on Common Good Fund	(300)
(12,148)	Share of Integration Joint Board (Surplus)/Deficit	13,967
<b>23,055</b>	<b>Financing and Investment Income and Expenditure</b>	<b>52,719</b>
<b>(686,347)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>(711,485)</b>
<b>38,931</b>	<b>Deficit on Provision of Services</b>	<b>85,423</b>
16,816	Surplus on revaluation of Non Current assets and AHFS	(57,896)
(34,010)	Actuarial (gains)/losses on pension assets/liabilities	(192,654)
<b>(50,826)</b>	<b>Other Comprehensive (Income) and Expenditure</b>	<b>(250,550)</b>
<b>11,895</b>	<b>Total Comprehensive (Income) and Expenditure</b>	<b>(165,127)</b>

Balance Sheet as at 31 March 2023

Restated Group 2020/21 £'000	Restated Group 2021/22 £'000		Group 2022/23 £'000
2,296,467	2,339,110	Property, Plant and Equipment	2,445,210
1,944	1,944	Heritage Assets	2,492
1,310	1,124	Investment Properties	660
-	-	Pension Assets	-
749	713	Intangible Assets	825
77	77	Long Term Investments	77
10,283	22,431	Investment in Joint Venture	8,464
3,885	3,950	Long Term Debtors	4,022
<b>2,314,715</b>	<b>2,369,349</b>	<b>Long Term Assets</b>	<b>2,461,750</b>
4,589	4,781	Short Term Investments	4,421
296	296	Assets Held for Sale	96
4,845	6,075	Inventories	7,752
67,672	67,884	Short Term Debtors	78,251
41,357	40,679	Cash and Cash Equivalents	11,337
<b>118,759</b>	<b>119,715</b>	<b>Current Assets</b>	<b>101,857</b>
(185,695)	(134,703)	Short Term Borrowing	(89,635)
(118,100)	(115,699)	Short Term Creditors	(141,060)
(267)	(484)	Provisions	(274)
(637)	(589)	Revenue Grants Receipts in Advance	(242)
<b>(304,699)</b>	<b>(251,475)</b>	<b>Current Liabilities</b>	<b>(231,211)</b>
(621,503)	(730,761)	Long Term Borrowing	(810,501)
(3,282)	(2,098)	Long Term Creditors	(2,248)
(6,656)	(7,256)	Provisions	(7,031)
(163,658)	(174,612)	Pension Liabilities	(29,566)
(2,910)	(2,905)	Finance Leases	(2,774)
(99,476)	(93,958)	PFI and PPP Liabilities	(87,742)
(15,322)	(16,160)	Capital Grants Receipts in Advance	(17,568)
<b>(912,807)</b>	<b>(1,027,750)</b>	<b>Long Term Liabilities</b>	<b>(957,430)</b>
<b>1,215,968</b>	<b>1,209,839</b>	<b>Net Assets</b>	<b>1,374,966</b>
(78,884)	(88,263)	Usable Reserves	(84,846)
(15,043)	(27,277)	Share of Usable Reserves of Subsidiary and Joint Venture	(13,070)
(1,115,052)	(1,088,349)	Unusable Reserves	(1,270,616)
(6,989)	(5,950)	Share of Usable Reserves of Subsidiary and Joint Venture	(6,434)
<b>(1,215,968)</b>	<b>(1,209,839)</b>	<b>Total Reserves</b>	<b>(1,374,966)</b>

\*Note – As required by the Code and in accordance with IAS 1, when an authority applies a change in accounting policy, or when it reclassifies items, it is required to present an additional Balance Sheet at the beginning of the preceding period. Due to the inclusion of additional entities within the Group Accounts a third Balance Sheet has been provided.

The unaudited accounts were issued on 30 June 2023 and the audited accounts were authorised for issue on 21 December 2023

Mary Beattie, FCCA  
Head of Finance  
21 December 2023

Group Movement in Reserves Statement 31 March 2023

	Group Usable Reserves £'000	Group Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance as at 31 March 2021 Carried Forward</b>	<b>(93,927)</b>	<b>(1,104,017)</b>	<b>(1,197,944)</b>
<b>Movement in Reserves During 2021/22</b>			
Total Comprehensive Income and Expenditure	37,892	(49,787)	11,895
Depreciation Charged to Revaluation Reserve	(29,578)	29,578	-
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(29,927)	29,927	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>(21,613)</b>	<b>9,718</b>	<b>11,895</b>
Transfers to/(from) Statutory Reserves	-	-	-
<b>Balance as at 31 March 2022</b>	<b>(115,540)</b>	<b>(1,094,299)</b>	<b>(1,209,839)</b>
<b>Movement in Reserves During 2022/23</b>			
Total Comprehensive Income and Expenditure	85,565	(250,692)	(165,127)
Depreciation Charged to Revaluation Reserve	(26,420)	26,420	-
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(41,521)	41,521	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>17,624</b>	<b>(182,751)</b>	<b>(165,127)</b>
Transfers to/(from) Statutory Reserves	-	-	-
<b>Balance as at 31 March 2023 Carried Forward</b>	<b>(97,916)</b>	<b>(1,277,050)</b>	<b>(1,374,966)</b>
Notes Ref			

Group Cash Flow Statement for the Year Ended 31 March 2023

Restated 2021/22 £'000		2022/23 £'000
<b>(50,018)</b>	<b>Net deficit on the provision of services</b>	<b>(71,554)</b>
149,359	Adjust net deficit on the provision of services for non cash movements	158,816
1,924	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(56,497)
<b>101,265</b>	<b>Net Cash Flows from Operating Activities</b>	<b>30,765</b>
	<b>Investing Activities:</b>	
(155,434)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(146,620)
(50,000)	Purchase of Short and Long Term Investments	-
(501)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,873
51,384	Other Receipts from Investment Activities	55,578
<b>(154,551)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(89,169)</b>
	<b>Financing Activities:</b>	
259,988	Cash Receipts of Short Term and Long Term Borrowing	179,909
(5,694)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(5,648)
(201,685)	Repayments of Short Term and Long Term Borrowing	(145,199)
<b>52,609</b>	<b>Net Cash Flows from Financing Activities</b>	<b>29,062</b>
<b>(677)</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>(29,342)</b>
41,356	Cash and cash equivalents at 1 April	40,679
<b>40,679</b>	<b>Cash and cash equivalents at 31 March</b>	<b>11,337</b>

**Notes to the Group Accounts****Note 1 – Group – Nature of Consolidation and Aligning Accounting Policies**

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.

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.

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

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 with regards to Create Homes Aberdeenshire LLP and Common Good Funds. Aberdeenshire Council revalue its assets at least once every 5, whilst Create Homes hold them at historic cost, net of depreciation. As at 31 March 2023 the assets of Create Homes were revalued and a consolidated adjustment of the £342,000 increase to the value of the Create Homes fixed assets was included within the Group Accounts. The Accounts of the Common Good Funds have been prepared using the same accounting policies as the Council's Accounts. The only exception to this is in relation to accounting adjustments as there is no statutory mitigation for the Common Good Funds. However, depreciation relating to the revalued portion of non-current assets is offset against the Revaluation Reserve

**Note 2 – 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 and joint ventures.

Aberdeenshire 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 – Trust and Common Good Funds 100% and Create Homes Aberdeenshire LLP 99.999%. Included as Joint Venture is the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

**Subsidiaries****Trust Funds**

The Council is responsible for the administration of various trusts for which it is the sole trustee. The trusts have been created by bequest or evolved through history and are utilised for a variety of benefits such as education, social work, health, recreation and other charitable purposes. The money earned from the investments of the Trusts is used to assist those in need. This may be done by the provision of grants, prizes and dux medals for school children and requisitions for clients in Social Work homes.

**Common Good Funds**

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs.

**Create Homes Aberdeenshire LLP**

Create Homes Aberdeenshire LLP is a limited liability partnership with Aberdeenshire Council and Scottish Futures Trust Investments Limited (SFT) to deliver Mid-Market rent properties within the local authority area.

## Joint Ventures

### **Aberdeenshire Integration Joint Board (IJB)**

Aberdeenshire Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Aberdeenshire Council and NHS Grampian. The contribution provided by Aberdeenshire Council to the IJB in 2022/23 was £148.601m (2021/22 £132.337m). The IJB Board comprises ten voting members with five (50%) made up of Aberdeenshire Council Elected Members.

### **Note 3 – Financial Impact of Consolidation**

The effect of inclusion of the subsidiaries and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £20 million (2021/22, increase of £33 million).

### **Note 4 – Entities Not Consolidated**

On the grounds of materiality, the North East Transport Partnership (NESTRANS), Grampian Valuation Joint Board 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 2022/23, Aberdeenshire Council contributed £92,000 (2021/22, £97,000) towards the core costs of the organisation. The audited accounts for 2022/23 show a surplus of £1.897 million (2021/22, £1.853 million surplus) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance. The accounts for 2022/23 are in the process of being audited.

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, Aberdeenshire Council contributed £173,000 (2021/22, £168,000) towards the cost of these services. This represents Aberdeenshire Council's share at 4.40%.

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Non-Domestic Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council and are Councillors. For the year ended 31 March 2023, the total comprehensive income and expenditure statement shows a surplus of £10.763m (2021/22 deficit £234,000) and net assets of £11.527m (2021/22 net assets £764,000). The Board is funded by requisitions from the three Councils.

### **Note 5 - Property, Plant and Equipment**

The Group Balance held within Property, Plant and Equipment is made up of the following:

<b>Restated 2021/22 £'000</b>		<b>2022/23 £'000</b>
2,327,759	Council Property, Plant and Equipment	2,433,332
6,129	Common Good Funds	6,496
5,222	Create Homes	5,382
<b>2,339,110</b>	<b>Total</b>	<b>2,445,210</b>

**Note 5 - Property, Plant and Equipment (Continued)**

Create Homes PPE Value as shown in the Group Balance Sheet is made up of the following:

2021/22				2022/23		
Property	Furniture and White Goods	Total		Property	Furniture and White Goods	Total
£'000	£'000	£'000		£'000	£'000	£'000
5,107	260	5,367	Cost	5,107	260	5,367
-	(95)	(95)	Opening Depreciation	-	(145)	(145)
-	(50)	(50)	Depreciation Charge for the Year	(156)	(26)	(182)
<b>5,107</b>	<b>115</b>	<b>5,222</b>	<b>Net Book Value per Create Homes Accounts</b>	<b>4,951</b>	<b>89</b>	<b>5,040</b>
-	-	-	Revaluation	342	-	342
<b>5,107</b>	<b>115</b>	<b>5,222</b>	<b>Group Accounts Net Book Value</b>	<b>5,293</b>	<b>89</b>	<b>5,382</b>

**Note 5 – Debtors**

Short Term 2021/22	Long Term 2021/22		Short Term 2022/23	Long Term 2022/23
£'000	£'000		£'000	£'000
67,925	9,367	Council Debtors	78,240	9,439
-	-	Aberdeenshire Trusts	-	-
40	-	Create Homes Debtors	118	-
(81)	(5,417)	Exclude Intra Group	(107)	(5,417)
<b>67,884</b>	<b>3,950</b>	<b>Total</b>	<b>78,251</b>	<b>4,022</b>

**Note 7 – Short Term Investments**

2021/22		2022/23
£'000		£'000
4,766	Aberdeenshire Trusts	4,405
15	Common Good Funds	16
<b>4,781</b>	<b>Total</b>	<b>4,421</b>

**Note 8 – Cash and Cash Equivalents**

2021/22		2022/23
£'000		£'000
40,343	Council	10,989
336	Create Homes	348
<b>40,679</b>	<b>Total</b>	<b>11,337</b>

**Note 9 – Creditors**

Short Term 2021/22 £'000	Long Term 2021/22 £'000		Short Term 2022/23 £'000	Long Term 2022/23 £'000
(115,485)	(2,098)	Council Creditors	(140,859)	(2,248)
(93)	-	Aberdeenshire Trusts	(242)	-
(144)	-	Common Good Funds	(44)	-
(58)	(5,417)	Create Homes Creditors	(22)	(5,417)
81	5,417	Exclude Intra Group	107	5,417
<b>(115,699)</b>	<b>(2,098)</b>	<b>Total</b>	<b>(141,060)</b>	<b>(2,248)</b>

**Note 10 – Usable and Unusable Reserves**

Usable 2021/22 £'000	Unusable 2021/22 £'000		Usable 2022/23 £'000	Unusable 2022/23 £'000
(88,263)	(1,088,349)	Council	(84,846)	(1,270,616)
(4,673)	-	Aberdeenshire Trusts	(4,163)	-
(50)	(5,950)	Common Good Fund	(220)	(6,248)
(123)	-	Create Homes	(223)	(186)
(22,431)	-	IJB	(8,464)	-
<b>(115,540)</b>	<b>(1,094,299)</b>	<b>Total</b>	<b>(97,916)</b>	<b>(1,277,050)</b>

**Glossary**

- 1. Accruals:** The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
- 2. Administration Costs:** Includes telephone, printing, stationery, advertising and postage.
- 3. Allocations and Charges to Other Accounts:** For services provided by one service to another.
- 4. Amortisation:** The writing off of the expenditure on an asset or the income from a grant over a fixed period.
- 5. Assets Held for Sale:** Usually restricted to property or disposal groups that are expected to be sold within 12 months.
- 6. Non-Domestic Rates:** A charge levied on commercial properties and collected by the Council. The rate is set by the Scottish Government.
- 7. Capital Expenditure:** This is expenditure incurred in creating or acquiring a non-current asset, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Capital expenditure is normally financed by borrowing over a period of years or by utilising the income from the sale of existing assets.
- 8. Cash and Cash Equivalents:** Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- 9. Community Assets:** Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal, for example, parks and historic buildings.
- 10. Compensated Absences:** Periods during which an employee does not provide services to the employer, but employee benefits continue to be paid. Typical employee benefits include annual leave, sick leave, maternity leave, jury service, military service.
- 11. Consistency:** The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 12. Corporate & Democratic Core & Non-Distributed Costs:** Corporate & Democratic Core relates to those activities in which the Council engages, over and above the provision of any single service. This includes, for example, meetings of the Council, members' expenses and External Audit fees. Non-Distributed Costs are overheads for which no user benefits and are not apportioned to services. For example, excess pension costs and long term unused but unrealisable assets.
- 13. Defined Contribution Scheme:** A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- 14. Defined Benefit Scheme:** A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
- 15. Depreciation:** The measure of wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

- 16. Expected Rate of Return on Pensions Assets:** For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
- 17. Fair Value:** The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.
- 18. Fees and Charges:** Income received for services provided.
- 19. Financial Instruments:** A contract between parties that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- 20. Government Grants:** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.
- 21. Heritage Assets:** A tangible heritage asset has historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset has cultural, environmental or historical significance which are intangible.
- 22. Intangible Assets:** Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights e.g. software licences.
- 23. Interest Cost (Pensions):** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
- 24. International Financial Reporting Standards (IFRS):** The accounting standards adopted by the Council in the preparation of its accounts.
- 25. Investments (Pensions Fund):** The investments of the Pensions Fund will be accounted for in the statements of that Fund. However the Council is also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
- 26. Investment Properties:** Interest in land and/or buildings: a) in respect of which construction work and development have been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
- 27. Net Book Value:** The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
- 28. Net Realisable Value:** The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
- 29. Non-Current Assets:** Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
- 30. Non-Specific Grant Income:** All the grants and contributions receivable that cannot be identified to particular service expenditure.
- 31. Past Service Cost:** For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

- 32. Premises Costs:** Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, metered water charges, etc.
- 33. Prior Period Adjustments:** Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to undermine the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
- 34. Payments to Agencies and Others:** Payments made to Government Agencies and similar bodies.
- 35. Post-Employment Benefits:** All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
- 36. Public Works Loans Board (PWLB):** A Government Agency which provides long term loans to the Council.
- 37. Remuneration:** All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.
- 38. Revenue Expenditure:** This is expenditure incurred in providing services in the current year and which benefits that year only.
- 39. Revenue Support Grant:** A block grant received from Government to help finance the cost of the Council's services.
- 40. Staff Costs:** Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.
- 41. Supplies and Services:** Includes the cost of purchasing materials, spare parts, food and protective clothing as well as payments to contractors and others for the provision of services.
- 42. Transport and Plant Costs:** Includes the cost of providing and maintaining all vehicles and plant including fuel, tyres, repairs, road tax, insurance, etc.
- 43. Unusable Reserves:** Those reserves that an authority is not able to utilise to provide service.
- 44. Usable Reserves:** Those reserves that contain resources that an authority can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on the exact application of those resources.

**Annex – MIRS – Analysis of Capital Reserves**

The table below provides an analysis of the capital reserves:

	Capital Receipts Deferred £'000	Capital Fund £'000	Capital Grants & Receipts Unapplied Account £'000	Total Capital Reserves £'000
<b>Balance at 31 March 2021 Carried Forward</b>	<b>(425)</b>	<b>-</b>	<b>(16,918)</b>	<b>(17,343)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
<b>Adjustment involving the Capital Grants &amp; Receipts Unapplied Account:</b>				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(3,212)	(3,212)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,016	9,016
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account	-	-	(1,711)	(1,711)
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>-</b>	<b>-</b>	<b>4,093</b>	<b>4,093</b>
Transfers to/(from) Statutory Reserves	1	-	859	860
<b>(Increase)/Decrease in 2021/22</b>	<b>1</b>	<b>-</b>	<b>4,952</b>	<b>4,953</b>
<b>Balance at 31 March 2022 Carried Forward</b>	<b>(424)</b>	<b>-</b>	<b>(11,966)</b>	<b>(12,390)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
<b>Adjustment involving the Capital Grants &amp; Receipts Unapplied Account:</b>				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(6,220)	(6,220)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	3,536	3,536
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account	-	-	-	-
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>-</b>	<b>-</b>	<b>(2,684)</b>	<b>(2,684)</b>
Transfers to/(from) Statutory Reserves	(1,115)	-	1,268	153
<b>(Increase)/Decrease in 2022/23</b>	<b>(1,115)</b>	<b>-</b>	<b>(1,416)</b>	<b>(2,531)</b>
<b>Balance at 31 March 2023 Carried Forward</b>	<b>(1,539)</b>	<b>-</b>	<b>(13,382)</b>	<b>(14,921)</b>

**Annex – Note 14 – Heritage Assets****Further Information on Museums Collections**

Live Life Aberdeenshire Museums Service collections are managed in accordance with policies that are approved by the Sub-Committee of Live Life Aberdeenshire. Further information is provided in the [Museum Service's Collections Development Policy 2020-2025](#) which was presented to Communities Committee on 3 June 2021 (item 13).

As explained in this document, items in the collection are only disposed of when, in the opinion of the Museums Development Co-ordinator/Curator and with the approval of the governing body, an item does not contribute to the interest and diversity of the Museum Service's collection. The Museum Service maintains a database of items in the collections. The Adlib collections management system records all accessioned items and will ultimately be the Museum Service's final register for the collections. As of 31 March 2023, Live Life Aberdeenshire Museums Service has approximately 24,000 objects recorded in the Adlib database.

In addition to collections held in museums, the following are also regarded as Heritage Assets:

**(i) Aikey Brae Stone Circle, Mintlaw**

The remains of a recumbent stone circle dating to the Neolithic period (circa 2500BC), is an example of a type of monument unique to the North East of Scotland. There are five erect stones, including the recumbent, still standing which are set on a bank of small stones. The monument is set within a larger fenced area on the edge of a tree plantation. The land is owned by Aberdeenshire Council and is nationally protected as a Scheduled Ancient Monument.

**(ii) Rhynie Man, Woodhill House, Aberdeen**

A Class I symbol stone dating to the Early Medieval (Pictish) period (circa 6<sup>th</sup>- 8<sup>th</sup> century AD). It is a large grey granite boulder incised with a rare example of a standing figure of a warrior. The stone, which is of international importance, was awarded to the former Grampian Regional Council by Historic Scotland in 1978 following its discovery, is now on public display in the Woodhill House reception area.

**(iii) Vertical Aerial Photograph Collection**

This collection consists of three sets of vertical aerial imagery:

- 1977 BKS B&W Image Collection (circa 6000 images)
- 1988 JASair B&W Image Collection (circa 2500 images) and
- 1946 RAF B&W Image Collection (estimate 3000 images)

These image sets are used to assess landscape change, identify new cropmark archaeological sites, and other research activities undertaken by external bodies. The public and other organisations can arrange access to the collections under supervision. The 1977 and 1988 collections were inherited from the former Grampian Regional Council, while the 1946 RAF collection was gifted to the Archaeology Service by the Royal Commission Ancient Historical Monuments Scotland (RCAHMS).

The BKS Images can be replaced at an average cost of £30 per image from Fugro-BKS Ltd, making the collection value an estimated £180,000. The JASair images can be replaced at an average cost of £20 per image from RCAHMS, making the collection value an estimated £50,000. The RAF collection can be replaced at an average cost of £30 per image from RCAHMS, making the collection value and estimated £90,000. The total value of the collection is £320,000.

**(iv) Photograph and Slide Collection**

The slide collection consists of an estimated 23,000 images of archaeological sites taken either on the ground or via the former aerial photography programme undertaken by the Archaeology Service over the years since 1975. The collection is currently undergoing a digitisation programme to allow greater public access to it, and to provide backup as part of the disaster management plan.

To produce physical reproductions of the images would average £0.63 per image, making the collection value an estimated £14,000. However the content of collection would be impossible to replicate given the nature of how it was formed.

**Annex - Note 19 – Private Finance Initiatives (PFI) and Similar Contracts****Education PFI Schemes**

The Council is committed to four PFI and Similar Contracts. The first contract, which was entered into in 2001, is with Robertson Education (Aberdeenshire) Limited (REAL), a consortium formed by the Robertson Group (Scotland) Limited, to design and construct three schools and an extension to another school in Aberdeenshire and the provision of Educational services to the Council on three of those sites until 17 February 2027 under a Private Finance Initiative (PFI) contract.

The contract involves:

- Design, construction and service provision of a new academy at Oldmeldrum.
- Design, refurbishment and service provision of Banff Primary.
- Design, extension and service provision of Meldrum Primary.
- Design and construction of a Support for Learners Unit at Banff Academy.

The effective date of service commencement for Banff Primary and Meldrum Primary was 18 February 2002, and the contract will run for 25 years. The effective date of service commencement for the academy at Oldmeldrum was 1 August 2002, and the contract will also terminate on 17 February 2027.

In respect of the PFI contract, the Council has leased Banff Primary School, Meldrum Primary School and the Meldrum Academy Site to REAL at a nominal rent.

The second contract, which was entered into in 2004, is with Robertson Education (Aberdeenshire 2) Limited (REAL2) to provide Education services on six sites in Aberdeenshire until 2 October 2030. The contract involves the construction or substantial refurbishment and service provision by the Contractor of educational assets, including primary and secondary schools across six different sites. The contract covers the replacement of Kintore, Rosehearty, Longside and Rothienorman Primary Schools and the building of two new schools; Portlethen Academy and a new Primary School at Banchory.

The effective date of service commencement for Longside Primary and Rosehearty Primary was 6 October 2005, for Rothienorman Primary it was 12 December 2005, for Kintore Primary 23 January 2006, Hill of Banchory Primary 26 January 2006, and Portlethen Academy 24 July 2006. The contract will terminate on 2 October 2030.

The third contract, which was entered into in June 2014, is for the design, build and maintenance of a primary school, secondary school and community facility within the Alford Community Campus. The contract is with Galliford Try and the service commencement date was 9 October 2016. The contract will end on 1 October 2040.

The fourth contract, which was entered into in April 2018, is with Hub North Scotland Limited (DBFM Co) to design, build and provide maintenance services to a new Inverurie Community Campus which includes a secondary school, replacement special school facility, community swimming pool, and dry leisure facilities. The service commencement date was 29 February 2020, and the contract will end on 28 February 2045.

The Council has certain exclusive use rights for the use of the schools during school terms. The contracts specify 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 refurbish the schools and maintain them in a minimum acceptable condition. The buildings and any plant and equipment installed in them at the end of the contracts will be transferred to the Council for nil consideration. The Council only has rights to terminate the contracts if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contracts or as a result of breach of contracts.

**Commonly Used Abbreviations**

<b>Abbreviation</b>	<b>Expansion</b>
AHfS	Assets Held for Sale
NDR	Non-Domestic Rates
BRIS	Business Rates Incentivisation Scheme
CG	Common Good Funds
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
CT	Council Tax
EFA	Expenditure Funding Analysis
HIP	Housing Improvement Plan
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IJB	Integration Joint Board
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
LLP	Limited Liability Partnership
MIRS	Movement in Reserves Statement
NESPF	North East Scotland Pension Fund
NHS	National Health Service
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
PWLB	Public Works Loan Board
REAL	Robertson Education (Aberdeenshire) Ltd
RR	Revaluation Reserve
SLT	Strategic Leadership Team
TF	Trust Funds
The Code	Code of Practice on Local Authority Accounting in the UK 2022/23
VAT	Value Added Tax