Aberdeenshire
COUNCIL

From mountain to sea

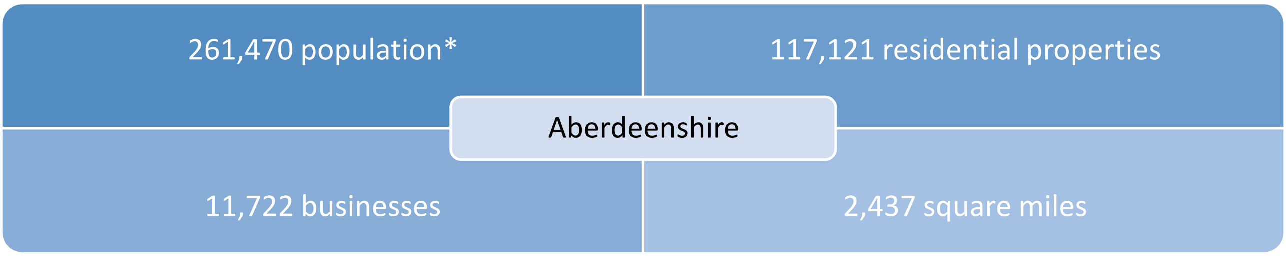
Annual Accounts 2018/19

For the Year to 31 March 2019

ANNUAL ACCOUNTS 2018/19 – CONTENTS

Management Commentary

Aberdeenshire Council, our Council in our Community.



**Annual mid-year estimate*

** 10,204 Full Time Equivalent Employees

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

- Educating over 35,000 children across 87 nurseries, 151 primary schools, 17 secondary schools and 4 special schools,
- Operating 45 community centres, 4 sports centres, 15 swimming pools, 11 museums and 36 libraries
- Social landlord of around 13,000 council homes
- Weekly waste collection for over 117,000 residential properties
- Maintaining 229 burial grounds, 446 play parks and 113 car parks
- Maintaining 3,430 miles of roads, around 45,000 streetlights, 1,270 bridges and the maintenance and management of 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, 33 day centres and over 1,500 sheltered houses.

These are the core functions of the Council that places us in the centre of the Aberdeenshire community. To enable these activities to be delivered and our resources applied effectively, we have the One Aberdeenshire Principles:

- Everyone brings their best self to work
- We are clear about what is expected of us and ask for clarity if unsure
- We take informed decisions as close to the action as possible.

These principles are fundamental to colleagues when undertaking their role and enables a quality of service to be delivered whilst respecting the financial cost of doing so which in total is £1.5 million per day.

Aberdeenshire Council's Annual Accounts are statutory, important and a part of the performance framework and therefore this year's accounts will be a development based upon the Council's Priorities, a solid governance framework and a track record of robust financial management.

Strategic Direction

Through the Council Plan 2017-2022 the Council sets out how it will be the best area and best Council in Scotland through its 11 key priorities each of which includes a set of core outcomes against which the successful embedding can be measured. For example, the Council's priority of supporting a strong, sustainable, diverse and successful economy has as one of its core outcomes "an economy that enables new and existing businesses and our core industries to thrive". The performance measures underpinning this include the number of business start-ups each year, the number of businesses supported with loans and grants and the number of jobs created.

The current Plan which was approved in November 2017 was informed by the political priorities, the Strategic Assessment and a significant engagement exercise across Aberdeenshire and provides a clear direction for delivering on the Council's priorities. The Council's Strategic Direction is shaped by the Council's Priorities and these priorities determine the Medium Term Financial Strategy which in turn prioritises resources allocated to an agreed scope and standard of service delivery.

Financial Accounting, Planning and Performance

Financial Accounting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, Aberdeenshire Council is required to produce a set of annual accounts in order to inform stakeholders of the Council that we have properly accounted for the public money we have received and spent and that the financial standing of the Council is on a secure basis. The presentation of the Annual Accounts is governed by the Code of Practice on Local Authority Accounting

This management commentary is to help those reading the Annual Accounts understand Aberdeenshire Council's financial performance in 2018/19. It is designed to illustrate the authority's main achievements, and to highlight some of the risks and challenges it faces in the coming years.

The Annual Accounts are presented in four core statements:

- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Movement in Reserves
- Cash Flow Statement

Other accounting activities are reported within these annual accounts, such as Charitable Trusts and Common Good movements administered by the Council. As part of the Accounts for 2018/19, Group Accounts have been prepared to reflect the Council's significant interest in the Aberdeenshire Integration Joint Board and the Trusts and Endowments for which the Council is the sole trustee. Therefore, the Management Commentary equally applies across the group of accounts.

Group Accounts

The Code requires Group Accounts to be prepared where the authority has a material interest in another organisation. Aberdeenshire Council has a significant interest in the Aberdeenshire Integration Joint Board and is sole trustee of Trusts and Endowments. The effect of including these entities in the Group Balance Sheet is to increase the net worth by £4.654 million representing Aberdeenshire's share of the net assets. It is worth noting that in 2018/19 Aberdeenshire Council contributed over £100 million to the Aberdeenshire Integration Joint Board for the provision of adult health and social care and community mental health services.

Financial Planning

Aberdeenshire Council is legally bound to set a balanced budget. Delivering responsible, long term financial planning is one of the 11 priorities in the Aberdeenshire Council Plan 2017-2022. The Medium-Term Financial Strategy (MTFS) is a key part of the planning and budget setting process which aims to ensure that resources are aligned to the priorities and related outcomes.

The MTFS outlines budgeted available resources, financial consequences of demands on Services and financial pressures over a five year period. The context within which local government operates continues to be a dynamic one, particularly around funding levels with legislative requirements. Policy priorities and resourcing challenges at a UK and Scottish level continue to impact on local government. Successive single-year settlements from the Scottish Government requires that the MTFS is reviewed annually.

The budgets for 2018/19 (General Fund Revenue, Capital and Reserves, HRA Revenue and Capital and Carbon Budget) were approved by Council on 8 February 2018

The Housing Revenue Account (HRA) is self-funding, with all expenditure on the maintenance and management of the Council's housing portfolio covered by income raised, primarily from council house rent. It is a statutory requirement that this account remains 'ring-fenced' and is accounted for separately from the Council's General Fund.

Financial Performance

Financial information is submitted to the four policy Committees for scrutiny and challenge in accordance with the Scheme of Governance on a quarterly basis, the consolidated overall council position is then reported to full Council.

Strategic Leadership Team (SLT) discuss the Council's budget on a weekly basis and reviewed the latest financial information to arrive at the forecast positions which are reported to Committee. In 2018/19 a more-risk based approach to budget management was adopted which resulted in a variance between the budget set and the forecast outturn position. Variances, when identified are discussed, any implications are considered, and appropriate action taken and reported through SLT and to the relevant policy committee where appropriate.

General Fund Revenue Expenditure 2018/19

We planned to spend £545.455 million on the Council's services in 2018/19, mainly funded from Scottish Government Grant, Council Tax and Business Rates. Following the December forecast position, Council acknowledged the planned work to be actioned by SLT to mitigate as far as possible an over budget position. The final year end position that was reported to Service Committees and Full Council in June 2019 is shown in the table below.

Committee	Initial Budget February 2018 £000	Revised Budget March 2019 £000	Planned use Transfer out Reserves £000	Planned Transfer (in) Reserves £000	Outturn March 2019 £000	Over/(Under) *Rev Budget + reserves – outturn £000*
Business Services	37,371	37,730	1,024	(90)	39,364	700
Communities	124,633	123,292	3,620	(554)	125,641	(717)
Education and Childrens Services	290,441	292,696	4,060	(97)	304,931	8,272
Infrastructure Services	69,027	65,299	1,503	-	64,278	(2,524)
Expenditure to be funded from borrowing	(6,357)	-	-	-	-	-
Capital financing charges and interest on revenue balances	30,340	30,340	-	-	29,923	(417)
Total Spend	545,455	549,357	10,207	(741)	564,137	5,314
Revenue Support Grant and Other Govt	(299,255)	(299,725)			(301,564)	(1,839)
Ring Fenced Grants	(2,841)	(7,441)			(6,825)	616
Business Rates	(110,710)	(110,710)			(112,200)	(1,490)
Council Tax	(137,825)	(138,054)	(1,885)		(139,554)	385
Total Income	(550,631)	(555,930)	(1,885)	0	(560,143)	(2,328)
Net (Surplus)/ Deficit before use of reserves	**(5,176)**	**(6,573)**			**3,994**	**2,987**
Transfer (to) /from reserves	**(5,176)**	**(1,397)**	**8,322**	**(741)**		**2,933**
Final outturn to be funded from General Fund						**54**

The details of the budgetary changes, use of reserves and explanations of the over and under budget positions can be found on the Committee Meetings page of the Council website. There are however some common themes across all Policy Committees with regard to the variations from budget such as an increase in staffing costs as a result of a higher than anticipated pay award, higher than anticipated contract inflation, and expected savings not being fully realised e.g. from changes to relief staff contracts. Further over budget positions were as a result of the impact of the Barclay Review on business rates which resulted in the loss of an anticipated saving within the culture and sport service, unexpected additional expenditure in respect of the Council's estate e.g. an oil spill at an educational establishment and increased demand for services e.g. out of authority placements where 13 placements came to an end but a further 18 were agreed.

Services are in the process of addressing budget pressures related to staffing and where expected savings have not been deliverable, alternative savings and/or income generation opportunities are being considered. Policy Committees and Full Council will have the opportunity as part of the medium-term financial strategy and budget setting process to consider the financial implications of increased demand in the context of the 11 Council Priorities.

The Aberdeenshire Integration Joint Board (IJB) forecast an over budget position throughout the year on a budget of some £300 million. The actual outturn position for the Board showed an overspend position of 1% or £3.137 million and in accordance with the Scheme of Integration the Council and NHS Grampian have been asked to contribute additional funding sufficient to enable the IJB to break even. In June 2019 the Council agreed an additional payment of £1.837 million for 2018/19, with NHS Grampian also contributing to ensure the IJB broke even.

The budget pressures experienced by the IJB are illustrative of the demographic challenges faced by the Aberdeenshire Health and Social Care Partnership as it continues to address an increasing demand for its services, particularly given the complex needs of its clients.

Reserves

The Council maintains two types of reserves – usable and non-useable, the approved movement in these reserves are shown in the Movement in Reserves Statement on page 25

- Usable reserves – result from the Council's activities and are available for spending in the future
- Unusable reserves – these reserves result from accounting adjustments and are not available for spending. Notes 1, 7 and 28 provides more information on usable and non-useable reserves

The Council's main useable reserves are the General Fund and the Earmarked Reserves. These are maintained for the following purposes: -

- A working balance to help cushion the impact of uneven cash flows
- A contingency to help with unexpected events or liabilities
- Earmarked balances to meet known or predicted liabilities

The movements in reserves are reported to Full Council on a quarterly basis and the reserves are reviewed on an annual basis as part of the Medium-Term Financial Strategy. Aberdeenshire Council has a policy of holding a minimum of £9 million as a General Reserve.

The changes to the useable reserves in 2018/19 are reflected in the table below

	Opening Reserves 1 April 2018 £000	Closing Reserves 31 March 2019 £000	Reserves (reduced) increased 2018/19 £000
General Fund	11,393	10,718	(675)
Earmarked Reserves	21,827	18,805	(3,022)
HRA	2,000	2,000	0
Capital Receipts Reserve	660	659	(1)
Statutory Funds	3,470	3,174	(296)
Capital Grants Unapplied	3,441	13,999	10,558
Total Usable Reserves	**42,790**	**49,355**	**6,565**

Capital Expenditure

General Fund

In 2018/19 Aberdeenshire Council planned to spend £102.891 million on capital projects, to be financed through a combination of capital grants, revenue, capital funds and internal borrowing. The final outturn position was £84.999 million, £15.163 million lower than planned for the year. The table below shows the capital expenditure by Policy Committee.

Committee	Initial Budget 2018/19 £000	Revised Budget 2018/19 £000	Outturn 2018/19 £000
Business Services	19,539	13,460	14,724
Communities	7,332	9,174	7,672
Education and Children's Services	33,955	13,831	12,352
Infrastructure Services	31,148	51,315	36,535
City Region Deal	4,560	2,450	2,197
CFCR	6,357	6,357	11,519
Expected project slippage	2,729	0	0
Total	**100,162**	**96,587**	**84,999**

Whilst capital expenditure was lower than budgeted, the Capital Plan delivers large scale projects which can and will take longer to deliver than sometimes expected. Therefore, the Capital Plan should be viewed as a series of connected years rather than just individual financial years and as such the majority of the £15.163 million will be carried forward into the new financial year to deliver agreed projects.

Progress against the Capital Plan is monitored by the Capital Planning Group (group of officers from across all services), with slippage identified at the earliest opportunity and projects accelerated where possible to ensure best use of available resources, with budgets revised to reflect the changes. Project slippage and budget revisions, together with the explanations for the changes are reported to Policy Committees quarterly.

Key areas of spend by Committee

Business Services	• Industrial portfolio and factory units • Information & Commication Technologies • Council Depots • Planned Building Maintenance
Education and Childrens Services	• Kinnellar Primary School • Enhancements to existing schools • Expenditure under the Childrens and Young Persons Bill • Improved Disabled Access
Infrastructure Services	• Aberdeen Western Peripheral Route • Roads resurfacing • Stonehaven Flood Prevention • Improvements to Cyclying and Walking routes
Communities	• Banchory Sports Village • Disabled and Elderly Housing adaptations

Housing Revenue Account

The Housing Revenue Account HRA is a statutory account whereby all income generated from the rent and service charges levied on Council tenants, is to be used to fund the maintenance and management of Council houses to the benefit of the tenants. The income generated from Council tenants is used to fund the HRA capital programme to ensure that it is self-financing. Any in-year surplus is used to fund the capital programme with any deficit in programmed capital expenditure met from additional borrowing. The Housing Revenue Account is managed and monitored separately from the Council's General Fund.

The Housing Revenue Account (HRA) budget for 2018/19 was approved by Aberdeenshire Council on 8 February 2018. The HRA Capital Programme for 2018/19 was approved at Communities Committee on the 22 February 2018. The HRA is underpinned by a 30-year Business Plan, which was reviewed in 2017/18. Part of these reports included agreement that any net surplus on the HRA would be used to fund the HRA Capital Programme. Regular monitoring reports are presented to the Communities Committee throughout the financial year.

The HRA Final Outturn for 2018/19 shows a breakeven position but within that the revenue expenditure was £3.57 million out with budget. This was due to an increase in repairs and maintenance costs both in terms of operating costs and the level of repairs and maintenance work carried out, an increase in the level of rental income lost to voids and there was an increase in the costs associated with the provision of temporary accommodation. The HRA saw savings on its loan fund charges of £406,000 and new build income was £300,000 higher than budget.

The final outturn for the year to 31 March 2019 shows a breakeven position for the revenue account and an over budget position for capital of £3.360 million. The HRA Outturn Position for 2018/19 is summarised in the table below.

	Original Budget £000	Revised Budget £000	Outturn 2018/19 £000	Variance from Budget £000
Revenue Expenditure	41,698	41,698	45,268	3,570
Revenue Income	(60,744)	(60,744)	(60,621)	123
CFCR	**(19,046)**	**(19,046)**	**(15,353)**	**3,693**
Capital Expenditure	**49,959**	**34,335**	**37,695**	**3,360**
Funded by:				
Borrowing	29,475	13,458	18,909	5,451
House Sales		287	316	29
Other Capital Income	1,438	1,544	3,117	1,573
CFCR	19,046	19,046	15,353	(3,693)
	49,959	**34,335**	**37,695**	**3,360**

Treasury Management Performance

The Council sets its own capital borrowing limits to fund capital expenditure and demonstrates by way of an agreed Treasury Management Strategy that any borrowing is affordable, prudent and sustainable.

The following key indicators which were approved at Business Services Committee on 8 March 2018 and the table below details performance against these indicators:

1. Estimated Capital Expenditure - This indicator shows the value of the agreed capital budget proposals

2. Estimated ratio of financing cost to net revenue stream - This ratio indicates the percentage of the revenue budget that is required to meet the cost of external borrowing. A separate ratio is shown for the General Fund (GF) and Housing Revenue Account (HRA) and indicates the affordability of the Council's capital expenditure proposals.

3. Net borrowing and the capital financing requirement - These indicators show the estimated total borrowing required to fund existing and additional capital expenditure proposals and the estimated level of net external borrowing. In order to demonstrate over the medium term net borrowing is only for a capital purpose, except in the short term, this should not exceed the capital financing requirement. The indicators are only required for the Council's overall position and are not divided between the General Fund and HRA.

4. Authorised limited and operational limit for external debt - The authorised limit sets an absolute limit for the Council's total external borrowing. It is set to reflect current and proposed borrowing and contains an allowance for the estimated maximum temporary borrowing during the year to meet cash flow requirements. The operational limit excludes the allowance for temporary borrowing and reflects the budgeted provision for borrowing. It is however necessary to retain some scope for managing temporary cash shortfalls, hence the requirement to set a higher authorised limit. The authorised limit should not be breached in any circumstances without the prior approval of the Council.

Management Commentary (Continued)

Prudential Indicator	Treasury Management Strategy 2018/19 £(million)	Outturn 2018/19 £(million)
General Fund estimated Capital Expenditure	100.16	85.00
Net borrowing	756.00	729.00
Capital financing requirement	845.00	815.00
Authorised Limit	924.00	863.00
Operational Limit	874.00	813.00
Estimated ratio of financing cost to net revenue stream	6.88%	6.60%

Performance

The Council is committed to being a high performing Council with a culture of performance improvement inherent in everything we do. The Council's performance and improvement framework, Aberdeenshire Performs, supports the delivery of the Council's vision and the priority outcomes identified in The Council Plan 2017-2022 a summary of which is reported below for 2018/19.

The Council publishes an Annual Performance Report in September each year which is available to the public on the Council's website at http://www.aberdeenshire.gov.uk/strategy-and-performance/about-performance/. The 2018/19 Annual Report will be considered by Aberdeenshire Council on 26 September 2019 at which time, full and detailed reporting across all eleven Council Priorities will be available.

All Scottish Councils report a range of performance data as part of the Local Government Benchmarking Framework. The framework covers most major areas of public service delivery in Scotland and includes information about the costs of services, the outcomes being achieved and how satisfied residents are with services. To see how Aberdeenshire Council compares to other Councils visit http://www.improvementservice.org.uk/benchmarking/explore-the-data.html

Trends are based on performance as at the end of the reporting period for 2018/19 and compared to an average of performance over the previous three years, where this information is available. Many of the indicators presented within this commentary were introduced to support the new Council priorities and therefore 2017/18 or 2018/19 is the baseline and no long-term trend comparison can be made.

It is important when reviewing the performance indicators to take account that these support the relevant Priority overall and should not be viewed in isolation. Where a target has not been met and the status is 'Red', further investigation has identified improvement actions, which will be monitored, and expected improvements should be seen in the next reporting period.

A summary of the most recent performance against the Council's key performance measures is given below with the following key:

Key for status of performance against target and trend analysis over the last 3 years data where available			
	At least 50% of measures in this outcome are significantly below target (red)		Performance Improving
	At least 25% of measures in this outcome are slightly below target (amber)		No Change or New Measure
	The majority of performance measures are on target		Performance Declining over life of plan
	Data only – no target has been set		New measure/baseline line year of introduction

Support a strong, sustainable, diverse and successful economy

Our Outcomes

- An economy that enables new and existing businesses and our core industries to thrive.
- Accessible employment in areas of traditional rurality reducing need to travel long distances to get to work.
- Vibrant town centres that are evolving to enable living
- A protected natural and well maintained built environment.
- An area with resilience to economic and geopolitical changes and decarbonisation.

630 Business Start Ups per year	43 Businesses supported with loans or grants	62.5 jobs created or safeguarded by Business Scheme	91.88% of commercial & industrial properties occupied
✅ ⬇	✅ ⬆	🔴 ⬇	✅ ⬇

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✅	⚠	🔴	📈	⬆	⬇	➖	❓	✅	⚠	🔴	📈	⬆	⬇	➖	❓
8	2	0	1	6	4	1	0	9	0	1	1	5	4	2	0

The majority of actions are progressing well with the **exception** of 'No of Jobs created/safeguarded: it is difficult to always hit the target of 90 jobs created or safeguarded with a reducing budget (caused by inflation erosion and actual cuts). In addition, grants are awarded to those businesses that apply and not those that may have the potential for the largest jobs increases. **Delivery of the Economic Development Priorities** and actions continue and the success of these can be reflected in several encouraging economic indicators; a range of initiatives have been delivered or are in the pipeline for delivery in the near future in support of the **City Region Deal**. Two **Business Improvement Districts** have been established in Inverurie and Peterhead: significant additional funding has been achieved in support of actions in the **regeneration strategy** covering the towns of Banff, Macduff, Fraserburgh and Peterhead. The performance of the **Planning and Building Standards** teams remains strong and the service successfully delivered maintenance programmes for the Harbours and Landscape Services during the year. There were some delays with the review of parking management and tariffs, but the revised tariffs were approved by committee in June this year. Figures to show participation levels in the supplier development programme are not yet available for 2018/19, but participation levels fell in the previous year. The Scottish Government's Planning Review progressed slowly but the Planning (Scotland) Bill was passed in June the year so the focus now switches to development of secondary legislation to enable the processes to work in practice.

Have the best possible transport and digital links across our communities

Our Outcomes

- Economic growth based on excellent digital connectivity that supports local and new businesses to thrive and expand.
- Improved connections within and between communities, increasing accessibilit of the sustainable transport network and maximising its effectiveness and safety.
- Access to fast and robust digital connectivity for all our communities no matter how rural they are.

91.6% of Street Lighting faults completed within 7 days	27% of A class roads should be considered for maintenance	30.7% of unclassified roads should be considered for maintenance	5.5% of Annual Budget allocation as %age of cost of identified work
✔ ↓	✔ ↓	✔ ↓	● ↓

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✔	⚠	●	📈	↑	↓	–	?	✔	⚠	●	📈	↑	↓	–	?
7	0	1	2	4	6	0	0	7	0	1	2	1	9	0	0

All Actions against this priority are progressing well. The **local Full Fibre Project** continues to progress and is expected to be completed **by December 2021**. We have increased availability of public access Wi-Fi within Council operated buildings which is now at 298 sites, this includes all buildings with significant public footfall. We continue to deliver a **Local Transport Strategy** with a focus on effective travel and in 2018/19 agreed **Budget Provision for 2018/19** of Revenue Transportation (gross) £11.458m and Capital Allocation (Roads and Transportation, exc. Nestrans) **£43.063m**, to maintain alignment with the Regional Transport Strategy (RTS) and National Transport Strategy(NTS), we identified projects identified through the CRD and also included in RTS and this we progressed ensuring the **City Region Deal Strategic Transport Appraisal** is being undertaken in parallel with RTS, and in concert with Transport Scotland's Strategic Transport Projects Review. Looking forward consideration of future funding models to support and develop transport forms part of the RTS and NTS. The A2I (Aberdeen to Inverness) project is now under construction and progress is being made with the new Station at Kintore with an expected opening of early 2020. We continue to work with partners on the Road Safety Plan 2018-2021 in order to maintain the downward trend in road casualties. The roads and bridges maintenance programmes were **delivered successfully** but despite this, the overall condition of the road network **deteriorated slightly** during the year. Work continues to deliver actions in the **A947 Route Implementation Strategy**. 5 out of 20 actions within this strategy are now complete, 12 are ongoing and 3 are yet to start.

Provide the best life chances for all our children and young people by raising levels of attainment and achievement

Our Outcomes

- Our young people can achieve their best by having access to the right opportunities for them having gained the right skills and attainment when they leave school or other educational settings
- Our young people have developed resilience and skills for life and work

94.4% of Young People achieving outcomes	16.7% of Inspections which exceed ScotGov positive Inspection definition	54.1%% of S4 getting 5+SCQF at Level 5	44.2% of S5 getting 3+SCQF at Level 6

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
2	1	1	0	3	1	0	0	5	0	1	0	3	1	0	2

A suite of **early years measures** linked to data reported to Scottish Government including settings capacity, uptake for vulnerable two year olds, progress towards 1140 hours uptake, and Care Inspectorate ratings of our settings across all four quality indicators, have been developed with most using 2019/20 data as the baseline, therefore these are planning forward and are not included in the complementary detail report. During school session 2017/18, five of the 12 schools **inspected by Education Scotland** achieved a positive inspection, whereby achieving an evaluation of 'good' or better in all three Quality Indicators from the revised system '**How Good is Our School 4**' quality framework for school inspections introduced from session 2016/17. During school session 2017/18, 96.3% of all school leavers, and 80.9% of all Care Experienced Young People (CEYP) school leavers, secured a **positive post-school destination**. Both show an improvement on the previous session. The percentage of the S4 cohort achieving 5 or more SCQF awards at level 5 increased for the **2018 exam diet**, with an overall improvement of 8.1% when compared over time with the 2015 exam diet. Similarly, although the percentage of those achieving 3 or more SCQF awards at level 6 by the end of S5 had a small fall for the 2018 exam diet, there has also been an overall improvement when compared with the 2015 exam diet (up 2.4%), and up 9.5% when compared to five years ago (2013 exam diet). The average tariff score of CEYP school leavers remains higher than those achieved nationally for the same cohort for the 2018 exam diet. The measures on the percentage of our P1, P4, P7 and S3 achieving the expected CfE level in English Literacy and Numeracy were introduced this year based on teacher judgement, with a baseline of 2017/18 data, therefore no trend data is available for this report but will form over time. Overall the percentages perform well when compared nationally.

Work with parents and carers to support children through every stage of their development

833 exclusion incidents	92.9% satisfaction with local schools	94.5% attendance of pupils	New indicators being developed
△ ↓	✔ ↓	✔ ↓	

Our Outcomes

- Parents/carers, children, schools and organisation have clear expectations at every stage of their educational journey and child focused support is provided.
- Vulnerable children and families are supported at the earliest opportunity

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✔	△	●	📈	↑	↓	–	?	✔	△	●	📈	↑	↓	–	?
3	0	0	0	1	0	0	2	2	1	0	0	0	3	0	0

The first national survey of Parental Involvement and Engagement is scheduled to go ahead later this year. Planning forward, the information gathered from this will form new outcome measures of success, with 2019/20 data used as the baseline. We launched our '**Partnership for Success'** handbook to assist and support committee-run playgroups, having recognised the important role playgroups play in early years development. We have identified support workers to provide guidance and support to those running groups to support our playgroups to recruit and retain high quality staff which is absolutely key to ensuring the best possible early years experiences for the youngest members of our communities. A **Virtual Head Teacher** has been appointed to ensure that our care experienced young people have the same opportunities to succeed as those from other backgrounds. **Developing the Young Workforce with Career Ready and Career Ready Student of the Year Student of the Year** Career Ready is one part of a much bigger drive across Aberdeenshire to better prepare children and young people from 3 – 24 for the world of work and reduce youth unemployment by 40% by 2021. It's about providing learning which is directly relevant to getting a job, and all secondary schools are audited on their performance. In Aberdeenshire the percentage of pupils going on to positive destinations has been increasing steadily to 96.3% partly due to programmes like this. In relation to both attendance and exclusion these indicators were **introduced** for the 2018/19 reporting period with, with information collated and backdated to Q1 2017/18 to allow meaningful initial trend data over time - now with two full years of comparative data available, with the baseline established we are in a position to review the trends. Satisfaction with Local Schools remains high at 92.9% despite a downwards trend.

Encourage active lifestyles and promote well-being with a focus on obesity and mental health

5200 visits by participants in targeted programmes	72% level of customer satisfaction experience (Participants)	98.3% satisfaction with libaries	91.5% satisfaction with Leisure facilities
✅ ❓	✅ ❓	✅ ⬆	✅ ⬆

Our Outcomes

- We will encourage the people of Aberdeenshire to live a better-quality life.
- We will promote Sport, Physical & Cultural Activity to build stronger communities
- We will encourage employees live a better-quality life

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✅	⚠	🛑	📈	⬆	⬇	➖	❓	✅	⚠	🛑	📈	⬆	⬇	➖	❓
3	0	0	0	3	0	0	0	7	0	0	0	3	0	0	4

Work continues with Live Life Aberdeenshire on a range of communications messages, agreement on a Service Level Agreement, major projects including **Banchory Sports Village** and other specific service changes. Teams will meet the new Marketing Managers to clarify roles and responsibilities around communications and marketing as well as Creative Services. Additionally, the Change Team continue to work as part of the embedding of **Live Life Aberdeenshire**. With regard to Active Travel, work has progressed on the introduction of electric bike options for staff, with bike lockers due to be installed in four council offices. Walking and cycling maps have been developed for various towns across Aberdeenshire, which are accessible from Aberdeenshire Council's website. An Action Plan has been agreed to support achieving the targets and actions set out in the **Cultural Strategy**. The Communities Committee considered an update on performance in June 2019, with performance overall being **positive**. The percentage of households satisfied or fairly satisfied with their nearest greenspace is 78% in Aberdeenshire, which is slightly better than the Scottish average of 74% (Scottish Household Survey 2017). More recently, in 2018/19, 91% of respondents to the Aberdeenshire Reputation Tracker expressed satisfaction with our parks and open spaces. The Children's Services Plan is a three-year plan (2017-20) and is reported on annually to the Education & Children Services Committee. The 2017/18 report was published towards the end of last year and we are aiming to have the 2018/19 report to committee around October this year. Progress towards delivery of this work plan is currently recorded at 50%.

Have the right mix of housing across all of Aberdeenshire

49 Homes brought back into use last year	111.9 days average days in temporary accommodation	82.95% of households satisfied with quality of temp accommodation	2 Local Authority run Gypsy/Traveller sites in Aberdeenshire
✓ ↑	✓ ↑	● ↓	● ↑

Our Outcomes

- There will be an increase in the supply of affordable housing
- There is greater participation from private landlords and individuals and families spend less time on council waiting list
- There is an increased supply of the right mix of good quality, affordable, appropriate and adaptable housing with an emphasis on reducing fuel poverty and increasing use of alternative energy sources

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✓	△	●	📈	↑	↓	−	?	✓	△	●	📈	↑	↓	−	?
8	2	6	0	9	5	0	2	15	0	6	1	12	6	0	4

Preparation of the **Local Development Plan (LDP)** is due in June 2021 with the main issues consultation resulting in 1200 submissions, which identified 4369 issues. Further information will be reported to elected members midway through 2019/20 with a proposed plan scheduled to go to Full Council in November 2019. The LDP Action Programme sets out actions for delivery of sites and evidence of delivery, with the most recent action programme being published in July 2019. **197 new properties** for social rent were completed in 2018/19 by Aberdeenshire Council and other social landlords. While this is below the current target of 340 per year, it represents an increase on 143 such properties completed in 2016/17 and 170 completed in 2017/18. Work has commenced on site for a further 386 units, with 63 being delivered by the council's **New Build program** and the remaining 323 being delivered by RSL partners. Aberdeenshire Council brought 395 council homes up to the Energy Efficiency Standard for Social Housing (EESSH) in 2018/19, at a total cost of £2,595,700 (an average of approximately £6,500 per property). This represents a significant increase compared to 2017/18, when 169 properties were brought up to the standard. Reporting against **Gypsy/Traveller Sites**, saw 27 unauthorised encampments in 2018/19, which represents a small increase compared to 2017/18. However, the number reported remains significantly lower than the 42 in 2016/17, which correlates with the opening of the new traveller site at Aikey Brae in May 2018. The opening of Aikey Brae resulted in a 50% increase in the provision of traveller pitches in Aberdeenshire.

Support the delivery of the Health and Social Care strategic plan

Our Outcomes

- The best of health & care for everyone

228 disabled adaptions carried out in Private Sector	97 disabled adaptions carried out in Local Authority	100 day average from assessment of need and delivery of required adaption (LA)	137 day average from assessment of need and delivery of required adaption (Private Sector)
✔ ↑	✔ ↓	✔ ↑	✔ ↑

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✔	△	●	📈	↑	↓	–	?	✔	△	●	📈	↑	↓	–	?
6	0	0	0	4	2	0	0	6	0	0	0	3	3	0	0

Key achievements and developments in delivering the **Health and Social Care plan** are summarised below with an emphasis on links to the other priorities considered by Communities Committee. Aberdeenshire HSCP has continued to make progress towards delivery of its Strategic Plan to ensure safe, sustainable and effective models of integrated care for our communities. This work is co-ordinated through four overarching Programme Plans – Reshaping Care, Enabling Health and Wellbeing, Engagement, and Safe Effective and Sustainable – which oversee the work of a range of projects and work-streams to deliver the HSCP's five strategic priorities. The Health and Social Care Partnership has engaged with stakeholders to inform development of the HSCP's new **Mental Health and Wellbeing Strategy** has been wide ranging and in-depth with a particular focus on gaining input from those with lived experience. This work also supports the delivery of the council priority "Encourage active lifestyles and promote well-being with a focus on obesity & mental health". A broad range of healthy lifestyle interventions has been delivered as part of the **Aberdeenshire Health Improvement Delivery Plan for 2018-19**. This has included expansion of our active health walks project to include dementia friendly groups, work to reduce smoking rates amongst young people and a focus on the effective delivery of Alcohol Brief Interventions in primary care settings. Again, this work links to the priority "Encourage active lifestyles and promote well-being with a focus on obesity & mental health".

Work to reduce poverty and inequalities within our communities

Our Outcomes

- Confident communities shaping the services they need.
- Communities are confident, resilient and inclusive.
- Individuals feel secure and in control of their circumstances

4.6% Gross Rent arears as a % of rent due	87.8% of Adults achieving outcomes	24 day average to process new benefit claims	7 day average to process changed benefit claims
✔ ↓	✔ ↑	⬣ ↑	✔ ↑

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✔	⚠	⬣	📈	↑	↓	–	?	✔	⚠	⬣	📈	↑	↓	–	?
3	0	1	0	3	1	0	0	3	0	1	0	3	1	0	0

The first **Child Poverty Local Action Report** was published on the Aberdeenshire Council website, Our Aberdeenshire and NHS Grampian site in June 2019 which is in line with The Scottish Governments guidance from the Child Poverty (Scotland) Act 2017. Aberdeenshire's Community Planning Board endorsed the Child Poverty Action Plan in June 2019, at this meeting the partners had a focus on Reducing Child Poverty and the presentation was positively received especially the lived experience case studies. Partners are working on delivering the actions set put within the Child Poverty Action plan and will be attending all Area Committees starting at the end of October 2019 , followed by an update to Education & Children Services Committee early 2020 and presenting the final draft of the second Child Poverty Local Action Report to the Communities Committee in the spring of 2020 to ensure the finalised report is published at the end of June 2020. Processing times for new benefit claims have been somewhat hampered by **Universal Credit (UC)** in relation to Council Tax Reduction. However, in the summer of last year the sheer volume of notifications that arrived from the Dept. of Work & Pensions relating to Universal Credit claimants meant resources were strained to maintain day to day workloads. Although claimants who are on UC do not claim Housing Benefit, the volume of all the additional works resulting from UC caused delays in processing time. New techniques and processes were deployed in which to deal with new claims to positive effect. Those processes continue to provide improved statistics since April 2019. Processing times remain within tolerance levels on average and monitoring is undertaken on a monthly basis as part of management practices.

Deliver responsible, long-term financial planning

Our Outcomes

- We live within our means and use public money to maximise outcomes for our communities
- Our assets, property and land are managed to the best financial effect, supporting delivery of our priorities and service ambitions in the medium to long term

81% of people believe Aberdeenshire Council is efficient and well run	80.8% of people believe that council delivers value for money	74.4% of buildings that are suitable for current use	93.8% of planned expenditure on Capital Plan achieved
✔ ↓	✔ ↓	● ↑	✔ ↑

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
✔	⚠	●	📈	↑	↓	–	?	✔	⚠	●	📈	↑	↓	–	?
4	0	4	0	3	5	0	0	6	0	3	0	3	6	0	0

A proposal for a budget engagement campaign for 2019/20 is being developed and explored. This will involve dialogue with Services and a performance session at Full Council. The **Expenditure Approval Process Project (EAPP)** is working to review the process in the context of spending public money, budgetary responsibility, effective reporting to committee and the scrutiny role that sits with the Council's committees. The **Capital Plan** is a 15-year plan, and the most recent version was approved at Full Council in February, 2019. The Plan details how a sum of £882m is planned to be invested in buildings, land, roads, bridges and equipment in Aberdeenshire over the 15-year period of the Plan. The Capital Plan Group takes a strategic overview of the current work ongoing in terms of delivery of projects and associated impact on borrowing. Reports are regularly provided to policy committee throughout the committee cycle. The Estates Team within Property & Facilities Management is responsible for the **disposal of surplus assets** with a primary objective of maximising financial return. In most instances, these properties have been in public ownership for many years. The Estates Team will consider encouraging alternative use and also demolishing buildings for which there is no market demand, in order to increase marketability and also minimise holding costs such as maintenance and rates. Phase 1 of the **Master Data Management project** is due to go live in June, 2019, and will integrate with the new Contact Centre software solution. Both the **Roads Asset Management Plan** and the **Bridges Asset Management Plan** continue to be delivered through the ongoing application of asset management principles. Regular updates are provided to the Infrastructure.

Have the right people, in the right place, doing the right thing, at the right time

Our Outcomes

- One Aberdeenshire, people working effectively with each other across public services and across communities
- Staff working close to the communities they serve, making decisions based on local need.

95.5% - First point of contact resolution

86% of people who would speak highly of Aberdeenshire Council

14.4% Overall Staff turnover (Whole Council)

£5,458,974 agency and consultancy spend (Council)

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status				Long Trend				Status				Long Trend			
10	0	0	0	7	0	0	3	12	2	1	0	3	7	0	5

One Aberdeenshire Principles continue to be embedded across the Council including integration to the **Personal Performance Plan (PPP)** process, and discussion through Corporate Leadership Group and Leadership Forum. The **Digital Champions** programme continues to be developed, with 35 new champions coming on board since January 2019. Around 4,400 employees now receive electronic payslips and use Employee Self Service (ESS) and People Manager, which allows them to access online services such as Absence Reporting or submitting and authorising Expense Claims. 4,100 employees in HSCP and Leisure are ready to be progressed to go live, with the remaining 8,000 employees scheduled to go live from July, 2019 onwards. A comprehensive self-evaluation of the Code of Corporate Governance has taken place in 2019 with input from senior officers and Audit Committee members. Informal sessions with area committees are being delivered between April and June 2019, on the background and context key parts of the **Community Empowerment Act** to highlight opportunities it can present for communities and the organisation. The move towards online licensing is moving at pace with a planned go live date of January 2020, for priority 1 licences and April 2020, for priority 2 licences. The new system will enable greater transparency over granted licences and current applications and will enable the public to comment on them online. Work is ongoing in relation to Strategic Assessments for 17 Place Plans with the first 12 plans in place by April 2020. The overall fall in performance in this area is attributed to falls in Customer satisfaction with a drop within Service Provision from the Contact Centre down 2.7% to 90.71% which is measured from user information, but a 5% drop in overall satisfaction across Council Services which is measured from a random sample of residents not necessarily service users and may be more perception based.

Protect our special environment, including tackling climate change by reducing greenhouse gas emissions

43.7% of household waste collected that was recycled and composted	13,743,297kw of Biomass consumed by Street Lights	CO2 emmision - Kg per M2 gross internal area of buildings	Quantity of Biomass energy consumed n Council properties
⚠ ↑	📈 ↑	Awaiting Validation ?	Awaiting Validation ?

Our Outcomes

- Effective management, protection and promotion of the natural environment for the benefit of all.
- The best protection, management and promotion of the historic environment for the benefit of all.
- Sustainable waste management systems that promotes zero waste and reduces our climate change emissions.
- Enhanced transport connectivity and reduced congestion for businesses, communities and isitors. Reduction in the numbers of collisions on the road networks in Aberdeenshire.
- Decarbonised Council fleet.

Number of Indicators reported in 2017/18								Number of Indicators reported in 2018/19							
Status			Long Trend					Status			Long Trend				
✔	⚠	●	📈	↑	↓	–	?	✔	⚠	●	📈	↑	↓	–	?
1	0	1	3	5	0	0	0	0	1	0	1	2	0	0	0

The **Natural Heritage Strategy** was reviewed and now incorporates the **Pollinator Action Plan**. Work of North East Scotland Biological Records Centre (NESBReC) continues, collecting and documenting information on biodiversity and acting as a hub for biological data exchange. The **Ranger Service** continues to promote and encourage engagement with Aberdeenshire's outdoors in a responsible and sustainable way. The **Archaeology Service** continues to protect, manage and promote the historic environment. Preparation for the new LPD continues with publication of the Main Issues Report in January 2019 which attracted nearly **1100 respondents**. The amount of public land across Aberdeenshire devoted to biodiversity continues to increase and several significant projects in the **Local Flood Risk Management Plan 2016 – 2022** have either been completed or are well underway. The scheme in Huntly is complete, the scheme in Inverurie is progressing well and construction of the scheme in Stonehaven started in January this year. Officers are contributing to regional, national transport strategies, and this will feed into reviewed LTS. We continue to maintain a carbon budget. Over the past 4 years we have seen regular falls in carbon emissions. The streetlight replacement programme is contributing to this fall. As of April 2019, **50%** of the old lanterns had been **replaced with new LED** ones. The programme is due to be completed by April 2021. Waste recycling rates appear to have plateaued currently, at around 43.5% and a key aim of the new Waste Strategy is to reduce the amount of waste going to landfill. Diesel/Electric hybrid refuse trucks have been procured for Waste services. We are continuing to introduce other electric vehicles – ride on and walk behind mowers for Landscape Services and following a 3 month trial in 2018 part funded through Civitis Portis a number of electric vehicles were obtained for use by car park operatives and for use as pool cars.

Principal Risks and Uncertainties

The Council's risk management and business continuity activities focus on the key elements and themes documented in the Risk Management and Business Continuity Strategy. The principal risks and uncertainties facing the Council are broadly similar to those faced by many organisations in the public sector.

The risk management process uses a Risk Register structure which is aligned to the Council structure and it differentiates between strategic and operational risk. The Corporate Strategic Risk Register is aligned to 10 Principal Risks, which include for example budget pressures, legislative and policy changes at UK and Scottish Government level, business and organisational change, cyber security. Each of these will be managed by a Director and assigned to an appropriate Head of Service.

The Council's Corporate Risk Management Group, chaired by the Director of Business Services, meets quarterly and includes representatives from each service, the Council's Risk Manager and Senior Insurance Officer to consider the Council's risk management and planning approach. The Risk Manager prepares a Quarterly Risk Management Review for the Strategic Leadership Team which is also shared with the Business Services Committee and Audit Committee via Ward pages. Annual reports are also presented to the Audit Committee, the most recent being at the meeting on 13 December 2018.

Directorates have identified key risks relating to the Council Priorities and Service Priorities, service level operational Risk Registers have been reviewed. Service Business Continuity Plan testing is for the most part up to date and where testing is overdue this has been raised with both the service and Director.

The Council has a CONTEST Strategy in place to counter the threat from terrorism and as at 31 December 2018 a total of 6,627 staff had either attended Prevent Training Workshops or used the e-learning module. The Council also continues to work with a range of partners, Police Scotland, Grampian Local Resilience Partnership and the Emergency Planning Unit to test, review and update the "Move to Critical" Plan.

The Council is a participant in the North East Serious and Organised Crime Multi Agency Group and meets with Police Scotland regularly to discuss issues specific to Aberdeenshire with recent activity focussing on drug trafficking and supply, bogus workmen, landlord registration and anti-social behaviour orders.

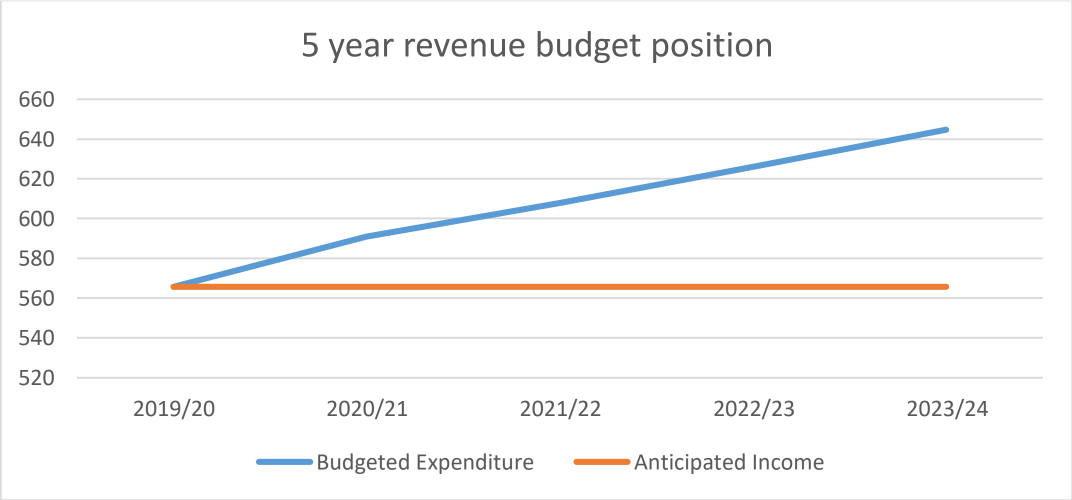
Financial Outlook, Risks and Plans for the Future

Aberdeenshire Council's Medium Term Financial Strategy represents a structured approach to financial planning across Services and sets out a complete view of the Revenue Budget, Capital Plan and Reserves allowing the Council to consider and plan the full financial impact of decisions taken now on next year's budget and an indication of the impact on future years. It is the foundation on which the Council is able to deliver on its priorities whether in terms of expanding early years provision, delivering a new campus development in Peterhead, implementing the Office Accommodation Strategy, developing a Business Plan for Live Life Aberdeenshire that will underpin the Council's Culture and Sport Strategy.

In February 2019, following a further single year settlement from the Scottish Government, Aberdeenshire Council set the 2019/20 budget with provisional budgets for 2020/21 – 2023/24. These provisional budgets indicated a potential investment resource available to the Council of some £1 billion per year across revenue budgets, capital plans, Housing Revenue Account, reserves and the Health & Social Care Partnership resources. The prioritisation and balancing of this resource, aligned to the Council priorities is the focus of the Medium-Term Financial Strategy which will underpin the achievement of the estimated efficiency savings of £60 million over the next three years.

The total revenue budget for 2019/20 of £565.602 million will be funded from Government Grants £299.975 million, Business Rates £123.812 and Council Tax £141.815.

To enable an even more outcome focussed MTFS based on the policies and priorities of the Council, a deliberate shift has been made in the current budget setting process to a '3 + 2' MTFS. The intention behind this is to recognise that the Scottish Government has undertaken to produce more than single year settlements, so Aberdeenshire will be focussing on preparing a three year balanced budget with a further two indicative years, further reflecting the move to national performance reporting and embedding policy led decision making in the Council.



Whilst a flat cash settlement has been assumed in the budget assumptions for the next four years it is recognised that Scottish Government Priorities may impact on the make-up of future funding.

The key risks facing the Council in 2019/20 and beyond

- Brexit - impact on prices and non-pay inflation and Council workforce
- Pay awards - those in excess of budgetary provision
- Out of Authority Placements
- Changes to Scottish Government Grant distributions –increased ring fencing of funding, with restrictions placed upon its use and changes to the Funding Floor – the mechanism that ensures a local authority's funding allocation will not fall by more than a set amount from the previous year.
- Demographic pressures – schools, adult social care services with a forecast rise in adults aged over 75 during the next decade.

Management Commentary (Continued)

Given these challenges, uncertainties and indeed opportunities, the Council continues to demonstrate its ability to deliver outcomes within the financial resources available to it. A medium-term plan to deliver the Council Priorities supported by demonstrable performance information and a process of stakeholder engagement will support the established track record of prioritised spending. A review of all resources linked to priorities, supporting early intervention, service redesign where appropriate and a fundamental focus on delivering quality local services will be the aim of the new Medium-Term Financial Strategy.

Jim Gifford	Jim Savege	Alan Wood
Leader of the Council	Chief Executive	Head of Finance

On behalf of the Councillors and Strategic Leadership Team
19 September 2019



Statement of Responsibilities for the Annual Accounts

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.

I confirm that these Annual Accounts were approved for signature by the Audit Committee at is meeting on 19 September 2019.

Signed on behalf of Aberdeenshire Council

Councillor Jim Gifford
Leader of the Council
19 September 2019

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 2019.

Alan Wood, MA (Hons), CPFA
Head of Finance
19 September 2019

Annual Governance Statement

Aberdeenshire's Vision

The Council Plan, which was agreed by Councillors on 23 November 2017, articulates a shared aspiration for Aberdeenshire as the best area and best Council and sets out a clear strategic direction for creating a successful and sustainable region by supporting people and communities to realise their potential.

The Council Plan is underpinned by Priority Plans and Head of Service Business Plans which are shaped by the Council Priorities The Council's Medium Term Financial Strategy, which was agreed on 8 February 2018, is the financial embodiment of the Council's Plan. The Council's performance management and reporting framework in conjunction with the Risk Management and Business Continuity Strategy are the tools which Councillors will use to scrutinise delivery of the Council Plan.

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 continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In 2016 the Council approved the current Scheme of Governance to ensure that there were appropriate arrangements for the governance of the Council's resources including the Trusts, Endowments and Common Good Funds it administers. The Scheme of Governance was reviewed in 2018, which resulted in several proposed additions and amendments to the Scheme. These were approved by Full Council on 27 September 2018 and took effect from 28 September 2018.

Aberdeenshire Council has adopted a Code of Corporate Governance (the Governance Code) which ensures the accountability and probity of officers of the Council. The Governance Code is consistent with the principles and reflects the requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) as set out in *Delivering Good Governance in Local Government: Framework (2016),* and the Council's financial management arrangements conform to the governance requirements set out therein.

This statement explains how the Council complies with the Governance Code and extends to the entities included in the Council's Group Accounts.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood 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 2019 and up to the date of approval of the annual accounts.

The Governance Framework

The Governance Code covers four key areas: Community Focus, Service Delivery, Structures and Processes, and Risk Management and Internal Control. The Director of Business Services has the responsibility for overseeing the implementation of the Governance

Code and reviewing it in practice. The Governance Code has been reviewed and although initially it was thought that the review would be considered by Full Council it was agreed that the scrutiny of the review sat within the remit of the Audit Committee.

The review took account of *CIPFA's Delivering Good Governance in Local Government: Framework (2016*) and was reported to Audit Committee on 24 May 2019. A copy of the Governance Code Report and the Self-Assessment is available through the attached link.

The system of corporate governance and internal financial control is based on a framework with appropriate delegation and accountability. The system includes:

- The Council's Scheme of Governance, comprising Standing Orders, Delegations, Financial Regulation and Guidance;
- Management information;
- Performance and risk management;
- Comprehensive financial management systems;
- Periodic and annual financial reports;
- Clearly defined capital expenditure guidelines; and
- Periodic review of all financial procedures.

The corporate governance and internal control procedures are informed by:

- Feedback from Councillors and Committees carrying out their scrutiny role;
- Use of planned self-assessment tools including a 'How Good is Our Council' exercise
- Internal Audit & External Audit;
- Work undertaken by external review bodies including Education Scotland, the Care Inspectorate and Audit Scotland;
- Input and comment from managers within the Council; and
- Customer and stakeholder feedback.

Review of Effectiveness

The review of the effectiveness of the governance framework, including the system of internal control, is carried out throughout the year by various means including:

- The Council and its Committees, including the Audit Committee, which meet on a six-weekly cycle;
- Strategic Leadership Team (SLT) which consists of the Chief Executive, the three Service Directors, the Chief Officer of the Aberdeenshire Integration Joint Board, the Head of Legal and Governance, the Head of Finance and the Chief Social Work Officer. SLT meet weekly to discuss matters of strategic importance;
- The Head of Legal and Governance who is the statutory Monitoring Officer in terms of the Local Government and Housing Act 1989 and provides legal advice to Councillors and senior officers;
- The Head of Finance who has statutory responsibility for the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. His responsibilities are set out in the Statement of Responsibilities;
- The Head of Children's Services provides professional advice and guidance to Councillors and officers in the provision of Social Work Services for Children. She also has a responsibility for overall performance improvement and the identification and management of corporate risk in so far as these relate to Social Work Services for Children;
- Internal Audit which is an independent review function of the Council and is responsible for the internal audit of all financial and non-financial systems of the Council;
- External organisations that carry out independent audits or inspections of the Council. These include external audit by auditors appointed by the Accounts Commission, school inspections by Education Scotland, the regulation and inspection of care services by the Care Inspectorate and housing service inspections by the Scottish Housing Regulator: and
- Regular self-assessment and evaluation using the council's corporate framework 'How Good Is Our Council?'. A thematic self-assessment and evaluation focused on the Governance Code was undertaken in March 2017 and a range of improvement actions identified including increasing awareness of the Governance Code across the council.

The Council's Governance Code and the related systems of internal financial control provide reasonable assurance that responsibilities will be met. Aberdeenshire Council adheres to the principles of openness, integrity and accountability. All reasonable steps are taken to ensure assets are safeguarded, transactions are authorised, procedures are practical and adhered to and that errors are either prevented or detected within a timely period, corrective action taken and lessons learned.

Each year the external auditor produces a report for the Council, which can include recommendations for the Council to address. The Council recognises the importance of these recommendations and will develop an Action Plan for implementation, the most recent progress was reported to Audit Committee on 24 May 2019. The Council has reacted positively and constructively in implementing the Planned Management Actions in the Action Plan by assigning each action to an officer with a target completion date agreed. The responsibility for the completion of the Action Plan rests with the Head of Finance and is discharged through the Corporate and Strategic Finance Managers.

There were 8 recommendations in the action plan arising from the 2017/18 Accounts.

- Staff should be reminded that only invoices addressed to Aberdeenshire Council should be accepted for payment
- A reconciliation should be carried out and reviewed on a regular basis between Care First debtors' interface and the general ledger
- The requirement to maintain a register of interests should be extended to members of the Strategic Leadership Team (SLT) and other key officers with financially critical responsibilities e.g. Procurement. Arrangements for managing potential staff conflicts of interest should be reviewed. Overall, arrangements should be regularly monitored to ensure that appropriate safeguards are in place for both the Council and its staff and the arrangements are regularly monitored.
- A central register of whistleblowing cases should be developed and maintained. The number, issues arising, and the outcome of cases should be reported regularly to the Strategic Leadership Team and Audit Committee and summarised annually. Included as part of the annual fraud report
- Procedures should be developed to identify regulations which if breached, could result in a significant cost/ penalty for the Council and therefore impact on its financial position and annual accounts.
- A review of risk management arrangements should be considered by the Audit Committee at least on an annual basis.
- The Council's longer-term IT plans are unclear, and projects being taken forward in the interim may no longer be relevant or appropriate to the Council's priorities.
- A Charitable Management Plan for the Aberdeenshire Educational Trusts should be developed.

The action plan is progressing well. For example: a working group is looking at the financial information within the Care First system in order to establish improvements that can be made to the reconciliation of information. A register of interests for members of SLT has been set up. Risk Management arrangements and reporting have been reviewed.

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 internal control environment. The Chief Internal Auditor has reviewed the Council's internal control environment, and, in his opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2019.

However, as in previous years, some significant concerns have been identified throughout the year. Recommendations graded as "major" have been made in 7 reports in 2018/19 (7 in 2017/18 and 10 in 2016/17): Hard FM, Budget Setting Process, Joint Occupational Therapy Store, Sale of Land and Property, Prevention of Fraud, Bribery and Corruption, Compliance with Procurement Related Legislation and Council Regulations and Council Plan. The outcome of these audits, along with others, and concerns regarding the implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year.

The updated position in response to the Internal Audit concerns include: Hard FM updates are now provided quarterly to the Business Services Committee, The Budget Setting Process has been revised and is inclusive to all Councillors, the Council's Policy on the Prevention of Fraud is being updated and will be reported back through Audit Committee initially in September 2019.

Recommendations made regarding the issues identified have been agreed with management and Internal Audit will be ascertaining progress with implementing these during 2019/20. Progress made by Services will help inform Internal Audit's annual opinion for 2019/20.

Each year, senior Councillors and Directors are asked to consider and comment on the effectiveness and appropriateness of the governance arrangements in place for the Council as they see these from their particular perspective of being a senior Councillor and a Director. Assurances have been received from all that the governance arrangements in place are satisfactory. However, a number of points were raised in responses in relation to risk management, reporting of performance information and the demonstrable links for plans held by services through to the Council Priorities. These comments are welcomed and will be included and addressed through the Action Plan in response to 'How Good is Our Council'.

In addition to the above, it is important to include that areas of good practice, improvement, and procedural compliance have been identified and these have been detailed in individual assignment reports. These include the embedding of new governance arrangements across every Council Committee followed up by a review of the new procedures; a much greater degree of financial scrutiny at each Policy Committee as a result of tailored financial performance reporting and the establishment of Live Life Aberdeenshire which is a new and innovative approach to the delivery of high quality cultural and sports services.

There is a requirement that an External Quality Assessment be undertaken of a Council's Internal Audit arrangements at least every five years. In 2017/18 such an assessment was undertaken by Dundee City Council's Internal Audit Section against the 13 areas of the Public Sector Internal Audit Standards (PSIAS). The Council's Internal Audit section was found to generally conform with PSIAS and the recommendations made in that report have since been implemented.

Aberdeenshire's Integration Joint Board (IJB) for Health and Social Care is now well established with full delegation of functions and resources. The revenue budget for the IJB is reported to the Board, and regularly discussed at Strategic Leadership Team. The Council's contribution to the IJB is part of the Revenue Budget Monitoring Report that goes to Communities Committee and Full Council, which is in accordance with the Scheme of Governance.

Aberdeenshire Council Budget 2019/20

The context within which local government operates continues to be a dynamic one, particularly around funding with successive one-year settlements requiring the Council's Medium Term Financial Strategy to be reviewed annually. The Priorities contained within the Council Plan informed the 2019/20 Budget which was agreed at Council in February 2019. Further constructive developments to the Medium Term Financial Strategy are in place including a fresh approach to the 5 year plan, with the first 3 years being balanced plus 2 indicative years. A greater focus on the cost of the scope and standard of current service delivery is being determined to assist with strategic decision making within the Council's 11 Strategic priorities.

Action Plan

The Council will continue to place fundamental importance on governance arrangements. This will involve:

- A formal review of the governance arrangements in respect of the Expenditure Approval Process
- Implementing the recommendations from internal and external audit and other audits and inspections;
- The implementation of an Action Plan arising from the results of How Good is Our Governance;
- Review the governance arrangements around corporate projects;
- Support members to carry out their scrutiny function through continuous professional development, awareness and workshop sessions.
- An open and transparent medium term financial strategy that has at its core the Council's priorities;

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 on the basis of the evidence contained in this statement, we are satisfied that the arrangements continue to provide assurance, are adequate and are operating effectively.

Jim Savege	Councillor Jim Gifford
Chief Executive	Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council
19 September 2019

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Aberdeenshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Balance Sheet, and Movement in Reserves Statement, the council-only Expenditure and Funding Analysis, Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Business Rates Income Account, the Trusts and Endowments Income and Expenditure Statement, the Trusts and Endowments Balance Sheet, the Common Good Funds Income and Expenditure Account, and the Common Good Funds Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Head of Finance and 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 council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

My 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 my 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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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. This description forms part of my auditor's report.

Other information in the annual accounts

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

September 2019

Expenditure and Funding Analysis for year ended 31 March 2019

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business 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.

Restated Net Expenditure Chargeable to the General Fund and HRA Balances 2017/18 £'000	Restated Adjustments Between the Funding and Accounting Basis 2017/18 £'000	Restated Net Expenditure in the CIES 2017/18 £'000	Aberdeenshire Services	Net Expenditure Chargeable to the General Fund and HRA Balances 2018/19 £'000	Adjustments Between the Funding and Accounting Basis 2018/19 £'000	Net Expenditure in the CIES 2018/19 £'000	Notes Ref
43,921	14,548	58,469	Business Services Committee	39,364	48,696	88,060	
115,954	14,630	130,584	Communities Committee	125,641	623	126,264	
295,437	34,663	330,100	Education and Children's Services Committee	304,931	24,705	329,636	
68,415	39,559	107,974	Infrastructure Services Committee	64,278	53,194	117,472	
-	5,362	5,362	Housing Revenue Account	-	11,674	11,674	
523,727	**108,762**	**632,489**	**NET COST OF SERVICES**	**534,214**	**138,892**	**673,106**	
(513,188)	(36,369)	(549,557)	Other (Income) and Expenditure	(530,221)	(54,972)	(585,193)	
10,539	**72,393**	**82,932**	**Deficit**	**3,993**	**83,920**	**87,913**	**5**
(42,898)			Opening General Fund and HRA Balance at 1 April	(35,219)			
16,180			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year	3,993			
(2,860)			Transfer from Statutory Reserves	(297)			
(35,219)			**Closing General Fund and HRA Balance at 31 March**	**(31,523)**			

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 2018/19	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Statutory Differences £000	Total Statutory Differences £000	Other (Non Statutory) Adjustments £000	Elimination of Internal Income £000	Total Adjustments £000
Business Services Committee	9,387	24,952	(192)	34,147	18	14,531	48,696
Communities Committee	3,710	6,712	(1,077)	9,345	(1,756)	(6,966)	623
Education and Children's Services Committee	31,688	7,117	880	39,685	(5,790)	(9,190)	24,705
Infrastructure Services Committee	46,523	4,594	343	51,460	(9)	1,743	53,194
Housing Revenue Account	14,473	1,758	(52)	16,179	(4,505)	-	11,674
Net Cost of Services	**105,781**	**45,133**	**(98)**	**150,816**	**(12,042)**	**118**	**138,892**
Other Income and Expenditure from the EFA	(72,184)	6,266	(978)	(66,896)	12,042	(118)	(54,972)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	**33,597**	**51,399**	**(1,076)**	**83,920**	**-**	**-**	**83,920**

Adjustments from General Fund to Arrive at CIES Amounts 2017/18 Restated	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Statutory Differences £000	Total Statutory Differences £000	Restated Other (Non Statutory) Adjustments £000	Restated Elimination of Internal Income £000	Restated Total Adjustments £000
Business Services Committee	3,204	4,357	(270)	7,291	(3,220)	10,477	14,548
Communities Committee	9,214	7,667	601	17,482	(275)	(2,577)	14,630
Education and Children's Services Committee	44,015	7,411	(1,379)	50,047	(5,826)	(9,558)	34,663
Infrastructure Services Committee	32,531	5,436	(133)	37,834	67	1,658	39,559
Housing Revenue Account	6,380	2,103	(310)	8,173	(2,811)	-	5,362
Net Cost of Services	**95,344**	**26,974**	**(1,491)**	**120,827**	**(12,065)**	**-**	**108,762**
Other Income and Expenditure from the EFA	(58,073)	10,605	(966)	(48,434)	12,065	-	(36,369)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	**37,271**	**37,579**	**(2,457)**	**72,393**	**-**	**-**	**72,393**

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 35 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 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.

Elimination of Internal Income – this removes any internally generated income from services.

Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2019

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 MIRS.

Restated Council			Restated Group		Council			Group	
Gross Expenditure 2017/18 £'000	**Income 2017/18 £'000**	**Net Expenditure 2017/18 £'000**	**Net Expenditure 2017/18 £'000**	**Aberdeenshire Services**	**Gross Expenditure 2018/19 £'000**	**Income 2018/19 £'000**	**Net Expenditure 2018/19 £'000**	**Net Expenditure 2018/19 £'000**	**Notes Ref**
118,724	(60,255)	58,469	58,469	Business Services Committee	139,432	(51,372)	88,060	88,060	
329,842	(199,258)	130,584	130,584	Communities Committee	332,989	(206,725)	126,264	126,264	
344,287	(14,187)	330,100	330,100	Education and Children's Services Committee	342,871	(13,235)	329,636	329,636	
142,318	(34,344)	107,974	107,974	Infrastructure Services Committee	158,761	(41,289)	117,472	117,472	
65,103	(59,741)	5,362	5,362	Housing Revenue Account	72,585	(60,911)	11,674	11,674	
1,000,274	**(367,785)**	**632,489**	**632,489**	**SERVICE TOTALS**	**1,046,638**	**(373,532)**	**673,106**	**673,106**	
-	-	-	(6)	Charitable Trusts and Endowments	-	-	-	21	
1,000,274	**(367,785)**	**632,489**	**632,483**	**COST OF SERVICES**	**1,046,638**	**(373,532)**	**673,106**	**673,127**	EFA
-	(1,241)	(1,241)	(1,241)	Gains on the Disposal of Non Current Assets and AHfS	-	(594)	(594)	(594)	5
-	**(1,241)**	**(1,241)**	**(1,241)**	**Other Operating Income**	**-**	**(594)**	**(594)**	**(594)**	
29,027	-	29,027	29,027	Interest Payable and Similar Charges	28,391	-	28,391	28,391	20
10,605	-	10,605	10,605	Net Interest on Net Defined Benefit Liability	6,266	-	6,266	6,266	33
(26)	1	(25)	(25)	Changes in the Fair Value of Investment Properties	263	-	263	263	15
-	(632)	(632)	(632)	Interest Receivable and Similar Income	-	(742)	(742)	(742)	20
1,126		1,126	1,126	Impairment Losses	1,356	-	1,356	1,356	
-	-	-	(221)	Investment Gains on Charitable Trusts and Endowments	-	-	-	(121)	
-	-	-	5	Share of Integration Joint Board Surplus	-	-	-	(703)	
40,732	**(631)**	**40,101**	**39,885**	**Financing and Investment Income and Expenditure**	**36,276**	**(742)**	**35,534**	**34,710**	
-	**(588,417)**	**(588,417)**	**(588,417)**	**Taxation and Non-Specific Grant Income**	**-**	**(620,133)**	**(620,133)**	**(620,133)**	8
		82,932	**82,710**	**Deficit on Provision of Services**			**87,913**	**87,110**	5
		(1,760)	(1,760)	Surplus on revaluation of Non Current assets and AHfS			12,294	12,294	
		(220,217)	(220,217)	Actuarial (gains)/losses on pension assets/liabilities			24,303	24,303	33
		(221,977)	**(221,977)**	**Other Comprehensive (Income) and Expenditure**			**36,597**	**36,597**	
		(139,045)	**(139,267)**	**Total Comprehensive (Income) and Expenditure**			**124,510**	**123,707**	

Balance Sheet as at 31 March 2019

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".

Council 2017/18 £'000	Restated Group 2017/18 £'000		Council 2018/19 £'000	Group 2018/19 £'000	Note Ref
1,978,775	1,978,775	Property, Plant and Equipment	1,976,519	1,976,519	13
1,964	1,964	Heritage Assets	1,944	1,944	14
1,712	1,712	Investment Properties	1,449	1,449	15
1,486	1,486	Intangible Assets	1,134	1,134	16
77	77	Long Term Investments	77	77	20
8,763	8,763	Long Term Debtors	8,935	8,935	23
1,992,777	**1,992,777**	**Long Term Assets**	**1,990,058**	**1,990,058**	**-**
10,000	13,857	Short Term Investments	-	3,954	20
882	882	Assets Held for Sale	1,145	1,145	17
4,282	4,282	Inventories	4,613	4,613	22
42,892	42,892	Short Term Debtors	50,415	51,118	23
11,289	11,289	Cash and Cash Equivalents	39,382	39,382	20, 24
69,345	**73,202**	**Current Assets**	**95,555**	**100,212**	
(72,838)	(72,838)	Short Term Borrowing	(96,624)	(96,624)	20
(88,123)	(88,129)	Short Term Creditors	(94,588)	(94,591)	25
(2,789)	(2,789)	Provisions	(1,901)	(1,901)	26
(2,086)	(2,086)	Revenue Grants Receipts in Advance	(348)	(348)	27
(165,836)	**(165,842)**	**Current Liabilities**	**(193,461)**	**(193,464)**	
(566,131)	(566,131)	Long Term Borrowing	(613,936)	(613,936)	20
(2,736)	(2,736)	Long Term Creditors	(2,278)	(2,278)	25
(6,861)	(6,861)	Provisions	(7,380)	(7,380)	26
(231,573)	(231,573)	Pension Liabilities	(307,275)	(307,275)	33
(105)	(105)	Finance Leases	(99)	(99)	
(61,013)	(61,013)	PFI and PPP Liabilities	(58,072)	(58,072)	19
(15,957)	(15,957)	Capital Grants Receipts in Advance	(15,713)	(15,713)	27
(884,376)	**(884,376)**	**Long Term Liabilities**	**(1,004,753)**	**(1,004,753)**	
1,011,910	**1,015,761**	**Net Assets**	**887,399**	**892,053**	
(42,789)	(42,789)	Usable Reserves	(49,355)	(50,058)	MIRS
-	(3,851)	Share of Usable Reserves of Subsidiary and Joint Venture	-	(3,951)	
(969,121)	(969,121)	Unusable Reserves	(838,044)	(838,044)	28
(1,011,910)	**(1,015,761)**	**Total Reserves**	**(887,399)**	**(892,053)**	

Alan Wood, MA (Hons), CPFA, Head of Finance

The unaudited accounts were issued on 17 June 2019 and the audited accounts were authorised for issue on 19 September 2019

Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2019

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	Total Council Reserves £'000	Restated Group Usable Reserves £'000	Group Unusable Reserves £'000	Restated Total Group Reserves £'000	Notes Ref
Balance at 31 March 2017	**(40,898)**	**(2,000)**	**(3,550)**	**(2,022)**	**(4,342)**	**(52,812)**	**(820,052)**	**(872,864)**	**(56,441)**	**(820,052)**	**(876,493)**	
Movement in Reserves During 2017/18												
Total Comprehensive Income and Expenditure	77,103	5,829	-	-	-	82,932	(221,977)	(139,045)	82,710	(221,977)	(139,267)	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(70,020)	(2,373)	-	-	(516)	(72,909)	72,909	-	(72,909)	72,909	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	**7,083**	**3,456**	**-**	**-**	**(516)**	**10,023**	**(149,068)**	**(139,045)**	**9,801**	**(149,068)**	**(139,267)**	
Transfers to/(from) Statutory Reserves	596	(3,456)	1,695	706	459	-	-	-	-	-	-	
Balance at 31 March 2018 Carried Forward	**(33,219)**	**(2,000)**	**(1,855)**	**(1,316)**	**(4,399)**	**(42,789)**	**(969,120)**	**(1,011,909)**	**(46,640)**	**(969,120)**	**(1,015,760)**	
Movement in Reserves During 2018/19												
Total Comprehensive Income and Expenditure	72,110	15,803	-	-	-	87,913	36,597	**124,510**	**87,110**	**36,597**	**123,707**	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(69,587)	(14,333)	-	-	(10,559)	(94,479)	94,479	**-**	**(94,479)**	**94,479**	**-**	6
Decrease/(Increase) before Transfers to Statutory Reserves	**2,523**	**1,470**	**-**	**-**	**(10,559)**	**(6,567)**	**131,076**	**124,510**	**(7,369)**	**131,076**	**123,707**	
Transfers to/(from) Statutory Reserves	1,173	(1,470)	387	(90)	-	-	-	**-**	**-**	**-**	**-**	
Balance at 31 March 2019 Carried Forward	**(29,523)**	**(2,000)**	**(1,468)**	**(1,406)**	**(14,958)**	**(49,355)**	**(838,044)**	**(887,400)**	**(54,009)**	**(838,044)**	**(892,053)**	
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 2019

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.

2017/18 £'000		2018/19 £'000	Notes Ref
(82,932)	**Net deficit on the provision of services**	**(87,913)**	
154,998	Adjust net deficit on the provision of services for non cash movements	169,269	
(34,996)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(34,009)	
37,070	**Net Cash Flows from Operating Activities**	**47,347**	35
	Investing Activities:		
(110,773)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(131,690)	
-	Purchase of Short and Long Term Investments	-	
(1,432)	Other Payments for Investing Activities	(129)	
4,420	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,974	
48,418	Other Receipts from Investment Activities	40,734	
(59,367)	**Net Cash Flows from Investing Activities**	**(88,111)**	
	Financing Activities:		
70,079	Cash Receipts of Short Term and Long Term Borrowing	163,216	
(2,562)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(2,765)	
(40,339)	Repayments of Short Term and Long Term Borrowing	(91,594)	
27,178	**Net Cash Flows from Financing Activities**	**68,857**	
4,881	**Net (Decrease)/Increase in cash and cash equivalents**	**28,093**	
6,408	Cash and cash equivalents at 1 April	11,289	
11,289	**Cash and cash equivalents at 31 March**	**39,382**	24

A Group Cash Flow Statement has not been prepared on the basis that it would, effectively, be the same as the single entity Cash Flow Statement.

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 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 Full 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 has to consider the need 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 2017. The regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the 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 2018/19 the salary for the Leader of Aberdeenshire Council is £39,655 (2017/18 £39,490). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council.

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 totalled £504,359 (2017/18 £481,208) 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 Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 17 May 2007.

Remuneration Report (Continued)

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 Full 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 29 and the costs identified on page 27 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:

2017/18 £'000	Type of Remuneration	2018/19 £'000
1,677	Salaries	1,713
115	Expenses	110
1,792	**Totals**	**1,823**

The annual return of Councillors' salaries and expenses for 2018/19 is available on the Council's website at http://www.aberdeenshire.gov.uk.

Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors

Total Remuneration 2017/18 £	Pension Contributions 2017/18 £	Name	Salaries, Fees and Allowances 2018/19 £	Total Remuneration 2018/19 £	Pension Contributions 2018/19 £	Accrued Pension Benefits	As at 31 March 2019 £'000	Difference from 31 March 2018 £'000
22,238	4,292	Richard Thomson	22,306	22,306	4,305	Pension	4	1
						Lump Sum	-	-
3,603	695	Alison Evison	-	-	-	Pension	3	-
						Lump Sum	-	-
36,487	7,042	James Gifford	39,655	39,655	7,653	Pension	7	1
						Lump Sum	2	-
22,575	4,357	Isobel Davidson	26,023	26,023	5,022	Pension	5	1
						Lump Sum	2	-
28,583	5,517	Gillian Owen	29,742	29,742	5,740	Pension	6	1
						Lump Sum	2	-
2,782	-	Anne Allan	-	-	-	Pension	1	1
						Lump Sum	-	-
2,086	-	Charles Buchan	-	-	-	Pension	-	-
						Lump Sum	-	-
22,576	-	Ron McKail	26,024	26,024	-	Pension	-	-
						Lump Sum	-	-
2,086	403	Stephen Smith	-	-	-	Pension	4	-
						Lump Sum	3	-
25,802	4,980	William Howatson	29,742	29,742	5,740	Pension	6	1
						Lump Sum	2	-
27,888	5,382	Ross Cassie	29,738	29,738	5,740	Pension	2	1
						Lump Sum	-	-
2,027	391	Raymond Christie	-	-	-	Pension	-	(3)
						Lump Sum	-	-
19,350	3,735	Mark Findlater	22,306	22,306	4,305	Pension	3	1
						Lump Sum	-	-
2,702	-	Hamish Vernal	-	-	-	Pension	-	-
						Lump Sum	-	-
220,785	**36,794**	**CARRIED FORWARD**	**225,536**	**225,536**	**38,505**		**52**	**5**

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

Total Remuneration 2017/18 £	Pension Contributions 2017/18 £	Name	Salaries, Fees and Allowances 2018/19 £	Total Remuneration 2018/19 £	Pension Contributions 2018/19 £	Accrued Pension Benefits		
							As at 31 March 2019 £'000	Difference from 31 March 2018 £'000
220,785	**36,794**	**BROUGHT FORWARD**	**225,536**	**225,536**	**38,505**		**52**	**5**
15,329	2,959	Andrew Kille	26,023	26,023	5,022	Pension	1	1
						Lump Sum	-	-
2,027	391	Allison Grant	-	-	-	Pension	-	(3)
						Lump Sum	-	(1)
22,575	4,357	Norman Smith	26,023	26,023	5,022	Pension	1	1
						Lump Sum	-	-
2,782	537	David Aitchison	-	-	-	Pension	3	-
						Lump Sum	-	-
25,802	4,980	Peter Argyle	29,742	29,742	5,740	Pension	3	1
						Lump Sum	-	-
20,386	3,934	Michael Roy	22,306	22,306	3,588	Pension	4	1
						Lump Sum	-	-
21,784	4,204	John Cox	22,306	22,306	4,305	Pension	3	-
						Lump Sum	-	-
2,364	456	Stuart Pratt	-	-	-	Pension	-	(5)
						Lump Sum	-	(2)
2,364	456	Rob Merson	-	-	-	Pension	-	(4)
						Lump Sum	-	(2)
25,009	4,827	Fergus Hood	26,023	26,023	5,022	Pension	5	1
						Lump Sum	-	-
2,364	-	Carl Nelson	-	-	-	Pension	-	-
						Lump Sum	-	-
3,524	-	Colin Clark	-	-	-	Pension	-	-
						Lump Sum	-	-
22,575	-	Wendy Agnew	26,023	26,023	-	Pension	-	-
						Lump Sum	-	-
25,802	4,980	Elizabeth Stirling	29,742	29,742	5,740	Pension	6	1
						Lump Sum	2	-
415,472	**68,875**	**CARRIED FORWARD**	**433,724**	**433,724**	**72,944**		**80**	**(6)**

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

Total Remuneration 2017/18 £	Pension Contributions 2017/18 £	Name	Salaries, Fees and Allowances 2018/19 £	Total Remuneration 2018/19 £	Pension Contributions 2018/19 £	Accrued Pension Contributions	As at 31 March 2019 £'000	Difference from 31 March 2018 £'000
415,472	**68,875**	**BROUGHT FORWARD**	**433,724**	**433,724**	**72,944**		**80**	**(6)**
19,350	3,735	Alistair McKelvie	22,306	22,306	4,305	Pension	1	-
						Lump Sum	-	-
25,009	4,827	Moira Ingleby	26,023	26,023	5,022	Pension	6	1
						Lump Sum	2	-
19,350	3,735	Iris Walker	22,306	22,306	4,305	Pension	3	1
						Lump Sum	-	-
2,027	391	Graeme Clark	-	-	-	Pension	-	(4)
						Lump Sum	-	(1)
481,208	**81,563**	**TOTALS**	**504,359**	**504,359**	**86,576**		**92**	**(9)**

Name	Post Title	Period in Office		Name	Post Title	Period in Office
James Gifford	Leader of the Council Chair – Business Services Committee	From 18 May 2017 From 18 May 2017		Michael Roy	Vice Chair – Business Services Committee	From 29 June 2017
Peter Argyle	Deputy Leader of the Council Chair – Infrastructure Services Committee	From 18 May 2017 From 18 May 2017		John Cox	Vice Chair – Infrastructure Services Committee	From 18 May 2017
William Howatson	Provost	From 18 May 2017		Ron McKail	Deputy Provost	From 18 May 2017
Richard Thomson	Leader of the Main Opposition	From 18 May 2017				
Ross Cassie	Chair – Audit Committee	From 18 May 2017		Alistair McKelvie	Vice Chair – Audit Committee	From 18 May 2017
Gillian Owen	Chair – Education and Children's Services	From 18 May 2017		Mark Findlater	Vice Chair – Education and Children's Services Committee	From 18 May 2017
Anne Stirling	Chair – Communities Committee	From 18 May 2017		Iris Walker	Vice Chair – Communities Committee	From 18 May 2017
Norman Smith	Chair - Buchan Area Committee	From 6 June 2017		Andrew Kille	Chair - Banff and Buchan Area Committee	From 29 August 2017
Isobel Davidson	Chair – Formartine Area Committee	From 13 June 2017		Moira Ingleby	Chair - Marr Area Committee	From 1 April 2016
Fergus Hood	Chair - Garioch Area Committee	From 1 April 2016		Wendy Agnew	Chair - Kincardine and Mearns Area Committee	From 13 June 2017

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 range 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 years.

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

Note 4: For 2018/19 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.

Remuneration Report (Continued)

Table C: Remuneration and Pension Benefits of Senior Employees

Total Remuneration 2017/18 £	Pension Contributions 2017/18 £	Name and Post Title	Salaries, Fees and Allowances 2018/19 £	Compensation for Loss of Employment 2018/19 £	Total Remuneration 2018/19 £	Pension Contributions 2018/19 £	Accrued Pension Contribution	As at 31 March 2019 £'000	Difference from 31 March 2019 £'000
158,693	28,859	Jim Savege: Chief Executive	143,103	-	143,103	25,887	Pension	12	3
							Lump Sum	-	-
117,252	22,388	Maria Walker: Director of Education and Children's Services (01 April to 30 April 2018) (Full Year Equivalent - £117,601)	12,966	-	12,966	1,891	Pension	64	-
							Lump Sum	136	-
85,135	16,431	Robert Driscoll: Acting Director of Education and Children's Services and Chief Social Work Officer. (From 01 April to 17 July 2018) (Full Year Equivalent - £86,735)	26,648	49,118	75,766	4,950	Pension	41	1
							Lump Sum	81	-
-	-	Laurence Findlay: Director of Education and Children's Services (From 18 July 2018 to 31 March 2019) (Full Year Equivalent - £117,601)	82,826	-	82,826	15,986	Pension	35	35
							Lump Sum	-	-
116,001	22,388	Stephen Archer: Director of Infrastructure Services	117,601	-	117,601	22,697	Pension	83	4
							Lump Sum	-	-
117,243	22,388	Ritchie Johnson: Director of Business Services	117,601	-	117,601	22,697	Pension	46	3
							Lump Sum	73	1
85,541	16,431	Alan Wood: Head of Service (Finance)	89,235	-	89,235	17,222	Pension	36	3
							Lump Sum	59	3
52,216	9,813	Karen Wiles: Head of Service (Legal and Governance) (From 03 September 2018 to 31 March 2019) (Full Year Equivalent - £86,735)	50,114	-	50,114	9,672	Pension	15	2
							Lump Sum	-	-
33,345	6,436	Geraldine Fraser: Head of Service (Legal and Governance) (From 01 April to September 2018) (Full Year Equivalent - £86,735)	36,621	-	36,621	7,068	Pension	7	2
							Lump Sum	-	-
765,426	**145,134**	**TOTALS**	**676,715**	**49,118**	**725,833**	**128,070**		**688**	**57**

Notes to Table C:

The Head of Service (Chief Social Work Officer), also acted as Director of Education and Children's Services from 01 April to 17 July 2018. The payments above include both posts.

The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2018 includes £17,190 received as the Returning Officer for Aberdeenshire in respect of the 2017 Westminster Election and Local Council Elections.

The Director of Education and Children's Services, the Director of Business Services, the Head of Service (Finance) and Karen Wiles, Head of Service (Legal and Governance), also received payments relating to the 2017 Westminster Election and Local Council Elections of £1,251, £1,243, £406 and £872 respectively during the year ended 31 March 2018.

For 2018/19 there was no payment for Bonuses, Taxable Expenses, and Non-Cash Benefits. Therefore, no information on these has been included in the table above.

The Chief Social Work Officer is appointed by Aberdeenshire Council and the post holder was employed by Aberdeenshire Council until he retired on 17 July 2018. His successor, Iain Ramsay, took over the role on 18 July 2018 and is employed by NHS Grampian, who meet the costs of his substantive role as a Partnership Manager in Aberdeenshire's Health and Social Care Partnership, with Aberdeenshire Council meeting the additional salary paid (£5,000) via budget transfer to NHS Grampian for this post in recognition of the role it has on advising the local authority on its full range of statutory duties and influence in decision making.

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 2017/18	Remuneration Bands	No of Employees 2018/19
180	£50,000 - £54,999	146
56	£55,000 - £59,999	90
9	£60,000 - £64,999	15
8	£65,000 - £69,999	10
8	£70,000 - £74,999	6
4	£75,000 - £79,999	2
18	£80,000 - £84,999	22
3	£85,000 - £89,999	2
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
-	£100,000 - £104,999	-
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
3	£115,000 - £119,999	2
-	£120,000 - £124,999	-
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
-	£140,000 - £144,999	1
-	£145,000 - £149,999	-
-	£150,000 - £154,999	-
-	£155,000 - £159,999	-
1	£160,000 - £164,999	-
290	**TOTALS**	**296**

Pension Benefits

The majority of Senior Councillors and Senior Employees shown in the tables above are members of the LGPS. For benefits accrued before the 31 March 2015, the scheme's normal retirement age for both councillors and employees is 65. For benefits accrued after the 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 LPGS.

The LGPS provides pension benefits on retirement. For council officers their pension benefits are based on the member's pensionable service (how long he or she has been a member of the LGPS) and his or her 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 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 the 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 between the 1 April 2009 and 31 March 2015.

For service after the 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 his or her actual pay. From 1 April 2009, a five tier contribution system was introduced with contributions from members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. The tiers have increased slightly between 2017/18 and 2018/19 and are disclosed below.

Contribution Rates	Pensionable Pay 2018/19	Pensionable Pay 2017/18
5.50%	Earnings up to and including £21,300	Earnings up to and including £20,700
7.25%	On earnings above £21,300 and up to £26,100	On earnings above £20,700 and up to £25,300
8.50%	On earnings above £26,100 and up to £35,700	On earnings above £25,300 and up to £34,700
9.50%	On earnings above £35,700 and up to £47,600	On earnings above £34,700 and up to £46,300
12.0%	On earnings above £47,600	On earnings above £46,300

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
Bandings 2018/19				
Up to £19,999	5	32	13	140
£20,000 up to £39,999	-	-	6	182
£40,000 up to £59,999	-	-	1	50
£60,000 up to £79,999	-	-	1	71
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	2	290
£150,000 up to £199,999	-	-	1	151
	5	**32**	**24**	**884**
Total				**916**
Bandings 2017/18				
Up to £19,999	14	56	3	21
£20,000 up to £39,999	-	-	-	-
£40,000 up to £59,999	-	-	1	44
	14	**56**	**4**	**65**
Total				**121**

Notes to Table E:

1. The total cost of £916,000 in the table above includes exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017, which took effect from 1 April 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:	54	17
FTE trade union representatives:	42.83	14.64

Table G: Percentage of working hours spent on facility time

	All
0%	3
1-50%	62
51-99%	0
100%	6

Table H: Total pay bill and facility time costs

	Non-teaching	Teaching
Total pay bill:	£255,527,185	£134,032,759
Total cost of facility time:	£118,734	£69,391
Percentage of pay spent on facility time:	0.05%	0.05%

Table I: Paid trade union activities

	Non-teaching	Teaching
Hours spent on paid facility time:	7,073	2,105
Hours spent on paid trade union activities:	586	460
Percentage of total paid facility time hours spent on paid TU activities:	8.29%	21.86%

Signed

Councillor James Gifford
Leader of the Council
On behalf of the Councillors and Officers of Aberdeenshire Council
19 September 2019

Jim Savege, Chief Executive

Notes to the Financial Statements

Note 1 – Significant Accounting Policies

1.1 General Principles

The Annual Accounts summarise transactions of the Council and its Group for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 (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.

Note 1 – Significant Accounting Policies (continued)

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
- Amortisation of intangible assets attributable to the service.

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 Movement in Reserves.

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 Movement in Reserves Statement 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 of 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 Comprehensive Income and Expenditure Account.

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 2.6%) 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.

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.

(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

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

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.

Note 1 – Significant Accounting Policies (continued)

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.

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 Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied 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 their interest is considered immaterial. The Council has considered its interest in the Aberdeenshire Integration Joint Board, the Trusts and Endowments for which the Council is the sole Trustee, Common Good Funds, the Grampian Valuation Joint Board, Create Homes Aberdeenshire LLP and Nestrans. The Council has concluded that its interests in the Aberdeenshire Integration Joint Board and the Trusts and Endowments for which the Council is the sole Trustee are considered to be material, hence Group Accounts have been prepared which include these entities. A Group Cash Flow Statement has not been prepared on the basis that it would, effectively, be the same as the single entity Cash Flow Statement.

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.

Aberdeenshire Council holds the following categories of Heritage Assets

- Human History
- Archaeology
- Fine Art

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.

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) the Capital Receipts Reserve.

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).

(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. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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.

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 measure 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 fair 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.

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

Where an impairment loss is reversed subsequently, 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.

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).

Deprecation 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; and
- Community Assets – straight-line allocation over the useful life of the asset (between 5 and 60 years) as advised by a suitably qualified officer.

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.

(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 £5,000,000 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 £5,000,000 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.

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 three PFI and similar contracts held by Aberdeenshire Council are as follows:
  - Robertson Education (Abdnshire) Limited 8.69%
  - Elgin Education (Aberdeenshire2) Limited 5.18%
  - Hib North Scotland (Alford) Limited 7.59%
- 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.

In future periods the Council will be commencing a contract arrangement for Inverurie Community Campus. The accounting treatment adopted will be similar to that detailed above.

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.

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 Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement 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

Note 1 – Significant Accounting Policies (continued)

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 Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the costs of this expenditure by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.24 VAT

The CIES excludes amounts relating to VAT and will only be included as an expense if not recoverable from Her Majesty's Revenue and Customs. 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 and New Standards, Amendments and Interpretations that Became Effective in 2018/19

The following Accounting Standards will be adopted by the Code in 2019/20 and the implications for the Accounts will be considered and reported to Audit Committee in due course:

- IFRS 16 Leases - The accounting code's adoption of IFRS 16 Leases from 2019/20 will have a substantial practical impact on local authority annual accounts. Local authorities will need to ensure that they make effective preparations for its implementation and that they have adequate governance arrangements in place. IFRS 16 removes the classification of operating and finance leases under IAS 17 for lessees. It will require that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.
- Amendments to IAS 40 *Investment Property:* Transfers of Investment Property
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments:* Prepayment Features with Negative Compensation

The following new Standards, Amendments and Interpretations became effective in 2018/19 for the first time:

- IFRS 9 – *Financial Instruments*
- IFRS 15 - *Revenue from Contracts with Customers*
- Amendments to IFRS 15: Clarification to IFRS 15 - *Revenue from Contracts with Customers* (issued April 2016)
- Amendments to IAS 12 - *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* (issued January 2016)
- Amendments to IAS 7 - *Statement of Cash Flows: Disclosure Initiative* (issued January 2016)

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.

The critical judgement made in the Annual Accounts is that there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result 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.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect
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.	If the useful life of assets 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 £6.268 m for every year that useful lives had to be reduced.
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 Existing Use Value-Social Housing (EUV-SH) for the housing stock.	An increase of 1% in the Adjustment Factor would reduce the value of the Council Dwellings by £13.629m.
Arrears – Sundry Debtors	At 31 March 2019, Sundry Debtor balances totalled £9.937m. A review of significant balances suggested that an allowance for doubtful debts of 56.1% (£5.575m) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase in doubtful debts would require an £0.994m would require to be set aside as an allowance.
Arrears – Council Tax	The Council makes an assumption on the level of Council Tax that will be collected over a number of years At 31 March 2019, the Council had arrears of Council Tax of £27.420m A review of significant balances suggested that an allowance for doubtful debts of £14.167m was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	Should collection rates deteriorate by 0.1%, this would require a further £2.122m to be set aside
Pension Liability	The estimation of the defined benefit obligations is sensitive to various actuarial assumptions.	Note 35 provides more information on the Council's pension liability

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (continued)

Item	Uncertainties	Effect
Provision – Equal Pay	The Council has made a provision for the settlement of claims for compensation arising from the equal pay provision. This was reduced in the current year to £2,271,265.	Details of the movement on this provision is shown in note 26i) Specific Provisions. The current provision is based on the number of agreed valid claims received and an estimation of further potential claims, using an average settlement amount per claim. If the number of valid claims or average value of claim increased by 10% an additional provision would be required of £220,000.
Business Rates Incentivisation Scheme (BRIS)	Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business 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. Note 9 shows retained income of £1,403,000 which is confirmed BRIS. Previous year 2017.18 BRIS includes an accrual of £875,000 which is an estimation based on the property valuation increases between 1 April 2017 to 31 March 2018. The valuations are provided by the Independent Valuation Board, the amounts for 2017.18 have still to be confirmed by the Scottish Government.	A decrease in the 31st March 2018 confirmed valuations of 1% would reduce the amount of BRIS retainable by £577,000.
Provision – Asset Decommissioning	The Council has made a provision of £6,679,000 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 18 HWRC sites; 8 waste transfer sites; 5 landfill sites and 2 quarries.	While the associated decommissioning costs were not settled in 2018/19 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:

2017/18 £000	2018/19	Business Services Committee £000	Communities Committee £000	Education and Children's Services Committee £000	Infrastructure Services Committee Revenue £000	Housing Revenue Account £000	Other Income and Expenditure from the EFA £000	Total £000
409,047	Employee Benefit Expenses	66,387	79,517	223,916	58,025	17,117	-	444,962
496,219	Other Service Expenses	70,527	250,377	82,315	77,222	21,551	1,356	503,348
2,817	Support Service Recharges	-	-	-	194	2,907	-	3,101
93,317	Depreciation, Amortisation and Impairment	2,518	3,095	36,640	23,320	31,010	-	96,583
39,632	Interest Payments	-	-	-	-	-	34,657	34,657
-	Loss on Investments	-	-	-	-	-	263	263
1,041,032	**Total Expenditure**	**139,432**	**332,989**	**342,871**	**158,761**	**72,585**	**36,276**	**1,082,914**
(312,269)	Fees, Charges and Other Service Income	(11,169)	(170,035)	(9,470)	(38,199)	(60,911)	-	(289,784)
(657)	Interest and Investment Income	-	-	-	-	-	(742)	(742)
(134,199)	Income from Council Tax and Business Rates	-	-	-	-	-	(251,754)	(251,754)
(509,734)	Government Grants and Contributions	(40,203)	(36,690)	(3,765)	(3,090)	-	(368,379)	(452,127)
(1,241)	Gain or Loss on Disposal of Non-Current Assets and AHfS	-	-	-	-	-	(594)	(594)
(958,100)	**Total Income**	**(51,372)**	**(206,725)**	**(13,235)**	**(41,289)**	**(60,911)**	**(621,469)**	**(995,001)**
82,932	**Deficit on the Provision of Services**	**88,060**	**126,264**	**329,636**	**117,472**	**11,674**	**(585,193)**	**87,913**

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.

2018/19	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non current assets	(65,182)	(30,947)	-	**(96,129)**	**96,129**
Revaluation losses on PPE and AHfS	(24,052)	-	-	**(24,052)**	**24,052**
Movements in the fair value of Investment Properties	(263)	-	-	**(263)**	**263**
Amortisation of intangible assets	(390)	(63)	-	**(453)**	**453**
Grants and contributions used to fund capital expenditure	26,123	3,060	-	**29,183**	**(29,183)**
Donated Assets	18,955	-	-	**18,955**	**(18,955)**
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(2,264)	(116)	-	**(2,380)**	**2,380**
Revenue expenditure funded by Capital under Statute	(7,072)	-	-	**(7,072)**	**7,072**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	14,627	1,184	-	**15,811**	**(15,811)**
Capital expenditure charged against the General Fund and HRA balances	2,623	15,353	-	**17,976**	**(17,976)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,603	371	-	**2,974**	**(2,974)**
Adjustment involving the Capital Grants Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	11,852	-	(11,852)	**-**	**-**
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,293	**1,293**	**(1,293)**
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	978	238	-	**1,216**	**(1,216)**
Adjustments involving the Pensions Reserve:					
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)	(84,254)	(5,669)	-	**(89,923)**	**89,923**
Employer's pensions contributions and direct payments to pensioners payable in the year	36,082	2,442	-	**38,524**	**(38,524)**
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	47	(186)	-	**(139)**	**139**
Total Adjustments	**(69,587)**	**(14,333)**	**(10,559)**	**(94,479)**	**94,479**

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

2017/18	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non current assets	(67,357)	(25,315)	-	**(92,672)**	**92,672**
Revaluation losses on PPE and AHfS	(20,155)	(158)	-	**(20,313)**	**20,313**
Movements in the fair value of Investment Properties	25	-	-	**25**	**(25)**
Amortisation of intangible assets	(565)	(79)	-	**(644)**	**644**
Grants and contributions used to fund capital expenditure	38,322	5,328	-	**43,650**	**(43,650)**
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(1,995)	(1,183)	-	**(3,178)**	**3,178**
Revenue expenditure funded by Capital under Statute	(5,719)	-	-	**(5,719)**	**5,719**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	13,794	1,033	-	**14,827**	**(14,827)**
Capital expenditure charged against the General Fund and HRA balances	2,268	18,140	-	**20,408**	**(20,408)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,084	2,336	-	**4,420**	**(4,420)**
Adjustment involving the Capital Grants Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	1,925	-	(1,925)	**-**	**-**
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,409	**1,409**	**(1,409)**
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	966	244	-	**1,210**	**(1,210)**
Adjustments involving the Pensions Reserve:					
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)	(69,315)	(5,078)	-	**(74,393)**	**74,393**
Employer's pensions contributions and direct payments to pensioners payable in the year	34,521	2,293	-	**36,814**	**(36,814)**
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	1,181	66	-	**1,247**	**(1,247)**
Total Adjustments	**(70,020)**	**(2,373)**	**(516)**	**(72,909)**	**72,909**

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 2018/19:

	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000
Earmarked Balances:							
Affordable Housing – Second Homes Council Tax	**(3,985)**	3,182	(1,243)	**(2,046)**	1,500	(1,885)	**(2,431)**
Earmarked Grants	**(1,062)**	608	(520)	**(974)**	200	(663)	**(1,437)**
Total Earmarked Balances	**(5,047)**	**3,790**	**(1,763)**	**(3,020)**	**1,700**	**(2,548)**	**(3,868)**
Other Commitments:							
Business Transformation	**(1,302)**	851	-	**(451)**	270	-	**(181)**
Devolved School Management (DSM)	**(3,657)**	-	(682)	**(4,339)**	3,797	(1,746)	**(2,288)**
Community, Culture and Tourism	**(1,316)**	535	-	**(781)**	443	-	**(338)**
Welfare Reform	**(899)**	678	-	**(221)**	62	-	**(159)**
Education Learning Estate Reserve	**(2,000)**	2,000	-	**-**	-	-	**-**
Affordable Housing	**(3,827)**	320	-	**(3,507)**	49	-	**(3,458)**
Pupil Equity Funding	**-**	-	(1,125)	**(1,125)**	139	(127)	**(1,113)**
Regeneration Reserve	**(5,499)**	796	(402)	**(5,105)**	458	-	**(4,647)**
Renewable Energy	**(1,959)**	144	-	**(1,815)**	309	-	**(1,506)**
City Region Deal	**(5,000)**	5,000	-	**-**	-	-	**-**
Pay Strategy Reserve	**-**	-	-	**-**	3,000	(3,000)	**-**
General Reserve	**-**	-	-	**-**	3,573	(3,573)	**-**
Other Commitments (each less than £500,000)	**(1,856)**	938	(545)	**(1,463)**	284	(68)	**(1,247)**
Total	**(27,315)**	**11,262**	**(2,754)**	**(18,807)**	**12,384**	**(8,514)**	**(14,937)**
Total Commitments	**(32,362)**			**(21,827)**			**(18,805)**
General Fund Working Balance	**(8,536)**			**(11,392)**			**(10,718)**
Total General Fund Balance	**(40,898)**			**(33,219)**			**(29,523)**

Explanatory Note of Reserves:

- **General Fund Balance -** The General Fund Balance reduced by £3.696m in 2018/19 leaving a balance at the end of the year of £29.523m. Once the commitments of £18.805m shown above are set against this, an uncommitted working balance of £10.718m remains at 31 March 2019. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.
- **Affordable Housing – Second Homes Council Tax –** Scottish Government legislation requires that income collected from Council Tax on second homes 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.
- **Business Transformation –** This fund was set up to fund projects that required investment to generate savings, two projects remain.
- **Devolved School Management (DSM) –** Amounts carried forward by schools permitted under DSM Scheme.

Note 7 – Usable Reserves and Earmarked Balances (continued)

- **Community, Culture and Tourism –** Funds set aside as part of Medium Term Financial Strategy towards projects including St. Cyrus Pavilion, National 1 and 2 Languages Policy and pressures arising from Discretionary Housing Payments.
- **Welfare Reform –** Funds received by Scottish Government to aid in preparatory in relation to Welfare Reform.
- **Affordable Housing –** Part of the Local Housing Strategy to provide affordable homes
- **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.
- **City Region Deal –** Aberdeenshire Council's contribution to the City Region Deal were originally to come from reserves, however during 2017/18, the decision was made to fund this from the Capital Programme, therefore releasing this reserve.
- **Pay Strategy Reserve –** Council decision to create reserve in anticipation of finalisation of pay awards. Fully utilised in 2018/19.
- **General Reserve –** Council decision to create reserve in anticipation of outturn exceeding budget 2018/19. Fully utilised in year.
- **Other Commitments –** There are a number of minor commitments against balances totalling £1.247m, each with balances less than £500,000.

Note 8 – Taxation and Non Specific Grant Income

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

2017/18 £'000		2018/19 £'000
(134,199)	Council Tax Income	(139,554)
(95,043)	Business Rates (see below)	(112,200)
(312,155)	Non-Ring-Fenced Government Grants	(301,564)
-	Donated Assets	(18,955)
(47,020)	Non-Specific Grant Income	(47,860)
(588,417)	**Total**	**(620,133)**

An analysis of Business Rate Income is set out in the table below:

2017/18 £'000		2018/19 £'000
(95,829)	Distribution from Non-Domestic Rates Pool	(110,710)
1,740	Discretionary Reliefs	(87)
(954)	BRIS Income Retained by Council	(1,403)
(95,043)	**Total**	**(112,200)**

Note 9 – Prior Years Adjustments

Reclassification of Increases in Bad Debt Provision:

In previous years, any increase in provision for bad debts has been included within the Net Cost of Services in the CIES. *IFRS 9 – Financial Instruments* requires that any impairment of debtor balances should be reclassified under *'Financing and Investment Income and Expenditure'*. The 2017/18 CIES and EFA have been re-stated to reflect this change as follows:

Comprehensive Income & Expenditure Account	Gross Expenditure 2017/18 £000	Adjustment £000	Restated Gross Expenditure 2017/18 £000
Business Services	197	(197)	-
Communities	307	(307)	-
Education & Children's Services	12	(12)	-
Infrastructure Services	60	(60)	-
Housing Revenue Account	550	(550)	-
COST OF SERVICES	**1,126**	**(1,126)**	**-**
Financing and Investment Income and Expenditure	**-**	**1,126**	**1,126**
Deficit on Provision of Service	**1,126**	**-**	**1,126**

Expenditure and Funding Analysis	Net Expenditure Chargeable to the General Fund and HRA Balances 2017/18 £000	Adjustment £000	Restated Net Expenditure Chargeable to the General Fund and HRA Balances 2017/18 £000
Business Services	197	(197)	-
Communities	307	(307)	-
Education & Children's Services	12	(12)	-
Infrastructure Services	60	(60)	-
Housing Revenue Account	550	(550)	-
NET COST OF SERVICES	**1,126**	**(1,126)**	**-**
Other (Income) and Expenditure		**1,126**	**1,126**
Deficit	**1,126**	**-**	**1,126**

Integration Joint Board

In previous years the CIES, EFA and related notes have been adjusted to increase expenditure and income by the net cost of the Council's contribution to the Integration Joint Board. During 18/19 this was amended to include gross expenditure and income for Integrated Services.

Comprehensive Income & Expenditure Account	Gross Expenditure 2017/18 £000	Income 2017/18 £000	Expenditure Adjustment £000	Income Adjustment £000	Restated Gross Expenditure 2017/18 £000	Restated Income 2017/18 £000
Business Services	118,724	(60,255)	-		118,724	(60,255)
Communities	288,589	(158,005)	41,253	(41,253)	329,842	(199,258)
Education & Children's Services	344,287	(14,187)		-	344,287	(14,187)
Infrastructure Services	142,318	(34,344)		-	142,318	(34,344)
Housing Revenue Account	65,103	(59,741)		-	65,103	(59,741)
COST OF SERVICES	**959,021**	**(326,532)**	**41,253**	**(41,253)**	**1,000,274**	**(367,785)**

Note 5 was also amended to include this £41,253,000 adjustment within Other Service expenses and Fees, Charges and Other Service income. The net impact of this adjustment is zero.

Note 9 – Prior Years Adjustments (continued)

Reallocation of Elimination of Internal Income

Internal income is required to be eliminated in the CIES. In previous years total internal income and expenditure was removed below Service Totals in the CIES under the heading 'Adjustment to Remove Central Charges'. The Code of Practice 2018/19 requires that this income and expenditure is eliminated within the services therefore 2017/18 accounts have been re-stated to remove this line and remove the internal income within the Service Totals as follows:

	2017/18			Adjustment			Restated 2017/18		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Business Services Committee	-	-	-	(4,374)	14,850	10,476	(4,374)	14,850	10,476
Communities Committee	-	-	-	(10,501)	7,924	(2,577)	(10,501)	7,924	(2,577)
Education and Children's Services Committee	-	-	-	(9,978)	420	(9,558)	(9,978)	420	(9,558)
Infrastructure Services Committee	-	-	-	(46,780)	48,439	1,659	(46,780)	48,439	1,659
Housing Revenue Account	-	-	-	-	-	-	-	-	-
SERVICE TOTALS	**-**	**-**	**-**	**(71,633)**	**71,633**	**-**	**(71,633)**	**71,633**	**-**
Adjustment to Remove Central Charges	(71,633)	71,633	-	71,633	(71,633)	-	-	-	-
COST OF SERVICES	**(71,633)**	**71,633**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Trust Funds – Adjustment to reserves

In June 2014 the number of ordinary shares held in the Scottish Mortgage Investment Trust increased from 14,500 to 72,500 but this was not adjusted in the accounts. The trust accounts for 2017/18 have been restated to reflect this increased investment.

BALANCE SHEET – ALL TRUSTS

	2017/18 £'000	Adjustment £'000	Restated 2017/18 £'000
Current Assets			
Other	10	-	10
Investments	3,601	256	3,857
Loans Fund Balance	2,765	-	2,765
Total Current Assets	**6,376**	**256**	**6,632**
Current Liabilities			
Creditors	(6)	-	(6)
Net Current Assets	6,370	256	6,626
Total Net Assets	**6,370**	**256**	**6,626**
Financed by:			
Capital	5,003	256	5,259
Revenue	1,367	-	1,367
Reserves	**6,370**	**256**	**6,626**

Note 9 – Prior Years Adjustments (continued)

Common Good Funds

The accounts of the Common Good Funds have been restated for 2017/18. Asset revaluations were undertaken at the end of 2016/17 which had not been included in error and expenditure on an asset has been reclassified. The overall impact of this is shown below:

	Published £'000	Adjustment Made £'000	Restated £'000
Income and Expenditure Account			
Depreciation	25	(1)	24
Repairs to Assets	174	(174)	-
Transfer from Revaluation Reserve	(24)	1	(23)
Balance Sheet			
Property, Plant & Equipment	1,370	79	1,449
Usable Reserve (Revenue)	(1,087)	(174)	(1,261)
Revaluation Reserve	(1,374)	95	(1,279)

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Aberdeen Western Peripheral Route (AWPR)

The AWPR is a 46km trunk road connecting Stonehaven in the south with Blackdog in the north which has been jointly funded by the Scottish Government, Aberdeenshire Council and Aberdeen City Council. The accounting treatment of the transactions relating to the council's contribution towards the building of the AWPR has been changed. In previous years, the transactions were regarded as assets under construction but these have now been reflected as a contribution to Transport Scotland to support the construction of the new trunk road. On completion of the project, the council took ownership of the junctions and bridges, which link to, and cross the route and these have been reflected as donated assets in the current year, 2018/19.

Prior Year Adjustments have been made in respect of non-current assets in the Balance Sheet (Property, Plant and Equipment) and Unusable Reserves (Capital Adjustment Account). As the original transactions relate to financial years from 2014/15, restated balances have been provided in respect of each of those years.

In addition, an adjustment has been made for REFCUS in the Comprehensive Income and Expenditure Account (Infrastructure Services Committee Net Expenditure).

Accounting Treatment of Aberdeen City Region Deal (ACRD)

Expenditure contributed to the Aberdeen City Region Deal in 2017/18 for the Harbour Expansion projects and its Link Roads amounting to £1,528,000 has also been removed from Assets under Construction and charged to the Comprehensive Income and Expenditure Statement and accounted for as REFCUS.

Restatement

Comparative figures for 2017/18 have been restated in respect of the Comprehensive Income and Expenditure Statement and for 2014/15 to 2017/18 inclusive, in respect of the Balance Sheet. The adjustments relate to Aberdeen Western Peripheral Route £42,469,000 and Aberdeen City Region Deal £1,528,000, a total movement of £43,997,000. These changes reflect the implementation of accounting policy 1.23 detailed on page 64 of the accounts. The impact on the statements is shown below.

Note 9 – Prior Years Adjustments (continued)

Comprehensive Income and Expenditure Account

	Audited 2017/18 £000	Adjustment (REFCUS) £000	Adjustment (internal income) £000	Adjustment (bad debts reclassification) £000	Restated 2017/18 £000
Infrastructure Services Committee Net Expenditure	100,734	5,641	1,659	(60)	107,974

Notes

1. additional information is provided elsewhere in Note 9 on the reclassification of increases in the bad debt provision and reallocation of elimination of internal income

Balance Sheet - Property, Plant and Equipment (PPE)

	Restated 2014/15 £000	Restated 2015/16 £000	Restated 2016/17 £000	Restated 2017/18 £000
PPE	2,101,312*	2,087,023	1,994,233	1,984,416
Transfer to REFCUS	(17,387)	(11,276)	(9,693)	(5,641)
Restated PPE	2,083,925	2,075,747	1,984,540	1,978,775

*Net book value per audited accounts at 31 March 2014

Movement in Reserves Statement and Balance Sheet

	Restated 2014/15 £000	Restated 2015/16 £000	Restated 2016/17 £000	Restated 2017/18 £000
Unusable Reserves - capital adjustment account	1,163,145*	1,124,965	829,745	974,761
Adjustment to reflect REFCUS	17,387	11,276	9,693	5,641
Restated Unusable Reserves at 31 March	1,145,758	1,113,689	820,052	969,120

*Balance per audited accounts at 31 March 2014

Note 10 – Agency Services

The council is the billing authority for Non-Domestic Rates in Aberdeenshire and, in this role, acts as an agent of the Scottish Government. During 2018/19, the council billed £121.7million (2017/18 £115.2million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the council contributed £120.2million to the National Non-Domestic Rates Pool (2017/18 £112.8million) and received back from the pool £112.2million in income (2017/18 £95.0million).

The council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2018/19 the council received £663,000 for providing this service (2017/18 £663,000).

The council bills and collects Business Improvement District (BID) Levies for which it receives a fee of £5.00 per property. During 2018/19 the council received £1,197 (2017/18 £2,354).

Note 11 – External Audit Costs

The Council incurred fees of £394,000 (2017/18 £387,000) for the statutory inspection of the Annual Accounts by Audit Scotland. These fees include £8,000 (2017/18 £8,000) in relation to audit requirements for the charities' accounts of Local Authorities.

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 2017/18 £'000		2018/19 £'000
730,847	**Opening Capital Financing Requirement**	**761,168**
	Capital Investment	
108,588	Property, Plant and Equipment	113,631
728	Intangible Assets	358
5,719	Revenue Expenditure Funded by Capital under Statute	7,071
	Sources of Finance	
(4,420)	Capital Receipts	(2,974)
(45,059)	Government Grants and Other Contributions	(30,476)
	Sums Set Aside from Revenue:	
(20,408)	Capital Financed from Current Revenue	(17,976)
(14,827)	Loans Fund Principal Repayments	(15,811)
761,168	**Closing Capital Financing Requirement**	**814,991**
	Explanation of movements in year	
30,321	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	53,823
30,321	**Increase in Capital Financing Requirement**	**53,823**

Note 13 – Property, Plant and Equipment (PPE)

Movements in 2018/19	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Restated Infrastructure Assets £'000	Community Assets £'000	Reststated Assets Under Construction £'000	Surplus Assets £'000	Restated Total PPE £'000	PFI Assets included in PPE £'000
Cost or Valuation									
At 1 April 2018	**469,044**	**1,388,132**	**102,068**	**379,199**	**690**	**32,063**	**12,527**	**2,383,723**	**218,592**
Additions	25,171	25,949	12,721	28,775	-	21,015	-	**113,631**	2,275
Donations	-	-	-	18,955	-	-	-	**18,955**	
Accumulated Depreciation and Impairment Written Out	-	(3,668)	-	-	-	-	(610)	**(4,278)**	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	-	(2,622)	-	-	-	-	(960)	**(3,582)**	-
Revaluation Decreases/(Increases) Recognised in the Deficit on the Provision of Services	-	(23,906)	-	-	-	-	(146)	**(24,052)**	-
Derecognition - Disposals	(6,067)	(5,924)	(5,262)	-	-	(98)	(949)	**(18,300)**	-
Assets Reclassified to/(from) AHfS	88	(262)	(29)	-	-	-	(934)	**(1,137)**	-
Transfers or Reclassifications of Assets	4,322	17,672	(367)	383	(105)	(23,529)	1,624	**-**	-
At 31 March 2019	**492,558**	**1,395,371**	**109,131**	**427,312**	**585**	**29,451**	**10,552**	**2,464,960**	**220,867**
Accumulated Depreciation and Impairment									
At 1 April 2018	**(77,379)**	**(135,401)**	**(55,753)**	**(131,138)**	**(25)**	**(4,835)**	**(417)**	**(404,948)**	**(22,641)**
Depreciation Charge	(11,473)	(39,512)	(11,618)	(12,122)	(11)	-	(105)	**(74,841)**	(4,876)
Accumulated Depreciation Written Out	-	3,072	-	-	-	-	305	**3,377**	-
Accumulated Impairment Written Out	-	596	-	-	-	-	305	**901**	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(10,556)	(2,992)	-	-	-	(7,403)	(186)	**(21,137)**	-
Impairment Losses recognised in the RR	(7,699)	(711)	-	-	-	-	(283)	**(8,693)**	-
Derecognition – Disposals	5,951	5,338	5,101	-	-	98	387	**16,875**	-
Assets Reclassified to/(from) AHfS	-	-	25	-	-	-	-	**25**	-
Other Movements in Depreciation and Impairment	(2,377)	(25)	322	(22)	4	2,634	(536)	**-**	-
At 31 March 2019	**(103,533)**	**(169,635)**	**(61,923)**	**(143,282)**	**(32)**	**(9,506)**	**(530)**	**(488,441)**	**(27,517)**
Net Book Value at 31 March 2019	**389,025**	**1,225,736**	**47,208**	**284,030**	**553**	**19,945**	**10,022**	**1,976,519**	**193,350**

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

Comparative Movements in 2017/18:	Council Dwellings £ £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Restated Infrastructure Assets £'000	Community Assets £'000	Restated Assets Under Construction £'000	Surplus Assets £'000	Restated Total PPE £'000	PFI Assets included in PPE £'000
Cost or Valuation									
At 1 April 2017	**444,015**	**1,369,688**	**99,620**	**356,735**	**740**	**30,931**	**9,573**	**2,311,302**	**217,951**
Additions	25,233	18,217	10,063	22,464	-	32,299	312	**108,588**	2,155
Accumulated Depreciation & Impairment Written Out	(163)	(20,675)	0	-	(7)	-	(2,245)	**(23,090)**	(379)
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	132	23,712	0	-	7	-	(5,288)	**18,563**	-
Revaluation Decreases/(Increases) Recognised in the Deficit on the Provision of Services	0	(16,085)	0	-	(150)	(196)	(3,882)	**(20,313)**	(1,135)
Derecognition - Disposals	(1,167)	(776)	(7,400)	-	-	-	(119)	**(9,462)**	-
Assets Reclassified to/(from) Assets Held for Sale	-	-	(215)	-	-	-	(1,650)	**(1,865)**	-
Transfers or Reclassifications of Assets	994	14,051	-	-	100	(30,971)	15,826	**-**	-
At 31 March 2018	**469,044**	**1,388,132**	**102,068**	**379,199**	**690**	**32,063**	**12,527**	**2,383,723**	**218,592**
Accumulated Depreciation and Impairment									
At 1 April 2017 (Restated)	**(42,201)**	**(112,734)**	**(51,828)**	**(119,660)**	**(21)**	**(256)**	**(62)**	**(326,762)**	**(18,169)**
Depreciation Charge	(11,659)	(39,903)	(11,330)	(11,478)	(11)	-	(111)	**(74,492)**	(4,851)
Accumulated Depreciation Written Out	31	20,235	-	-	7	-	2,162	**22,435**	379
Accumulated Impairment Written Out	132	440	-	-	-	-	83	**655**	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(8,172)	(5,126)	-	-	-	(4,579)	(304)	**(18,181)**	-
Impairment Losses recognised in the RR	(15,544)	(1,251)	-	-	-	-	(7)	**(16,802)**	-
Derecognition - Disposals	34	760	7,227	-	-	-	-	**8,021**	-
Assets Reclassified to/(from) Assets Held for Sale	-	-	178	-	-	-	-	**178**	-
Other Movements in Depreciation and Impairment	-	2,178	-	-	-	-	(2,178)	**-**	-
At 31 March 2018	**(77,379)**	**(135,401)**	**(55,753)**	**(131,138)**	**(25)**	**(4,835)**	**(417)**	**(404,948)**	**(22,641)**
Net Book Value at 31 March 2018	**391,665**	**1,252,731**	**46,315**	**248,061**	**665**	**27,228**	**12,110**	**1,978,775**	**195,951**

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

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2019/20 and future years budgeted to cost £55,440,000 Similar commitments at 31 March 2018 were £112,521,000. The major commitments are:

Project Title	***£'000***
Inverurie Community Campus	3,002
Buchan House Extension	1,497
Fraserburgh Saltoun Square Office Extension & Alterations	1,516
Fraserburgh Sheltered Housing Sprinkler Installations	2,205
Housing Improvement Programmes (HIP) Year 1 Call Off	7,617
Macrae House Types External Wall & Roof Upgrades	3,223
HRA Heating Upgrades	739
Housing Dormer & Porch Upgrades	938
Stonehaven Flood Scheme	15,158
Banchory Community Sports Facility	1,241
Aberdeen Western Peripheral Route	13,903
Commitments on Projects < £500K	1,981
Total	**53,020**

During 2018/19, the Council has recognised an impairment loss of £101,454,000 in relation to its PPE, which are detailed in the Table below:

2017/18 £'000		**2018/19 £'000**
34,984	Consumption Loss	73,800
2,406	Economic Loss	27,654
37,390		**101,454**

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.

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 that 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.

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

	Council Dwellings £'000	Other Land & Buildings £'000	Other PPE £'000	Total £'000
Carried at Historical Cost	30,853	423,417	566,507	**1,020,777**
Valued at fair value as at:				
1 April 2018	11	68,104	9,553	**77,668**
1 April 2017	251	198,312	454	**199,017**
1 April 2016	466,600	24,827	200	**491,627**
1 April 2015	-	126,522	305	**126,827**
1 April 2014	418	548,625	1	**549,044**
Total Cost or Valuation	**498,133**	**1,389,807**	**577,020**	**2,464,960**

Note 14 – Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Human History £'000	Archaeology £'000	Fine Art £'000	Total Assets £'000
Cost or Valuation at 31 March 2018	**1,524**	**320**	**120**	**1,964**
Revaluations	(20)	-	-	**(20)**
Cost or Valuation at 31 March 2019	**1,504**	**320**	**120**	**1,944**

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 2012-2017 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, which is its fair value, at 31 March 2019;
- 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.

Fine Art

The Fine Art item is 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, 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 19th century and in the Curator's opinion, it is not possible to provide a reliable estimate of their value

Vertical Area Photograph Collection

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

Further Information on Museums Collections is shown in the Annex.

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:

2017/18 £'000		2018/19 £'000
1,687	Balance at 1 April	1,712
25	Net Gains from Fair Value Adjustments	(263)
-	Reclassified as Property, Plant and Equipment	-
1,712	**Balance at 31 March**	**1,449**

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) 2017/18 £'000	Recurring fair value measurements using:	Other Significant Observable Inputs (Level 2) 2018/19 £'000
15	Residential (Market Rental) Property	15
770	Residential Development Land	770
906	Commercial Development Land	643
21	Agricultural Land	21
1,712	**Balance at 31 March**	**1,449**

Transfers Between Levels of the Fair Value Hierarchy.

There were no transfers between Levels during the year.

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 and 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:

2017/18 £'000		2018/19 £'000
	Balance at 1 April:	
8,483	Gross carrying amounts	9,212
(7,081)	Accumulated amortisation	(7,726)
1,402	**Net Carrying amount at 1 April**	**1,486**
728	Additions - Purchases	358
-	Disposals - Sales	(257)
(644)	Amortisation for the year	(453)
1,486	**Net carrying amount at 31 March**	**1,134**
	Comprising:	
9,212	Gross carrying amounts	9,313
(7,726)	Accumulated amortisation	(8,179)
1,486	**Net carrying amount at 31 March**	**1,134**

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:

2017/18 £'000		2018/19 £'000
933	**Balance Outstanding at 1 April**	**882**
	Assets Newly Classified as Held for Sale:	
1,687	Property, Plant and Equipment	1,599
	Assets Declassified as Held for Sale:	
-	Property, Plant and Equipment	(488)
(1,738)	Assets Sold	(698)
-	Other Movements	(150)
882	**Balance Outstanding at 31 March**	**1,145**

Note 18 - Leases

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:

2017/18 £'000		2018/19 £'000
1,281	Not later than one year	1,279
2,860	Later than one year and not later than five years	2,339
6,800	Later than five years	7,504
10,941	**Minimum Lease Payments**	**11,122**

The total expenditure during the year in relation to these leases was £550,000 (2017/18: £520,000) which comprised Minimum Lease Payments of £408,000 (2017/18: £504,000) and Contingent Rentals of £142,000 (2017/18: £16,000).

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:

2017/18 £'000		2018/19 £'000
	Finance lease debtor (net present value of minimum lease payments):	
8	Current	9
652	Non-current	643
3,653	Unearned finance income	3,569
4,313	**Gross investment in the lease**	**4,221**

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

Gross Investment in the Lease 2017/18 £'000	Minimum Lease Payments 2017/18 £'000		Gross Investment in the Lease 2018/19 £'000	Minimum Lease Payments 2018/19 £'000
92	92	Not later than one year	92	92
366	366	Later than one year and not later than five years	366	366
3,855	3,855	Later than five years	3,763	3,763
4,313	**4,313**	**Total**	**4,221**	**4,221**

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.

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. In 2018/19, £23,000 contingent rents were receivable by the Council (2017/18: £23,000).

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:

2017/18 £'000		2018/19 £'000
3,034	Not later than one year	3,151
8,059	Later than one year and not later than five years	8,258
19,229	Later than five years	19,409
30,322	**Minimum Lease Payments**	**30,818**

In 2018/19, £470,000 contingent rents were receivable by the Council (2017/18: £577,000).

Note 19 – Private Finance Initiatives (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 three PFI and similar contracts held by Aberdeenshire Council are as follows:
    - Robertson Education (Abdnshire) Limited 8.69%
    - Elgin Education (Aberdeenshire2) Limited 5.18%
    - Hib North Scotland (Alford) Limited 7.59%
- 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.

In future periods the Council will be commencing a contract arrangement for Inverurie Community Campus. The accounting treatment adopted will be similar to that detailed above.

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

Education PFI Schemes

The Council is committed to three PFI contracts. Details of the contracts can be found in the Annex. The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the PPE balance in note 14.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2019 (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
2019/20	4,391	4,052	2,135	2,941	1,854	15,373
Between 2020/21 and 2023/24	18,647	13,663	5,219	17,227	10,149	64,905
Between 2024/25 and 2028/29	22,527	9,586	5,815	25,039	14,946	77,913
Between 2029/30 and 2033/34	7,681	4,015	646	8,380	6,468	27,190
Between 2034/35 and 2038/39	2,625	2,004	(409)	5,393	3,566	13,179
Between 2039/40 and 2040/41	858	181	(132)	2,033	1,155	4,095

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 liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Creditors 2017/18 £'000	Long Term Liabilities 2017/18 £'000	Total Liability 2017/18 £'000		Creditors 2018/19 £'000	Long Term Liabilities 2018/19 £'000	Total Liability 2018/19 £'000
(2,557)	(63,772)	(66,329)	Balance Outstanding at 1 April	(2,759)	(61,013)	(63,772)
2,557	-	2,557	Payments During the Year	2,759	-	2,759
-	-	-	Capital Expenditure incurred in the Year			
(2,759)	2,759	-	Transfer to Current Creditors	(2,941)	2,941	-
(2,759)	**(61,013)**	**(63,772)**	**Balance Outstanding at 31 March**	**(2,941)**	**(58,072)**	**(61,013)**

Note 20 – Financial Instruments

Table 1: Categories of Financial Instruments

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

Restated Long Term 2017/18 £'000	Restated Current 2017/18 £'000	Balance Sheet Category		Long Term 2018/19 £'000	Current 2018/19 £'000
			Financial Assets		
77	10,000	Investments	Financial Assets at amortised cost	77	0
8,763	25,466	Debtors	Financial Assets at amortised cost	8,935	27,688
-	11,289	Cash and Cash Equivalents	Financial Assets at amortised cost	0	39,382
8,840	**46,755**		**Total Financial Assets**	**9,012**	**67,070**
			Financial Liabilities		
(566,131)	(72,838)	Borrowing	Financial liabilities at amortised cost	(613,936)	(96,624)
(2,736)	(85,364)	Creditors	Financial liabilities at amortised cost	(2,278)	(94,588)*
(568,867)	**(158,202)**		**Total Financial Liabilities**	**(616,214)**	**(191,212)**

*At 31 March 2019 accrued interest of £5,864,000 (£5,893,000 at 31 March 2018) on borrowing is included in the current creditors figure at 31 March 2019 of £94,588,000.

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 £3,743,000 to Osprey Housing (previously known as Aberdeenshire Housing Partnership) to construct, manage, maintain and the general development of 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 £2,281,000 (2017/18: £2,167,000) hence the increase in the discounted amount during the year was £114,000 (2017/18: £109,000).

Note 20 – Financial Instruments (continued)

Table 2: Income, Expense, Gains and Losses

31 March 2019	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
Interest Expense	(28,183)	-	**(28,183)**
Impairment Losses	-	(347)	**(347)**
Fee Expense	(208)	-	**(208)**
Total Expense in Surplus or Deficit on the Provision of Services	**(28,391)**	**(347)**	**(28,738)**
Interest Income	-	742	**742**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**742**	**742**
Net Gain/(Loss) for the Year	**(28,391)**	**395**	**(27,996)**

Comparative Figures 31 March 2018	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
Interest Expense	(28,876)	-	**(28,876)**
Impairment Losses	-	(515)	**(515)**
Fee Expense	(151)		**(151)**
Total Expense in Surplus or Deficit on the Provision of Services	**(29,027)**	**(515)**	**(29,542)**
Interest Income	-	632	**632**
Total Income in Surplus or Deficit on the Provision of Services	**-**	**632**	**632**
	-		
Net Gain (Loss) for the Year	**(29,027)**	**117**	**(28,910)**

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

The table below shows reclassification of financial assets. Loans and receivables include short term investments and long term loans and are now classified as Amortised Cost as they are held solely for the purposes of repayment of principal and interest.

Note 20 – Financial Instruments (continued)

Table 3: Reclassification and remeasurement of financial assets at 1 April 2018

Previous Classifications	Carrying amount brought forward at 1 April £'000	Amortised Cost £'000	Fair Value through Other Comprehensive Income £'000	Fair Value through Profit and Loss £'000
Loans and Receivables	18,763	18,763	-	-
Debtors	25,466	25,466	-	-
Reclassified amounts at 1 April 2018	**44,229**	**44,229**	**-**	**-**

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 2019 of 1.47% to 2.40% for loans from the PWLB and 1.55% to 2.37% 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:

- Early borrowing rates fair value is £1,108,769,000 (2017/18: £928,126,000) and the carrying amount is £807,426,000 (2017/18: £788,210,000).
- New repayment methodology fair value is £959,003,000 (2017/18: £1,067,879,000) and the carrying amount is £807,426,000 (2017/18: £788,210,000).

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

- Early repayment methodology fair value of £949,801,000
- New borrowing rates fair value is £839,943,000

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders below current market rates.

The value of assets is as follows:

- Fair value is £37,182,000 (2017/18: £18,833,000) and the carrying amount is £37,166,000 (2017/18: £18,836,000).

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

- Fair value of £37,166,000

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

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 Councils Scheme of Governance. http://committees.aberdeenshire.gov.uk/Committees.aspx?commid=492&meetid=18769
- 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 £10,000,000 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 £20,000,000. The Council's bank, the Clydesdale Bank is currently owned by CYBG plc which also owns the Yorkshire Bank. It was previously owned by the National Australia Bank before its divestment of its UK business in 2016. This change in ownership has resulted in the Council's treasury advisors removing the bank from the list of acceptable financial institutions for investment.

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. This was approved by The Business Services Committee on 1 March 2018 and is available on the link above.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £37,150,000 (2017/18 £18,800,000), 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 2019 that this was likely to crystallise.

31 March 2018 £'000		31 March 2019 £'000
8,800	Call Accounts	17,150
10,000	Fixed Term Deposits	-
-	Money Market Funds	20,000
18,800	**Total**	**37,150**

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 summarised the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last five financial years, adjusted to reflect current market conditions

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

	Debtors as at 31 March 2019 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2019 %	Estimated maximum exposure to default and collectability at 31 March 2019 £'000	Estimated maximum exposure at 31 March 2018 £'000
	A	B	C	(A X C)	
Customers	12,666	44.02%	44.02%	5,576	5,270
Housing Rents	2,448	73.28%	73.28%	1,794	1,749
	15,114			**7,370**	**7,019**

The customers' historical experience of default rate can be attributed to the majority of debtors 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 2018 £'000		31 March 2019 £'000
3,048	Less than Three Months	5,047
375	Three to Six Months	282
2,221	Six Months to One Year	414
987	More than One Year	1,037
6,631	**Total**	**6,780**

Liquidity Risk

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

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as required. In 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 the treasury and investment strategy reports, 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:

	31 March 2018	31 March 2019
	£'000	£'000
Less than one year	(72,838)	(96,624)
Between one and two years	(22,155)	(32,168)
Between two and five years	(42,547)	(50,593)
More than 5 Years	(501,429)	(531,175)
Total	**(638,969)**	**(710,560)**

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

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 Comprehensive Income and Expenditure Statement.

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

	31 March 2019 £'000
Increase in interest receivable on variable rate investments	450
Impact on Surplus or Deficit on the Provision of Services	**450**
Share of overall impact debited to the HRA	101

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 contractual requirements that has a maximum balance of approximately £700,000 and 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 2018/19 £'000	Maintenance Materials/ Raw Materials 2018/19 £'000	Client Services/ Work in Progress 2018/19 £'000	Total 2018/19 £'000
Balance at 1 April	**1,774**	**1,743**	**765**	**4,282**
Purchases	9,392	7,960	3,464	20,816
Recognised as an Expense in Year	(9,153)	(7,975)	(3,464)	(20,592)
Written off balances	59	(72)	120	107
Balance at 31 March	**2,072**	**1,656**	**885**	**4,613**

Note 22 – Inventories (continued)

	Consumable Stores/ Finished Goods 2017/18 £'000	Maintenance Materials/ Raw Materials 2017/18 £'000	Client Services/ Work in Progress 2017/18 £'000	Total 2017/18 £'000
Balance at 1 April	**1,783**	**1,716**	**504**	**4,003**
Purchases	7,943	8,689	2,529	19,161
Recognised as an Expense in Year	(8,021)	(8,782)	(2,529)	(19,332)
Written off balances	69	120	261	450
Balance at 31 March	**1,774**	**1,743**	**765**	**4,282**

Note 23 – Debtors

Balance at 31 March 2018 £'000	Cumulative Soft Loan Adjustment at 31 March 2018 £'000	Fair Value Amortised Costs at 31 March 2018 £'000	Long Term Debtors at 31 March	Balance at 31 March 2019 £'000	Cumulative Soft Loan Adjustment at 31 March 2019 £'000	Fair Value Amortised Costs at 31 March 2019 £'000
3,743	(1,576)	2,167	Osprey Housing	3,743	(1,462)	2,281
5,417	-	5,417	Create Homes Aberdeenshire LLP	5,417	-	5,417
660	-	660	Leasing	659	-	659
721	(88)	633	Other Long Term Debtors (each less than £500,000)	727	(57)	670
10,541	**(1,664)**	**8,877**		**10,546**	**(1,519)**	**9,027**
		(114)	Repayments due within one year			(92)
		8,763	**Balance at 31 March**			**8,935**

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.

2017/18 £'000	Short Term Debtors	2018/19 £'000
10,986	Central Government Bodies	16,025
2,625	Other Local Authorities	3,385
316	NHS Bodies	634
624	Public Corporations and Trading Funds	790
28,341	Other Entities and Individuals	29,581
42,892	**Total Short-Term Debtors**	**50,415**

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 2019 £26,913,000 (31 March 2018 £26,793,000). The outstanding amounts have been impaired for doubtful debts £14,167,000 31 March 2019, (£15,093,000 31 March 2018).

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

	31 March 2018 £'000	31 March 2019 £'000
Current year outstanding – up to 1 year old	5,230	3,450
Previous year outstanding – More than one year	6,470	9,296
	11,700	**12,746**

Note 24 – Cash and Cash Equivalents

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

2017/18 £'000		2018/19 £'000
38	Cash held by the Council	32
11,251	Bank Current Accounts	39,350
11,289		**39,382**

Note 25 – Creditors

2017/18 £'000	Short Term Creditors - due within one year	2018/19 £'000
(13,658)	Central Government Bodies	(17,807)
(6,592)	Other Local Authorities	(7,158)
(1,276)	NHS Bodies	(754)
(524)	Public Corporations and Trading Funds	(607)
(66,073)	Other Entities and Individuals	(68,262)
(88,123)	**Total Short Term Creditors**	**(94,588)**

2017/18 £'000	Long Term Creditors – due in more than one year	2018/19 £'000
(2,736)	Central Government Bodies	(2,278)
(2,736)	**Total Long-Term Creditors**	**(2,278)**

Note 26 – Provisions

(i) Specific Provisions

	Balance at 31 March 2018 £'000	Provision Made in Year £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2019 £'000
Equal Pay	(2,638)	-	82	285	(2,271)
Asset Decommissioning	(6,679)	-	-	-	(6,679)
Other Provisions (each less than £500,000)	(333)	(329)	219	112	(331)
Total	**(9,650)**	**(329)**	**301**	**397**	**(9,281)**
Provisions anticipated to be utilised within 12 months, shown as Current Provisions	2,789				1,901
Non-Current Provisions at 31 March	**(6,861)**				**(7,380)**

The provisions above are for liabilities which exist at 31 March 2019 but are likely to be incurred in financial years 2019/20 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.

Equal Pay – the provision was created to cover the costs of settling any equal pay claims.

Note 26 – Provisions (continued)

(ii) Debtors Provision

Debtors Provision	Balance at 31 March 2018 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2019 £'000
General Debtors	(5,270)	(348)	(5,618)
Revenues	(15,093)	926	(14,167)
Housing Rents	(2,948)	1	(2,947)
Total	**(23,311)**	**579**	**(22,732)**

Estimates have been made of possible losses on the non-collection of debts. These estimates have decreased the debtors 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 rents. The tenants' rent arrears amount to £3,704,000 as at 31 March 2019 (£3,698,000 as at 31 March 2018).

Note 27 – Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2018/19:

31 March 2018 £'000		31 March 2019 £'000
	Credited to Taxation and Non-Specific Grant Income	
(312,155)	Revenue Support Grant	(301,564)
(95,043)	NDR Receipts from Pool	(112,200)
(1,444)	Ring fenced Scottish Attainment Funding	(2,907)
-	Ring Fenced Early Years Childcare Expansion	(3,919)
(30,434)	Scottish Government General Capital Grant	(18,002)
(1,182)	Ballater Station Replacement	(146)
(1,371)	Education - Academy Replacement & Enhancement	(2,456)
(614)	Education - Primary Replacement & Enhancement	(1,659)
(1,774)	Early Learning and Childcare	(8,500)
(1,031)	Workspace enhancement	(290)
(1,824)	Waste Recycling Replacement	(1,811)
(5,328)	Housing Revenue Account	(3,060)
(1,721)	Roads and Transport Services - Network and Traffic Management	(2,836)
-	Hill of Banchory New Sports Facility	(1,059)
(297)	Other Capital Grants (each less than £500,000)	(1,215)
(454,218)	**Total**	**(461,624)**
	Credited to Services	
(1,889)	Alford Campus – Scottish Government Funding	(1,889)
(514)	Youth Music Initiative	(536)
(604)	Active Schools	(616)
(2,550)	Criminal Justice Service Grant	(2,860)
(1,246)	Home Energy Efficiency Programme for Scotland	(1,943)
(969)	Nestrans	(925)
(40,824)	Housing Benefits	(39,299)
(901)	Private Sector Housing Grant	(719)
(632)	Benefits Administration	(610)
(13,384)	NHS Social Care Funding	(13,384)
(1,077)	NHS Integrated Care Fund	(805)
(11,709)	NHS Resource Transfer	(11,709)
(985)	NHS Delayed Discharge	(1,089)
(660)	NHS Elderly Service Redesign	(660)
(701)	Syrian Vulnerable Persons Resettlement Programme	(837)
(5,547)	Other grants (each less than £500,000)	(6,225)
(84,192)	**Total**	**(84,106)**

Note 27 – Grant Income (continued)

The Council has received grants, contributions and donations that have yet to be recognised as income, these have conditions attached which require that the monies or property be returned to the funding organisation if the conditions are not met. The balances at the year-end are as follows:

31 March 2018 £'000	Short Term Liabilities - Revenue Grants Receipts in Advance	31 March 2019 £'000
(2,086)	Other grants (each less than £500,000)	(348)
(2,086)	**Total**	**(348)**

31 March 2018 £'000	Long Term Liabilities - Capital Grants Receipts in Advance	31 March 2019 £'000
(15,957)	Developer Obligations	(15,713)
(15,957)	**Total**	**(15,713)**

Note 28 – Unusable Reserves

The Unusable Reserves can be analysed as follows:

2017/18 £'000		2018/19 £'000
(819,510)	Revaluation Reserve	(777,250)
(404,141)	Capital Adjustment Account	(389,951)
11,867	Financial Instruments Adjustment Account	10,651
231,573	Pensions Reserve	307,275
11,091	Employee Statutory Adjustment Account	11,231
(969,120)	**Total**	**(838,044)**

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.

2017/18 £'000	Revaluation Reserve	2018/19 £'000
(851,034)	**Balance at 1 April**	**(819,510)**
(18,563)	Upward Revaluation of Assets	3,601
16,803	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	8,693
(1,760)	**Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services**	**12,294**
33,284	Difference Between Fair Value Depreciation and Historical Cost Depreciation	29,966
(819,510)	**Balance at 31 March**	**(777,250)**

Note 28 – Unusable Reserves (continued)

Available for Sale Financial Instruments Reserve

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

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

The Council acquired non-voting A ordinary shares in The Lecht Ski Company in 2013 with a value of £77,000. There has been no movement in the value of investment since the initial transaction and therefore no gain or loss has been made to the Reserve in 2018/19.

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 and gains recognised in donated assets yet to be consumed by the Council. 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000	Capital Adjustment Account	2018/19 £'000
(408,645)	**Balance at 1 April**	**(404,141)**
	Reversal of items relating to Capital Expenditure debited or credited to the CIES:	
92,672	Charges for Depreciation and Impairment of Non-Current Assets	96,129
20,313	Revaluation losses on PPE and AHfS	24,052
644	Amortisation of Intangible Assets	453
5,719	Revenue Expenditure Funded by Capital Under Statute	7,072
3,178	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	2,380
(33,283)	Adjusting amounts written out of the Revaluation Reserve	(29,967)
89,243		**100,119**
	Capital Financing Applied in the Year:	
(4,420)	Use of Capital Receipts to finance new Capital Expenditure	(2,974)
-	Donated Assets	(18,955)
(43,650)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(29,183)
(1,409)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(1,293)
(14,827)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(15,811)
(20,408)	Capital Expenditure charged against the General Fund and HRA Balances	(17,976)
(84,714)		**(86,192)**
(25)	**Movements in the Market Value of Investment Properties debited or credited to the CIES**	**263**
(404,141)	**Balance at 31 March**	**(389,951)**

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 2019 will be charged to the General Fund over the next 37 years.

2017/18 £'000	Financial Instruments Adjustment Account	2018/19 £'000
13,077	**Balance at 1 April**	**11,867**
(1,060)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,060)
(150)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(156)
11,867	**Balance at 31 March**	**10,651**

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 substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000	Pensions Reserve	2018/19 £'000
414,211	**Balance at 1 April**	**231,573**
(220,217)	Actuarial (gains) or losses on pensions assets and liabilities	24,303
74,393	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	89,923
(36,814)	Employer's pensions contributions and direct payments to pensioners payable in the year	(38,524)
231,573	**Balance at 31 March**	**307,275**

Note 28 – Unusable Reserves (continued)

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.

2017/18 £'000	Employee Statutory Adjustment Account	2018/19 £'000
12,338	**Balance at 1 April**	**11,091**
(12,338)	Settlement or cancellation of accrual made at the end of the preceding year	(11,091)
11,091	Amounts accrued at the end of the current year	11,231
(1,247)	**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**	**140**
11,091	**Balance at 31 March**	**11,231**

Note 29 – Events after the Balance Sheet Date

The unaudited accounts were issued on 20 June 2019 by Alan Wood MA (Hons), CPFA, 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The McCloud judgement in England and Wales in June 2019 ruled that transitional protections provided in public sector pension schemes discriminated unlawfully on the grounds of age. All local government pension schemes are affected including the North East Scotland Pension Fund. As this was deemed a potential adjusting post balance sheet event, the Head of Finance was requested to obtain an estimate from the Pension Fund's actuary of the costs involved in compensating affected members of the Council's pension scheme. The impact on the Council's Balance Sheet has been estimated by the actuary to be an increase in pension liabilities of £25m. This was based on costings provided by the Government Actuary's Department on the potential effect in England and Wales as a whole. In respect of the Council, this was considered to be a material amount and consequently, the accounts including relevant notes have been revised to reflect the additional liabilities.

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 thereto including contingent assets and liabilities

Note 30 – Contingent Liabilities

Limitation (Childhood Abuse) (Scotland) Bill

With the passing of the Limitation (Childhood Abuse) (Scotland) Bill in 2017, individuals who suffered abuse as children in care may now seek damages in respect of personal injuries (including psychological and physical abuse) back to 1964. The number of claims intimated across Scotland are currently low, however these are at the early stages of investigation and it is anticipated that claim numbers may rise in coming years for the country as a whole, however there are no exact figures known at present.

This is an area that will be reviewed in financial year 2019/20. The successor authorities for the former Grampian Regional Council have agreed to apportion successful claims on the following basis:- Aberdeenshire 44%, Aberdeen City 40% and Moray 16%. If there is quantifiable exposure for Aberdeenshire Council, consideration will be given to the creation of a provision in financial year 2019/20 to provide for any resultant costs

Guarantor in relation to NESPF

The Council has agreed to act as guarantor to NESPF for four admitted bodies – Cairngorms Outdoor Access Trust, Robertson's Facility Management (Aberdeenshire), Xerox UK (Ltd) and Forth and Oban (Shire). Should any of these employers terminate from the fund following the

Note 30 – Contingent Liabilities (continued)

last member leaving the scheme or the organisation ceasing to exist they would be required to pay any 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. The potential values guaranteed are subject to a range of actuarial assumptions.

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.

Note 31 – Contingent Assets

VAT

A potential overpayment of VAT is being pursued due to a challenge to current legislation. It is not known if this challenge will be successful so the amount has not been recognised in the accounts.

Note 32 – 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 2018/19 the Council paid £17,648,854 in respect of teacher's retirement benefits representing 17.2% of pensionable pay. (£17,557,063 and 17.2% in 2017/18). Contributions remaining payable at the year end were of £2,859,676 (£2,305,842 in 2017/18).

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 in 2018/19 these amounted to £40,926 or 0.04% of pensionable pay (£44,694 and 0.04% in 2017/18).

Note 33 – Defined Contribution Pensions 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.

Note 33 – Defined Contribution Pensions Schemes (continued)

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 32.

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 2017, the Fund's assets were sufficient to cover 107% 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).

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 22.2% 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 2.9% 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 2021. The Council's contribution rate will, therefore, be 19.3% over the three year period.

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 2019, the Council makes up 43.43% (2017/18: 42.9%) of the total membership of the scheme.

Note 33 – Defined Contribution Pensions Schemes (continued)

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

NESPF 2017/18 £'000	Teachers Additional Unfunded Pensions 2017/18 £'000	Total 2017/18 £'000	CIES	NESPF 2018/19 £'000	Teachers Additional Unfunded Pensions 2018/19 £'000	Total 2018/19 £'000
			Cost of Services:			
63,715	-	63,715	Current Service Cost	62,636	-	62,636
-	-	-	Past Service Costs	20,859	-	20,859
73	-	73	Loss from Settlements	162	-	162
			Financing and Investment Income and Expenditure:			
9,372	523	9,895	Net Interest Expense	5,003	517	5,520
710	-	710	Administration Expenses	746	-	746
73,870	**523**	**74,393**	**Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services**	**89,406**	**517**	**89,923**
			Other Post Employment Benefit charged to the CIES			
(219,792)	(425)	(220,217)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	23,331	972	24,303
(145,922)	**98**	**(145,824)**	**Total Post Employment Benefit charged to the CIES**	**112,737**	**1,489**	**114,226**
			Movement in Reserves Statement			
(73,870)	(523)	(74,393)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code	(89,406)	(517)	(89,923)
			Actual amount charged against the General Fund Balance for pensions in the year:			
35,664			Employers' Contributions Payable to the Scheme	37,367	-	**-**
	1,150		Retirement Benefits Payable to Pensioners	-	1,157	**-**

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: The change during the period in the net defined benefit liability 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 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) 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.

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.

Note 33 – Defined Contribution Pensions Schemes (continued)

Assets and Liabilities recognised in the Balance Sheet

2017/18 NESPF Funded Benefits 2017/18 £'000	2017/18 NESPF Unfunded Benefits 2017/18 £'000	2017/18 Teachers Additional Unfunded Pensions 2017/18 £'000	Total 2017/18 £'000		2018/19 NESPF Funded Benefits 2018/19 £'000	2018/19 NESPF Unfunded Benefits 2018/19 £'000	2018/19 Teachers Additional Unfunded Pensions 2018/19 £'000	Total 2018/19 £'000
1,466,286	25,522	20,447	1,512,255	Present value of the defined benefit obligation	1,652,417	25,661	20,779	1,698,857
(1,280,682)	-	-	(1,280,682)	Fair value of plan assets	(1,391,582)	-	-	(1,391,582)
185,604	**25,522**	**20,447**	**231,573**	**Net liability arising from defined benefit obligations**	**260,835**	**25,661**	**20,779**	**307,275**

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

Restated NESPF Funded Benefits 2017/18 £'000	Restated NESPF Unfunded Benefits 2017/18 £'000	Restated Teachers Additional Unfunded Pensions 2017/18 £'000	Restated Total 2017/18 £'000		NESPF Funded Benefits 2018/19 £'000	NESPF Unfunded Benefits 2018/19 £'000	Teachers Additional Unfunded Pensions 2018/19 £'000	Total 2018/19 £'000
1,513,248	26,608	21,499	1,561,355	Opening Balance at 1 April	1,466,286	25,522	20,447	1,512,255
63,715	-	-	63,715	Current Service Cost	62,636	-	-	62,636
37,533	649	523	38,705	Interest Cost	37,801	645	517	38,963
10,511	-	-	10,511	Contributions from Scheme Participants	11,045	-	-	11,045
				Remeasurement (gains) and losses:				
(32,305)	152	144	(32,009)	Actuarial experience (gains)/losses	-	-	-	-
(101,524)	(582)	(497)	(102,603)	Actuarial (gains)/losses arising from changes in financial assumptions	89,521	858	972	91,351
9,362	37	(72)	9,327	Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
(34,327)	(1,342)	(1,150)	(36,819)	Benefits Paid	(35,893)	(1,364)	(1,157)	(38,414)
73	-	-	73	Losses on Curtailments	162	-	-	162
-	-	-	-	Past Service Cost	20,859	-	-	20,859
1,466,286	**25,522**	**20,447**	**1,512,255**	**Closing Balance at 31 March**	**1,652,417**	**25,661**	**20,779**	**1,698,857**

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

NESPF Funded Benefits 2017/18 £'000	NESPF Unfunded Benefits 2017/18 £'000	Teachers Additional Unfunded Pensions 2017/18 £'000	Total 2017/18 £'000		NESPF Funded Benefits 2018/19 £'000	NESPF Unfunded Benefits 2018/19 £'000	Teachers Additional Unfunded Pensions 2018/19 £'000	Total 2018/19 £'000
1,147,144	-	-	1,147,144	Opening fair value scheme assets at 1 April	1,280,682	-	-	1,280,682
28,810	-	-	28,810	Interest Income	33,443	-	-	33,443
94,932	-	-	94,932	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	67,048	-	-	67,048
(710)	-	-	(710)	Administration expenses	(746)	-	-	(746)
34,322	1,342	1,150	36,814	Contributions from employer	36,003	1,364	1,157	38,524
10,511	-	-	10,511	Contributions from employees into the scheme	11,045	-	-	11,045
(34,327)	(1,342)	(1,150)	(36,819)	Benefits paid	(35,893)	(1,364)	(1,157)	(38,414)
1,280,682	**-**	**-**	**1,280,682**	**Closing fair value of scheme assets at 31 March**	**1,391,582**	**-**	**-**	**1,391,582**

Note 33 – Defined Contribution Pensions Schemes (continued)

North East Pension Scheme Assets Comprised:

Asset category	Sub-category	Quoted (Y/N)	31 March 2018 £'000	31 March 2019 £'000
Equities:	UK quoted	Y	248,838	227,662
	Global quoted	Y	243,329	276,091
	Pooled UK	Y	180,576	171,860
	Pooled Global	Y	169,050	165,876
Bonds:	UK Government fixed	Y	19,210	21,291
	UK Government indexed	Y	58,911	64,291
	Overseas Government fixed	Y	17,930	20,735
	UK Other	Y	384	557
	Overseas other	Y	8,965	10,159
	UK Corporate	Y	512	417
	Overseas Corporate	Y	6,403	6,958
Property:	UK Direct	N	90,928	101,307
	Property Funds - UK	N	2,561	-
Alternatives:	Private Equity	N	49,947	66,657
	Private Debt	N	1,281	4,592
	Private Equity Infrastructure	N	3,842	12,385
	Global Private Equity Real Estate	N	12,807	18,786
	Diversified Growth Funds	N	94,770	101,864
	Infrastructure Pooled Fund	Y	19,210	33,120
	Multi Asset Credit	N	30,736	33,537
Cash:	Cash instruments	N	20,491	53,437
Total			**1,280,681**	**1,391,582**

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 1 April 2017 rolled forward to 31 March 2019. The next triennial valuation will be based on the Fund as at 31 March 2020.

Note 33 – Defined Contribution Pensions Schemes (continued)

The significant assumptions used by the actuary have been:

NESPF Funded Benefits 2017/18	NESPF Unfunded Benefits 2017/18	Teachers Additional Unfunded Pensions 2017/18		NESPF Funded Benefits 2018/19	NESPF Unfunded Benefits 2018/19	Teachers Additional Unfunded Pensions 2018/19
			Mortality Assumptions:			
			Longevity at 65 for Current Pensioners:			
22.7	22.7	22.7	Men	22.9	22.9	22.9
24.9	24.9	24.9	Women	25.0	25.0	25.0
			Longevity at 65 for Future Pensioners:			
25.6	-	-	Men	25.8	-	-
27.9	-	-	Women	28.1	-	-
2.10%	2.10%	2.10%	Rate of Inflation	2.20%	2.20%	2.30%
3.60%	-	-	Rate of Increase in Salaries	3.70%	-	-
2.20%	2.20%	2.20%	Rate of Increase in Pensions	2.30%	2.30%	2.40%
2.60%	2.60%	2.60%	Rate for Discounting Scheme Liabilities	2.40%	2.40%	2.40%
-	-	-	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 analyses 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)	32,254	(32,254)
Rate of inflation (increase or decrease by 0.1%)	31,975	(31,975)
Rate of increase in salaries (increase or decrease by 0.1%)	4,837	(4,837)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(31,377)	31,377

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 2017 and the results indicate that overall the assets represented 107% 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 2019 were: equities, including alternatives 79.9% (2017/18: 82.3%), bonds 8.9% (2017/18: 8.8%), property 7.3% (2017/18: 7.3%) and cash 3.8% (2017/18: 1.6%).

Note 33 – Defined Contribution Pensions Schemes (continued)

Impact on the Council's Cash Flows

The next triennial valuation is due to be completed on 31 March 2020.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £37,347,000. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2017 valuation is 19 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 liabilities arising from the pension deficit:

Total 2017/18 £'000	Aberdeenshire Share 2017/18 £'000		Total 2018/19 £'000	Aberdeenshire Share 2018/19 £'000
3,878	1,707	Grampian Valuation Joint Board	5,023	2,260

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

Note 34 – 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 2019 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 2018/19 is shown in the Remuneration Report. Councillors have involvement with 212 outside bodies, 67 of which are in a decision-making role and 145 in an observational role as reported to Full Council on 18 May 2017. During 2018/19, works and services to the value of £4,461,000 were commissioned from companies in which 16 Councillors' had an interest (2017/18 £3,808,000 and 16 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £353,000 were awarded to voluntary organisations in which 14 Councillors had positions on the governing body (2017/18 £766,000 and 16 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 these transactions are recorded in the Register of Councillors' Interests, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.
(http://www.aberdeenshire.gov.uk/council-and-democracy/councillors/register-of-members-interests-amended-270715register-of-interests/)

Note 34 – Related Parties (continued)

Officers – Key Management Personnel

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report on pages 27-39. 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. 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.

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 Business 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 2019, the total comprehensive income and expenditure statement shows a deficit of £1,036,000 (2017/18 restated surplus £2,662,000) and the net liabilities were £4,173,000 (2017/18 restated £3,137,000). The Board is funded by requisitions from the three Councils. The Council paid a requisition in 2018/19 of £1,914,000 (2017/18 £1,800,000). 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 2019, the total comprehensive income and expenditure statement was £193,000 deficit (2017/18 restated surplus £338,000) and the net liabilities were £785,000 (2017/18 £591,000). The two Councils fund the Partnership. The Council paid a requisition of £47,000 (2017/18 £32,000) and provided capital funding of £1,057,000 (2017/18 £969,000). 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 361 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 2019, the net assets were £6,945,000 (2017/18 restated £6,626,000) for Trusts and £3,166,000 (2017/18 restated £2,919,000) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 102-106. The Trusts and Common Good Funds had £4,009,000 (2017/18 restated £4,148,000) invested in the Council's loans fund at 31 March 2019. 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.

Scotland Excel

Scotland Excel is a not-for-profit organisation and was launched in April 2008. It aims to raise procurement standards by working with Scottish local authorities and suppliers to secure best value through collaborative contracts. Aberdeenshire Council and twenty-seven other local authorities fund the organisation. Aberdeenshire Council's contribution to the organisation in 2018/19 was £157,000, which was the same as in 2017/18. A copy of the accounts can be obtained from the Director of Finance, Renfrewshire Council, Finance and Resources, Finance Services, Renfrewshire House, Cotton Street, Paisley, PA1 1JB.

Note 34 – 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. Six of the twelve Voting Board members are appointed by Aberdeenshire Council and are Councillors. One Stakeholder Representative Non-Voting Board member is an employee of the Council.

For the year end 31 March 2019, the total comprehensive income and expenditure statement shows a surplus of £1,405,000 (2017/18 £9,000 deficit). This surplus is ring fenced funding provided by the Scottish Government to support the Primary Care Improvement Plan and Action 15 funding for additional Mental Health Workers, which will be used for these purposes in 2019/20. To achieve an operating breakeven position a total additional funding contribution of £3.137 million was agreed by the partners in 2018/19, £1.742 million from NHS Grampian and £1.395 million from Aberdeenshire Council (2017/18: £3.465 million, £1.990 million from NHS Grampian and £1.475 million from Aberdeenshire Council.)

The net assets were £1,405,000 (2017/18 Nil) of earmarked reserves described in the paragraph above. The Board is funded by the Council and NHS Grampian. The total expenditure for Council commissioned services was £149,329,000 (2017/18 £145,199,000), of which the Council made a funding contribution payment of £106,524,000 (2017/18 £103,946,000). The remaining expenditiure was funded by income. A copy of the accounts can be obtained from the IJB Chief Finance Officer, c/o NHS Grampian, Westholme, Woodend Hospital, Eday Road, Aberdeen, AB15 6LS.

Note 35 – Cash Flow Statement – Operating Activities

2017/18 £'000		2018/19 £'000
(82,932)	**Net Deficit on the Provision of Services**	**(87,913)**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
92,672	Depreciation and Impairment	96,128
20,313	Downward Revaluations	24,315
644	Amortisation	453
(125)	Soft Loans (non-subsidiary) - Interest adjustment credited to CIES during year	(129)
(38)	Adjustments for Effective Interest Rates	(39)
(125)	Decrease in Interest Creditors	(30)
7,348	Revenue Expenditure funded from Capital under Statute	7,071
3	Increase in Creditors	2,863
(5,246)	Decrease in Interest and Dividend Debtors	21
(279)	Increase in Debtors	(7,401)
37,579	Decrease in Inventories	(331)
(901)	Movement in Pension Liability	51,408
3,178	Contributions to/(from) Provisions	(369)
(25)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,380
154,998	Movement in Investment Property Values	-
		169,269
(45,576)	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	
15,000	Capital Grants credited to surplus or deficit on the provision of services	(41,035)
(4,420)	Net Adjustment from the Sale of Short and Long Term Investments	10,000
(34,996)	Proceeds from the sale of property plant and equipment and intangible assets	(2,974)
		(34,009)
37,070	**Net Cash Flows from Operating Activities**	**47,347**

Note 35 – Cash Flow Statement – Operating Activities (continued)

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
510	Interest Received	634
(29,910)	Interest Paid	28,460

Note 36 – Summarised Financial Information of Group Entities

The Council has an interest in the Aberdeenshire Integration Joint Board, the Trusts and Endowments for which the Council is the sole Trustee, Common Good Funds, the Grampian Valuation Joint Board, Create Homes and Nestrans. The Council has concluded that its interests in the Aberdeenshire Integration Joint Board and the Trusts and Endowments for which the Council is the sole Trustee are considered to be material, hence Group Accounts have been prepared which include these entities.

The Trusts and Endowments have been consolidated into the Group Statements as a 100% fully controlled subsidiary of the Council. Full details of the Trusts and Endowments are included on pages 102-104. The Aberdeenshire Integration Joint Board has been consolidated as a joint venture. The accounting year end for these entities is 31 March 2019.

The Council's share of the Aberdeenshire Integration Joint Board is as follows:

2017/18 £'000		2018/19 £'000
5	(Surplus)/Deficit on Operating Activities	(703)
-	Current Assets	703

Aberdeenshire Integration Joint Board

Details of the Aberdeenshire Integration Joint Board are given in Note 34 on Related Parties. The funding contribution provided by the Council to the Board in 2018/19 was £106,524,000 (2017/18: £103,946,000). The Board is consolidated as a joint venture and therefore the percentage share is 50%.

Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity accounts for the Council are contained in Note 1. The accounting policies of the Council and its Group Entities noted above are fully aligned.

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 2017/18 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2018/19 £'000	Notes Ref
	Expenditure		
20,243	Repairs and Maintenance	20,546	
10,494	Supervision and Management	11,254	
25,553	Depreciation, Amortisation and Impairment of Non-Current Assets	31,010	
8,813	Other Expenditure	9,775	
65,103	**Total Expenditure**	**72,585**	
	Income		
(47,626)	Dwelling Rents	(49,441)	
(1,063)	Non-dwelling Rents	(1,112)	
(11,052)	Other Income	(10,358)	
(59,741)	**Total Income**	**(60,911)**	
5,362	**Net Cost of HRA Services as Included in the CIES**	**11,674**	
431	HRA Services' Share of Corporate and Democratic Core	381	
2	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	441	
5,795	**Net Expenditure for HRA Services**	**12,496**	
	HRA Share of the Operating Income and Expenditure Included in the CIES		
(1,153)	Gain on Sale of HRA Non Current Assets	(255)	
5,340	Interest Payable and Similar Charges	5,113	
(38)	Interest and Investment Income	(53)	
663	Net Interest on Net Defined Benefit Liability (Asset)	854	
(5,328)	Non-specific Grant Income	(3,060)	
550	Movement in Allowance for Bad Debts	708	
5,829	**Deficit for the Year on HRA Services**	**15,803**	
	HRA Notes		2 - 5

2017/18 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2018/19 £'000	Notes Ref
(2,000)	**Balance on the HRA at 1 April**	**(2,000)**	
5,829	Deficit for the Year on the HRA Income and Expenditure Statement	15,803	
(2,373)	Adjustments Between Accounting Basis and Funding Basis Under Statute	(14,333)	6~
3,456	Net Decrease/(Increase) before transfers to/from reserves	1,470	
(3,456)	Transfer (from)/to reserves	(1,470)	1
-	Movement in Year on the HRA	-	
(2,000)	**Balance on the HRA at 31 March**	**(2,000)**	

~Refers to note 6 to the Council's Financial Statements on pages 56-57.

HRA Note 1 – Transfer to (from) Reserves

2017/18 £'000		2018/19 £'000
(3,502)	Transfer from General Fund	(1,500)
46	Transfer to Insurance Fund	30
(3,456)	**Total**	**(1,470)**

HRA Note 2 – Housing Stock

The Council's housing stock at 31 March 2019 was 13,004 (12,918 at 31 March 2018) in the following categories:

2017/18	Types of dwellings:	2018/19
1,509	- Sheltered Housing	1,509
46	- 1 apartment	62
3,712	- 2 apartment	3,750
5,075	- 3 apartment	5,099
2,433	- 4 apartment	2,441
143	- 5 + apartment	143
12,918	**Total Housing Stock as at 31 March**	**13,004**

The Council's housing stock includes 42 properties (2017/18: 33 properties) that are not in the ownership of the Council.

HRA Note 3 – Rent Arrears

Rent arrears at 31 March 2019 were £2,448,000 (£2,396,000 at 31 March 2018).

HRA Note 4 – Impairment of Debtors

In 2018/19 an impairment of £1,794,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £45,000 from the provision in 2017/18.

HRA Note 5 – Void Properties

The loss on void properties in 2018/19 was £1,862,000 compared to a loss on void properties of £1,360,000 in 2017/18.

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.

2017/18 £'000		2018/19 £'000	Notes Ref
(155,833)	**Gross Council Tax Levied and Contributions in Lieu**	**(161,976)**	
	Less:		
7,734	Council Tax Reduction Scheme	7,796	
15,744	Other Discounts and Reductions	16,701	
41	Write Off of Uncollectable Debts and Allowance for Impairment	1,471	
23,519		**25,968**	
(642)	Adjustments to Previous Years'	(1,661)	
(1,243)	Second Homes Council Tax – In Year	(1,885)	
(134,199)	**Transfer to CIES**	**(139,554)**	
	Council Tax Income Account notes		1 - 2

CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	2017/18 Proportion of Band D	2017/18 Council Tax	2018/19 Proportion of Band D	2018/19 Council Tax
A	Up to £27,000	0.6667	£779.69	0.6667	£803.08
B	£27,001 – £35,000	0.7778	£909.63	0.7778	£936.92
C	£35,001 – £45,000	0.8889	£1,039.58	0.8889	£1,070.77
D	£45,001 - £58,000	1.0000	£1,169.53	1.0000	£1,204.62
E	£58,001 - £80,000	1.3139	£1,536.63	1.3139	£1,582.74
F	£80,001 - £106,000	1.6250	£1,900.48	1.6250	£1,957.51
G	£106,001 - £212,000	1.9583	£2,290.32	1.9583	£2,359.05
H	Above £212,000	2.4500	£2,865.34	2.4500	£2,951.32

CT Note 2 – Calculation of Council Tax Base 2018/19

BAND	Band A*	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Properties	20,548	16,193	14,484	17,922	21,787	16,597	10,587	610	**118,728**
Less:									
Exemptions	1,482	703	528	494	419	232	113	16	**3,987**
Discount - 25%	2,592	1,701	1,307	1,345	1,202	655	316	15	**9,133**
Discount - 50%	508	321	268	264	237	166	103	15	**1,882**
Number of chargeable dwellings subject to disabled reduction	(57)	(46)	(2)	(74)	34	55	87	3	**0**
Number of adjusted chargeable dwellings	16,023	13,514	12,383	15,893	19,895	15,489	9,968	561	**103,726**
Ratio to Band D	0.667	0.7778	0.889	1.0	1.3139	1.625	1.9586	2.449	
Number of Band D equivalents for RSG purposes	10,678	10,511	11,009	15,893	26,140	25,170	19,525	1,374	**120,300**
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2018/19									**9**
Less: Adjustment to base for Council Tax Reduction Scheme									**6,368**
COUNCIL TAX BASE 2018/19									**113,941**

COUNCIL TAX BASE 2017/18	**113,350**

* Of the 10,678 Band A properties, 55 receive a discount in the ratio 5/9 relating to disabled relief.

Business Rates Income Account

The Business Rates Income Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Business 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 Business Rates poundage which is used to calculate the amounts of rates payable is set by the Scottish Government.

In 2018/19 the rate poundage was 48p (46.6p in 2017/18) Properties with a rateable value of more than £0.051million attract a Large Business Supplement of 2.6p (2.6p in 2017/18)

Properties with a rateable value of up to £0.081 million qualified for a reduction on a sliding scale of between 25% and 100% of their rates bill under the Small Business Bonus Scheme

Reliefs and Exemptions are available for certain properties. A list of Reliefs and Exemptions can be viewed on the 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 business 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.

2017/18 £'000		2018/19 £'000	Notes Ref
(141,110)	Gross Rates Levied and Contributions in Lieu	(148,220)	
	Less:		
25,885	Reliefs and Other Deductions	26,557	
2	Payment of Interest	6	
35	Write Off of Uncollectable Debts and Allowance for Impairment	54	
(115,188)	Net Business Rate Income	(121,603)	
3,717	Adjustments to Previous Year's Business Rates	142	
(2,362)	Council Discretionary Relief	(232)	
(113,833)	Total Business Rate Income (before Council Retentions)	(121,693)	
954	Business Rate Income Retained by the Council (BRIS)	1,403	
(112,879)	**Contribution to National Non-Domestic Rate Pool**	**(120,290)**	
(95,829)	**Sum due from Central Rates Pool**	**(110,710)**	
(954)	Business Rate Income Retained by the Council (BRIS)	(1,403)	
1,740	Adjustments for prior years – reliefs	(87)	
(95,043)	**Income Credited to Comprehensive Income and Expenditure Statement**	**(112,200)**	
	Business Rate Income Account Note		*1*

Business Rates Disclosures

BR Note 1 – Rateable Values and Number of Entries at 1 April 2018

As at 1/4/17 Number of Entries	As at 1/4/17 Rateable Value £'000		As at 1/4/18 Number of Entries	As at 1/4/18 Rateable Value £'000
1,958	40,913	Shops	1,980	41,212
103	2,719	Public Houses	100	2,700
1,482	40,281	Offices (Including Banks)	1,501	40,588
239	7,351	Hotel, Boarding Houses etc.	239	7,878
3,246	107,547	Industrial and Freight Transport Subjects	3,358	112,679
1,095	9,510	Leisure, Entertainment, Caravans and Holiday Sites	1,141	9,618
392	3,886	Garage and Petrol Stations	387	3,914
56	680	Cultural	57	756
176	354	Sporting Subjects	2,300	2,141
266	21,079	Education and Training	267	21,494
763	14,172	Public Services Subjects	761	14,294
43	5,156	Communications (Non Formula)	44	6,561
215	1,439	Quarries, Mines etc.	215	1,420
15	16,432	Petrochemical	15	16,376
443	1,990	Religious	443	2,006
135	3,936	Health Medical	137	4,028
1,072	1,829	Other	1,112	1,869
132	4,774	Care Facilities	130	4,767
19	64	Advertising	17	63
34	2,064	Undertaking	38	2,322
11,884	**286,176**	**Total**	**14,242**	**296,686**

Note: The 2018 Revaluation Roll came into force on 1 April 2018 and contains revised rateable values. National revaluations normally take place every five years throughout Scotland.

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 361 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 2019 and details of how these balances were invested at that date are shown below.

Adjustments were required to the 2017/18 figures and details of these can be found in Note 9.

INCOME AND EXPENDITURE STATEMENT

Restated All Trusts 2017/18 £'000	Charitable Trusts 2017/18 £'000	Expenditure	All Trusts 2018/19 £'000	Charitable Trusts 2018/19 £'000	Notes Ref
54	54	Administrative Costs	56	56	2
63	60	Donations, Grants etc.	74	66	
3	-	Other Costs	1	-	
120	**114**	**Total Expenditure**	**131**	**122**	
		Income			
(143)	(121)	Investment Income	(150)	(120)	
(67)	(63)	Other Income	(180)	(174)	2
(210)	**(184)**	**Total Income**	**(330)**	**(294)**	
(90)	**(70)**	**(Surplus) for the year**	**(199)**	**(172)**	

BALANCE SHEET

Restated All Trusts 2017/18 £'000	Charitable Trusts 2017/18 £'000	Current Assets	All Trusts 2018/19 £'000	Charitable Trusts 2018/19 £'000	Notes Ref
10	9	Other	60	59	
3,857	2,908	Investments	3,894	2,918	
2,765	1,579	Loans Fund Balance	2,994	1,755	
6,632	**4,496**	**Total Current Assets**	**6,948**	**4,732**	
		Current Liabilities			
(6)	(5)	Creditors	(3)	(2)	
6,626	**4,491**	**Net Current Assets**	**6,945**	**4,730**	
6,626	**4,491**	**Total Net Assets**	**6,945**	**4,730**	
		Financed by:			
(5,259)	(4,050)	Capital	(5,608)	(4,350)	
(1,367)	(441)	Revenue Balance	(1,337)	(380)	
(6,626)	**(4,491)**	**Reserves**	**(6,945)**	**(4,730)**	
		Other Trusts and Endowments notes			1,3

Trusts and Endowments (Continued)

SUMMARY OF FUNDS

Restated Total Funds 2017/18 £'000	Charitable Trusts 2017/18 £'000		Total Funds 2018/19 £'000	Charitable Trusts 2018/19 £'000	Notes Ref
		Education Trusts			
3,873	3,873	Aberdeenshire Educational Trust	4,122	4,122	
		Other Trusts			
1,713	522	General	1,762	512	
154	92	Libraries	157	92	
		Endowment Funds			
496	4	Educational Endowments	501	4	
390	-	Social Work Endowments	403	-	
6,626	**4,491**	**Total**	**6,945**	**4,730**	

Alan Wood, MA (Hons), CPFA
Head of Finance
19 September 2019

Trusts and Endowments - Disclosures

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 2019 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 – Further Details

A full analysis of all individual Trusts and also 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.

Adjustments were required to the 2017/18 figures and details of these can be found in Note 9.

Income and Expenditure Account for the Year Ended 31 March 2019

RESTATED Net Expenditure 2017/18 £'000	Services	Net Expenditure 2018/19 £'000	Notes Ref
46	Donations, Grants etc.	24	
24	Depreciation	31	
-	Repairs to Assets	2	
70	**Expenditure**	**57**	
(18)	Rental Income	(19)	
(8)	Interest Receivable and Similar Income	(11)	
(174)	Grants Receivable	(10)	
(200)	**Income**	**(40)**	
(130)	(Surplus) / Deficit on the Provision of Services	17	
(23)	Transfer from Revaluation Reserve	(30)	
(153)	**Decrease/(Increase) in the Year**	**(13)**	
	Other Notes		CG1

Balance Sheet as at 31 March 2019

RESTATED 2017/18 £'000		2018/19 £'000	Note Ref
1,449	Property, Plant and Equipment	1,695	
1,449	**Long Term Assets**	**1,695**	
14	Short Term Investments	14	
1,466	Cash and Cash Equivalents	1,470	
1,480	**Current Assets**	**1,484**	
(10)	Creditors	(10)	
(10)	**Current Liabilities**	**(10)**	
2,919	**Net Assets**	**3,169**	
	Usable Reserves:		
(1,261)	Revenue	(1,274)	
(379)	Capital	(380)	
	Unusable Reserves:		
(1,279)	Revaluation Reserve	(1,515)	
(2,919)	**Total Reserves**	**(3,169)**	
	Other Notes		CG 2 & 3

Alan Wood, MA (Hons), CPFA
Head of Finance
19 September 2019

Common Good Funds Disclosures

CG Note 1 – Significant 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 2017/18 £'000		Total Funds 2018/19 £'000
187	Macduff	179
1,626	Banff	1,874
4	Rosehearty	4
5	Portsoy	5
4	Aberchirder	4
64	Fraserburgh	65
457	Peterhead	461
85	Turriff	92
5	Oldmeldrum	5
100	Inverurie	94
24	Kintore	25
102	Stonehaven	102
56	Inverbervie	56
36	Laurencekirk	37
128	Huntly	130
36	Banchory	36
-	Ballater	0
2,919	**Total**	**3,169**

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. **Business Rates:** A charge levied on commercial properties and collected by the Council. The rate is set by the Scottish Government. It is also known as Non-Domestic Rates.

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.

Glossary (Continued)

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: Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.

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 Reserve £'000	Capital Fund £'000	Capital Grants Unapplied Account £'000	Total Capital Reserves £'000
Balance at 31 March 2017	**(1,120)**	**(298)**	**(2,924)**	**(4,342)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	-	-	(1,925)	**(1,925)**
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,409	**1,409**
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	**-**	**-**	**(516)**	**(516)**
Transfers to/from Statutory Reserves	460	(1)	-	459
(Increase)/Decrease in 2017/18	**460**	**(1)**	**(516)**	**(57)**
Balance at 31 March 2018 Carried Forward	**(660)**	**(299)**	**(3,440)**	**(4,399)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations				
Adjustment involving the Capital Grants Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	-	-	(11,852)	(11,852)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,293	1,293
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	**-**	**-**	**(10,559)**	**(10,559)**
Transfers to/(from) Statutory Reserves	-	-	-	-
(Increase)/Decrease in 2018/19	**-**	**-**	**(10,559)**	**(10,559)**
Balance at 31 March 2019 Carried Forward	**(660)**	**(299)**	**(13,999)**	**(14,958)**

Further Information on Museums Collections

Aberdeenshire Council Museum Service collections are managed in accordance with Council approved policies. Further information is provided in the Museum Service's Acquisition & Disposal Policies 2012-2017, which is available on the Council's website: https://www.livelifeaberdeenshire.org.uk/media/2726/collections-development-policy-2015-2020.pdf .

The policy states that collection items may only be disposed of when an item doesn't contribute to the interest and diversity of the collection. The Museum Service maintains several databases of items in the collections. The ADLiB collections management system records all items relocated to the HQ building and formally catalogued and will ultimately be the Museum Service's final register for the collections. As of 31 March 2019, Aberdeenshire Museums Service has been 22,577 objects recorded in the ADLiB database. It is estimated presently that to record all objects on the database from present MDA card records will take three years. This includes the backlog of non-catalogued objects.

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 6th-8th 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, and 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 three PFI 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:

(1) Design, construction and service provision of a new academy at Oldmeldrum.
(2) Design, refurbishment and service provision of the Banff Primary School.
(3) Design, extension and service provision of Meldrum Primary.
(4) Design and construction of a Support for Learners Unit at Banff Academy.

The effective date of service commencement for Banff Primary School 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 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

Abbreviation	Expansion
AHfS	Assets Held for Sale
BR	Business 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
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IJB	Integration Joint Board
JIAC	Joint Investment Advisory Board
LGPS	Local Government Pension Scheme
LLP	Limited Liability Partnership
MIRS	Movement in Reserves Statement
NESPF	North East Scotland Pension Fund
NHS	National Health Service
NI	National Insurance
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 2018/19
VAT	Value Added Tax