



From mountain to sea

Annual Accounts 2016/17

For the Year to 31 March 2017



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Purpose of the Management Commentary

The Management Commentary is intended to inform all users of the annual accounts and help them assess how the Council has performed in fulfilling its duties.

Strategy and Business Model

“Aberdeenshire – from mountain to sea, the very best of Scotland”: this is the Council’s vision, to be the best area and the best Council in Scotland. The Council Plan 2013 – 2017 (<http://www.aberdeenshire.gov.uk/media/3821/councilplan2013-17.pdf>) sets out how it will achieve this, through core outcomes and key priorities which are set out clearly for its communities, its employees, and to other public sector organisations, voluntary organisations and businesses. The current vision is underpinned by a series of principles guiding what we do and how we do it, and in turn supported by the three pillars of Early Intervention, Demography and Economic Development.

The existing Council Plan which covered the financial year 2016/17 is now due for a refresh with work to develop a new four year Plan being prepared. The new Plan will be informed by evidence coming from a range of sources including feedback from communities and also informed by the political priorities following the May 2017 council election.

The themes and outcomes identified in the Council Plan will work towards delivering the vision for Aberdeenshire in 2050.

70 Councillors now represent Aberdeenshire across 19 multi-member wards, each with either three or four Councillors. The Councillors were elected in May 2017 and are responsible for providing community leadership, setting strategic direction, priorities and policies of the Council, representing the interests of local communities, promoting effective partnerships and scrutinising the performance of services,.

Councillors fulfil their role through the decision-making processes of the Council and its Committees. The Council deals with strategic and corporate issues that impact across the whole Council. Following the recent review of governance, there are now four Policy Committees which provide opportunity for scrutiny and debate in relation to the core services of: Business Services, Infrastructure Services, Education and Children’s Services and Communities. Six Area Committees enable Councillors to debate and decide on local issues.

In addition, the Audit Committee has a remit to review the adequacy of internal control systems, policies and practices employed to ensure compliance with relevant statutes, directions, guidance and policies, financial information presented to the Council, and risk assessment arrangements and procedures. The Committee does this by reviewing financial statements, management letters and reports to ensure compliance with relevant codes of practice

The Committee manages the relationship with the Chief Internal Auditor ensuring that the Council’s Internal Audit function is resourced properly and has appropriate standing within the Council and reviews the activities of the Internal Audit function, including its annual work programme. It also oversees all aspects of the Council’s relationship with its external auditors.

The Audit Committee receives and provides feedback on reports from the Integration Joint Board Audit Committee and reviews the effectiveness of the Council’s delivery of Adult Social Work services on behalf of and under directions from Aberdeenshire Integration Joint Board.

As part of the accounts for 2016/17, 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 this Management Commentary equally applies across the group of accounts.

Management Commentary (Continued)

Throughout the financial year 2016/17, the Council has been led by 'The Partnership', comprising the 28-member SNP group and the 'Progressive Alliance' containing the two Scottish Labour Councillors and the two Progressive Independent Councillors. Following the Local Government Elections in May 2017 the Council administration is led by a new administration comprising of the Conservative and Liberal Democrat parties along with a number of Independent Councillors. Councillor Jim Gifford has been appointed the Leader of the Council with effect from 18 May 2017.

Council services are managed and delivered through the Chief Executive's Service and three directorates: Business Services, Infrastructure Services and Education and Children's Services. Alongside the directorates, Adult Social Work is managed and delivered by the Chief Officer of the Aberdeenshire Health and Social Care Partnership. Each directorate prepares a service plan that supports the delivery of the priorities in the Council Plan, identifying key projects and actions as well as key performance measures.

Progress against Key Performance Indicators







The Council is committed to being a high performing Council with an inherent culture of performance improvement. 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. The Council Plan is supported by a set of Service and Business Plans with key measures and targets against which progress is measured, monitored and improved. Measures and targets include the statutory performance indicators as required by the Accounts Commission Direction and a selection of these are used to enable residents, communities and the Scottish Government to compare how Aberdeenshire Council performs against other Councils in Scotland. Performance against the statutory performance indicators is considered by the Local Area Network of scrutiny bodies and informs the annual shared risk assessment and resulting local scrutiny plan.

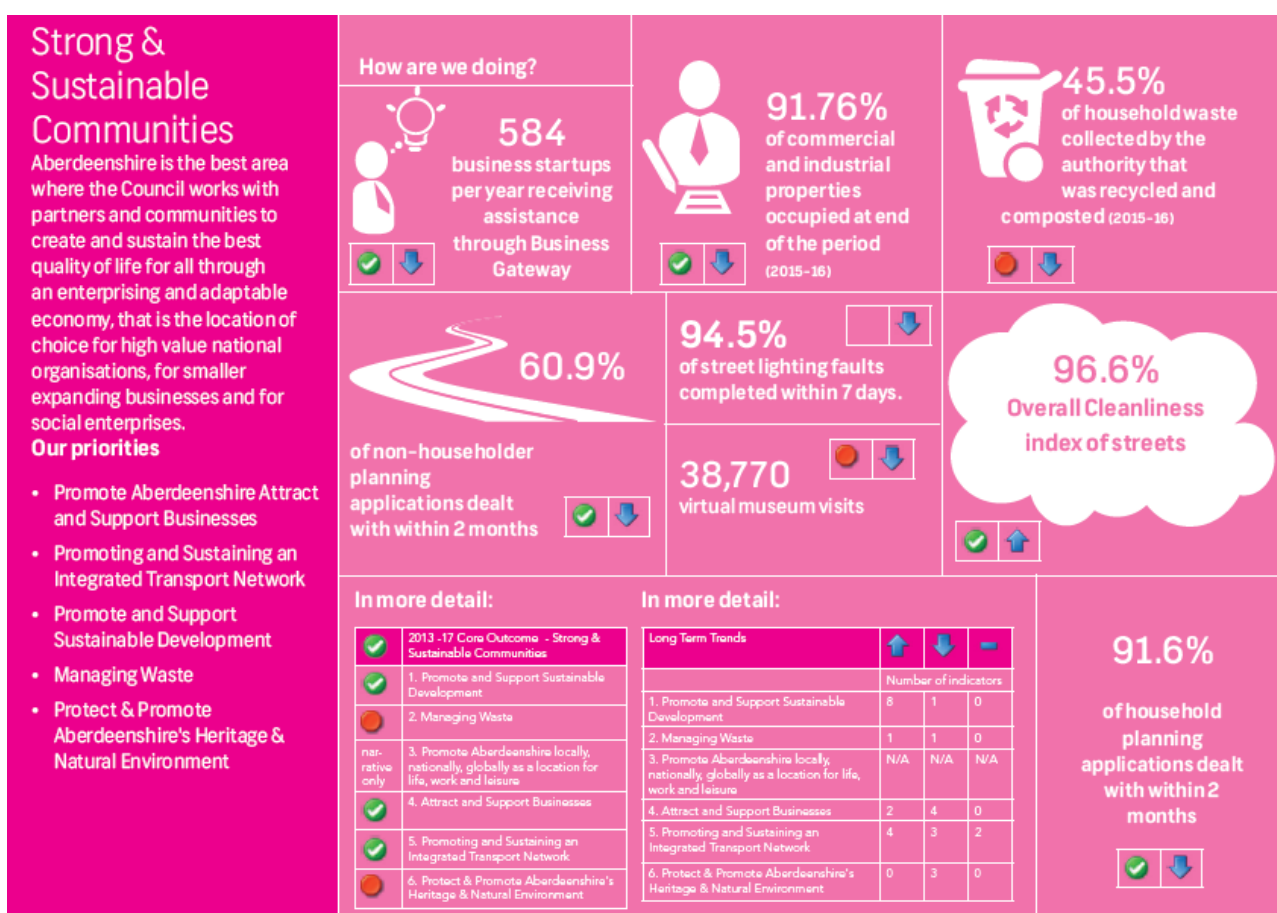
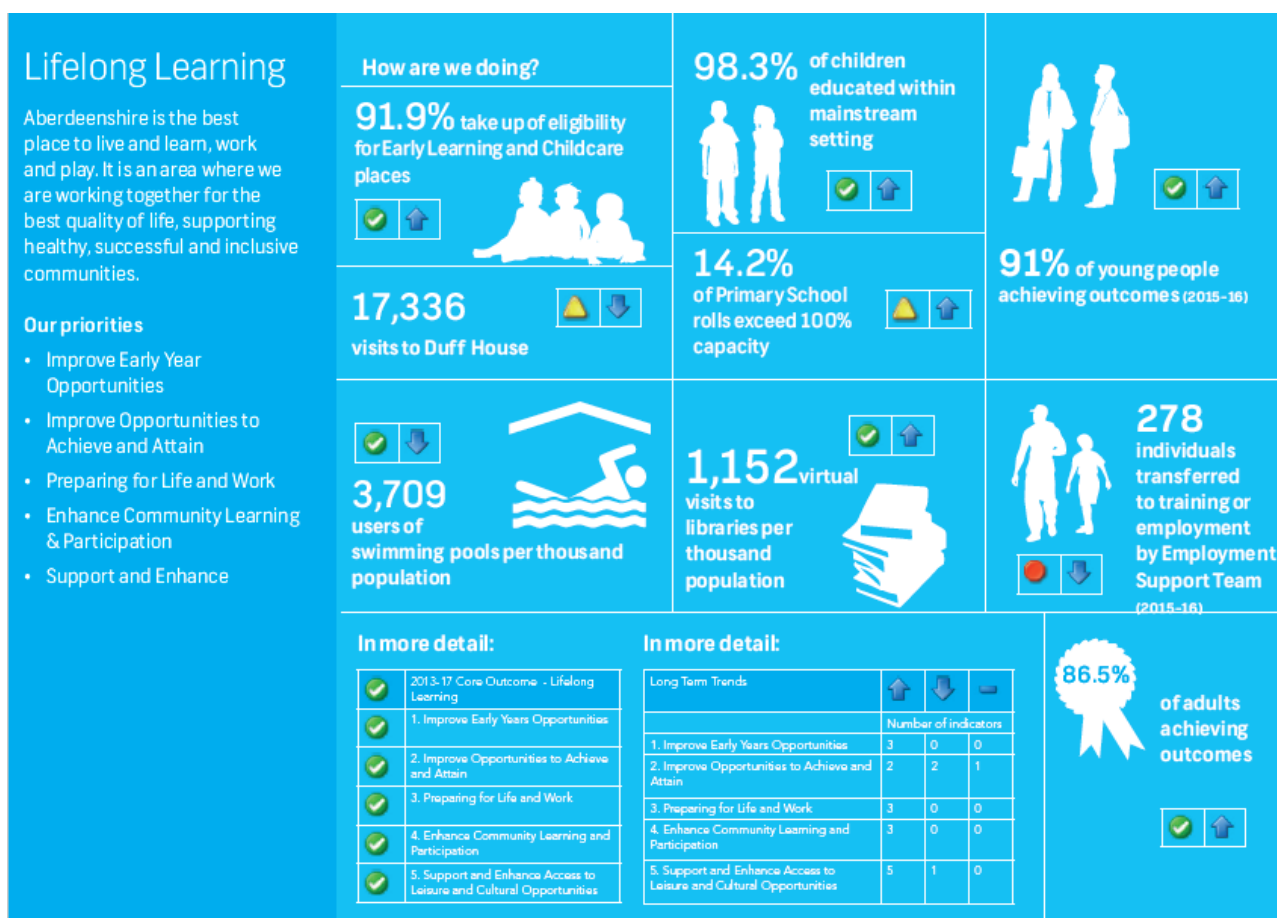
The Council publishes an Annual Performance Report in September each year which is available to the public on the Council's website at <http://www.aberdeenshire.gov.uk/strategy-and-performance/about-performance/>.

The 2016/17 Annual Report will be considered by Aberdeenshire Council on 28 September 2017.

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. The most recent comparative data available is for the financial year 2015/16. To see how Aberdeenshire Council compares to other Councils visit <http://www.aberdeenshire.gov.uk/strategy-and-performance/benchmarking/>

A summary of the most recent performance against the Council's key performance measures is given below to cover the period to 31 March 2017 and performance can be viewed in terms of the guidance below. A core set of measures were aligned to the priorities at the commencement of the plan which have been used to evidence delivery of the priorities over the life of the plan. Overall performance has improved during the period 2013-2017.

Key for annual performance:		Key for trend analysis over life of Council Plan (2013/2017):	
	At least 50% of measures in this outcome are significantly below target (red)		Performance Improving over life of plan
	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



Caring for Communities

Aberdeenshire is the best place to be, where the council is creating and sustaining the best quality of life for all through involving and enabling happy, healthy and confident people who live in safe, friendly and lively communities.

Priorities

- Promote and support safe communities
- Providing quality public spaces
- Provide quality, affordable housing
- Support and protect vulnerable children, young people and adults
- Support independence for adults and older people

How are we doing?



21
reportable accidents/incidents reported to the Health and Safety Executive (HSE)

2.2%
half day truancy/unexplained absences for Looked after Children



93.5% of offenders reporting that supervision has had a positive impact on reducing their offending behaviour (2015-16)



32.2%
of over 65s with intensive care needs receiving care at home (2015-16)

38%
of Aberdeenshire households in fuel poverty (2015-16)

92.9%
of occupational therapy assessments carried out within target timescales (2015-16)



In more detail:

2013-17 Core Outcome - Caring for Communities	
1. Promote and support safe communities	✓
2. Providing quality public spaces	✓
3. Support and protect vulnerable children, young people and adults	⚠
4. Support independence for adults and older people	⚠
5. Provide quality, affordable housing	⚠

In more detail:

Long Term Trends	↑	↓	→
1. Promote and support safe communities	3	6	2
2. Providing quality public spaces	0	1	2
3. Support and protect vulnerable children, young people and adults	1	1	1
4. Support independence for adults and older people	2	1	0
5. Provide quality, affordable housing	4	0	0



223
new affordable homes developed this year (2015-16)

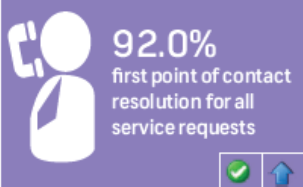
Public Service Excellence

Aberdeenshire is the best council. It is a dynamic, effective organisation aiming to provide excellent services by finding new and more efficient ways of doing things. The focus is on continuous improvement of the quality and efficiency of service provided with strong leadership and motivated employees.

Priorities

- A Focus on the Customer
- Effective Resource & Asset Management
- The Best Workforce
- Excellent Communication, Performance & Improvement

How are we doing?



Shared Risk Assessment
local scrutiny plan indicates all areas are 'No Scrutiny Required'

62.4%
highest paid 5% employees who are women

96.0%
investigation responses fully resolved within 20 working days



92.9%
of people who believe Aberdeenshire Council delivers value for money



60.2%
of key projects delivered on time for property related construction projects

In more detail:

2013-17 Core Outcome - Public Service Excellence	
1. Effective Resource & Asset Management	✓
2. Excellent Communication, Performance & Improvement	✓
3. A Focus on the Customer	✓
4. The Best Workforce	✓

In more detail:

Long Term Trends	↑	↓	→
1. Effective Resource & Asset Management	11	5	1
2. Excellent Communication, Performance & Improvement	3	0	0
3. A Focus on the Customer	6	6	2
4. The Best Workforce	5	0	1

100%
of our clients felt confidence in our knowledge of the law and scoring either 'fairly' or 'very' confident in the Customer Feedback Survey

Financial Performance

For 2016/17 the Council had a deficit on the General Fund of £1.725 million whilst the Housing Revenue Account broke even.

In order to prepare the Council's accounts in the regulatory format, a number of specific items are reflected in the accounts which are not shown in the monitoring information during the year. The reconciliation of these positions is a key part of the Councillors' Annual Accounts meeting in August.

The main items reflected only in the Annual Accounts are: the Council incurred a deficit of £211,176,000 (2015/16: £69,134,000 deficit) on the provision of services. With a net surplus of £61,688,000 (2015/16: £10,082,000 deficit) on the revaluation of non-current assets and actuarial losses of £144,651,000 (2015/16: £51,719,000 gains) on the pension liabilities are taken into account, this gives total net expenditure of £294,139,000 (2015/16: £27,497,000 restated). This translates to an equivalent decrease in Total Reserves, as shown in the Movement in Reserves Statement (MIRS) and the Balance Sheet.

When the net deficit is adjusted to take account of transactions that have been included on an accounting basis, there has been a reduction in the Council's usable reserves of £11,234,000 from £60,061,000 to £48,827,000. This was a planned strategy employed by the Council as many of these balances had been set aside for specific purposes such as Innovation projects, Business Transformation and the use of grants received in previous years where the associated expenditure was not incurred until 2016/17.

Of the total usable reserves, £28,377,000 (2015/16: £27,655,000) is earmarked for specific purposes such as further Business Transformation projects, Innovation projects, the carry forward of balances by schools, improving the Education Learning Estate and Regeneration, £3,550,000 (2015/16: £4,423,000) is held for Repairs and Renewals purposes, £2,022,000 (2015/16: £1,690,000) is held as a reserve for Insurance purposes and £4,342,000 (2015/16: £7,015,000) is held to fund future capital expenditure. This leaves £2,000,000 (2015/16: £2,000,000) as a working balance for the ring fenced Housing Revenue Account (HRA), and £8,536,000 (2015/16: £17,278,000) as a working balance for all other purposes. The working balance on the HRA is in line with the Reserves Policy. The Reserves Policy indicates that the Council will maintain a minimum working balance of £10,000,000 on the General Fund, although this has been reduced to £9,000,000 for 2017/18.

The movements in the working balances of the General Fund and HRA are set out in the following table:

	General Fund £'000	HRA £'000
Working Balance at 31 March 2016	(17,278)	(2,000)
Use of Working Balance	7,017	-
Deficit for the Year	1,725	-
Working Balance at 31 March 2017	(8,536)	(2,000)

A comparison of expenditure on General Fund services with budget is set out in the following table:

	Budget £'000	Actual £'000	Variance £'000
Business Services Committee	39,084	39,525	441
Communities Committee	114,631	114,837	206
Education and Children's Services	291,906	293,496	1,590
Infrastructure Services Committee	69,847	67,266	(2,581)
Capital Financing Charges and Interest on Revenue Balances	30,042	29,902	(140)
Gross Expenditure	545,510	545,026	(484)
Income from Revenue Support Grant, Business Rates and Council Tax	(535,496)	(533,287)	2,209
Net (Surplus)/Deficit Before Use of Reserves	10,014	11,739	1,725
Replenishment/(Use) of Reserves and the Working Balance	(10,014)	(10,014)	-
(Surplus)/Deficit	-	1,725	1,725

Management Commentary (Continued)

Actual expenditure on the provision of General Fund services was within 0.3% of budget, which is positive. From a financial perspective, there are a number of variances from budget resulting in this net position.

For example, in Education and Children's Services, permanent teachers and out of authority placements were over budget. This has led to a review of the base budget within the Service to ensure that the service needs for teachers and out of authority placements are matched by an appropriate financial provision.

Within Infrastructure Services, Building Standards, Development Management and Highways were over budget. These were more than offset by savings in Roads, Winter Maintenance and Other Emergencies and Transportation and sales to third parties from Quarries have been higher than budget.

The income from Revenue Support Grant received was as budgeted, however a re-alignment of income relating to probationers was transferred to the Education and Children's Services budget. Income from Council Tax was below the level anticipated when the Revenue Budget was set due to lower than expected income being realised from empty properties as a result of the Council being able to remove empty property discount.

The HRA was over budget as a result of increased premises costs, however the budget has been balanced through a reduction in capital expenditure funded from the HRA revenue budget.

The Council agreed a capital programme by budgeting for capital expenditure of £145,067,000, after taking account of slippage of £1,615,000. Total capital expenditure was £125,540,000 of which £33,110,000 was spent on Infrastructure Services, £10,054,000 was spent on Communities, £40,629,000 was spent on Education and Children's Services, £8,546,000 was spent on Business Services, £4,190,000 on the City Region Deal and £29,011,000 was spent on HRA Housing. Expenditure was funded by grants of £46,771,000, sale receipts of £5,451,000, revenue contributions of £19,249,000 and borrowing of £54,069,000.

Projects completed during the year include the new Hillside Primary School, Kintore (Midmill) Primary School and Banff and Macduff Sporting Facilities. Work continued on the Aberdeen Western Peripheral Route, and this project is expected to be completed in late 2017.

There was an increase in long term borrowing of £99,632,000 in 2016/17 in line with the medium term financial strategy as the Council borrowed as planned at relatively low interest rates.

A significant movement on the Balance Sheet was in relation to Pension Liabilities. The North East Scotland Pension Fund (NESPF) was revalued as at 31 March 2014, informing employer contribution rates for the three year period from 2015/16 to 2017/18. At that point, the Fund's assets were sufficient to cover 94% of its liabilities, and the maximum deficit recovery period set at 19 years. The Council's contribution rate is 19.3% for the financial years 2015/16 – 2017/18. Following the assessment of the liabilities at 31 March 2017, the net pension liability has increased by £159,274,000 since 31 March 2016. The calculations involved in determining this liability are particularly sensitive to the discount rate, which is set by the value of High Quality Corporate Bond Yields. A lower discount rate means that a higher value will be placed on scheme liabilities. The discount rate has reduced from 3.6% to 2.6%, hence the deficit has increased considerably.

It is important to note that NESPF has performed extremely well over the year with the asset value increasing from £3.182 billion to £3.810 billion as at 31 March 2017. The increase of 19.8% is a significant gain due to high investment returns over the period. The methodology that will be used to calculate the value of liabilities for the next triennial valuation as at 31 March 2017 will not reflect the value of bond yields and will, instead, use real returns to determine the discount rate.

The Aberdeenshire Integration Joint Board (IJB) had forecast a breakeven position throughout the year on a budget of some £300 million. The actual audited outturn position for the Board for 2016/17 was a very small surplus of £9,000. The IJB has received an unqualified audit opinion and will build on the financial management performance to support service delivery during 2017/18.

Principal Risks and Uncertainties

The Council's Risk Management Process uses a Risk Register structure which has been updated to align it with the current Council structure and to differentiate between strategic and operational risk. The Corporate Strategic Risk Register is aligned to the Principal Risks noted in the table below. Each of these will be managed by a Director and assigned to an appropriate Head of Service. Directorate Strategic Risk Registers will be aligned with their Service Plans and will identify those risks related to both Council and Service priorities.

Operational risk registers will be maintained at Head of Service level and these will continue to be updated on a regular basis. The Risk Manager prepares a Quarterly Risk Management Review for the Strategic Leadership Team. This review will be reported to members of the Audit Committee.

Risk	Management and Controls	Management Confirmation of Controls	Independent Assurance	Governance
Budget Pressures	<ul style="list-style-type: none"> Budget setting process Budget management at various levels 	<ul style="list-style-type: none"> Service budget monitoring Directorate budget monitoring 	<ul style="list-style-type: none"> Internal Audit External Audit 	<ul style="list-style-type: none"> Committee reporting
Changes in government policy, legislation and regulation	<ul style="list-style-type: none"> COSLA membership SOLACE membership Membership of professional bodies at corporate and individual level 	<ul style="list-style-type: none"> Corporate Risk Management Steering Group 	<ul style="list-style-type: none"> Internal Audit External Audit Care Inspectorate Education Scotland 	<ul style="list-style-type: none"> Committee reporting
Workforce (attracting and retaining the rights skills, performance, reward package)	<ul style="list-style-type: none"> HR & OD policies 	<ul style="list-style-type: none"> Joint Consultative Committee Service Management Teams Directorate Management Teams Strategic Leadership Team 	<ul style="list-style-type: none"> Internal Audit 	<ul style="list-style-type: none"> Committee reporting
Business and organisational transformation	<ul style="list-style-type: none"> Project management process 	<ul style="list-style-type: none"> Strategic Leadership Team Project Manager reporting 	<ul style="list-style-type: none"> Internal Audit 	<ul style="list-style-type: none"> Committee reporting
Working with other organisations (e.g. supply chains, outsourcing and partnership working)	<ul style="list-style-type: none"> Partnership policy and partnership risk registers Procurement policy 	<ul style="list-style-type: none"> Strategic Leadership Team Partnership reporting to lead service 	<ul style="list-style-type: none"> Internal Audit Care Inspectorate 	<ul style="list-style-type: none"> Committee reporting Partnership boards
Reputation management (including social media)	<ul style="list-style-type: none"> General policies and procedures Social media policy Information Security Management Group 	<ul style="list-style-type: none"> Directorate and Service Management Teams Corporate Risk Management Steering Group 	<ul style="list-style-type: none"> Care Inspectorate Education Scotland Internal Audit 	<ul style="list-style-type: none"> Committee reporting
Social Risk (e.g. population changes, demographic changes, crime, anti-social behaviour)	<ul style="list-style-type: none"> Community Planning Partnership CONTEST Implementation Group Serious and organised crime implementation 	<ul style="list-style-type: none"> Strategic Leadership Team Directorate Management Team 	<ul style="list-style-type: none"> Internal Audit External Organisations 	<ul style="list-style-type: none"> Committee reporting
Data Protection and Security	<ul style="list-style-type: none"> Information and Security Management Group Operational controls 	<ul style="list-style-type: none"> Corporate Risk Management Steering Group 	<ul style="list-style-type: none"> Internal Audit External Organisations Information Commissioner 	<ul style="list-style-type: none"> Committee reporting

Risk	Management and Controls	Management Confirmation of Controls	Independent Assurance	Governance
Environmental Challenges (e.g. extreme weather events, climate change)	<ul style="list-style-type: none"> Emergency planning arrangements Business Continuity plans Adaptation strategies Resilience working group 	<ul style="list-style-type: none"> Regional and Local Resilience Partnerships Corporate Risk Management Steering Group Emergency response and Business Continuity plan monitoring 	<ul style="list-style-type: none"> Internal Audit External Organisations 	<ul style="list-style-type: none"> Committee reporting Scottish Government

Main Trends and Factors Likely to Affect the Future Development, Performance and Position of the Council's Business

There are a number of developments, some already in place, that affect the Council's future performance and business.

The Aberdeenshire Integration Joint Board was established on 6 February 2016 with responsibility for health and social care across Aberdeenshire from April 2016. A Strategic Plan including key performance measures was agreed which involved joint working with the Council, NHS Grampian, Third Sector organisations, private providers of health and social care, and the residents of Aberdeenshire. Coupled with this, the Social Care (Self Directed Support) (Scotland) Act 2013 which empowers people to direct their own care and increases choice and control over care needs will continue to be implemented. The changing demographics in the area continue to have a major impact with a forecast substantial rise in the number of adults aged over 75 during the next decade.

Welfare Reform continues to impact significantly on workload and on the delivery of benefits. The Council is working with local and national partners to assist residents with these changes and has reviewed aspects of service delivery to provide advice and support to maintain tenancies and manage increased applications for discretionary payments.

The Children and Young People (Scotland) Act 2014 brought together and strengthened separate legislation on children's services and children's rights into a single comprehensive framework that includes early learning and childcare, Getting It Right For Every Child. The Education and Children's Service continue to implement the provisions of the Act.

The Waste (Scotland) Regulations 2014 have been implemented in part, with a ban on municipal biodegradable waste going to landfill by 1 January 2021 expected. The Council is working collaboratively with neighbouring authorities with regard to the future management of residual waste.

Aberdeenshire Council has for the first time set a Carbon Budget for the financial year 2017/18. The Carbon budget is the first to be established by a local authority in Scotland. Carbon Budgeting is a tool which can be utilised to ensure that each service is made accountable for reducing its carbon emissions and allows the Council to better manage its emission targets.

The budget concept has been to allocate an allowance of Carbon Dioxide Equivalent (CO₂e) emissions for 2017/18, with Directorates required to keep within this allowance over the financial year. As this concept develops each year, the CO₂e allowance will be reduced in order to achieve the Council's own policy to reduce climate change emissions and to save the council money on avoidable energy use.

The Scottish Government will continue the pace of public sector reform which will impact locally. This reform is based on four key themes:

- **Place** - Integration of services through better partnership, collaboration and effective local delivery;
- **People** - Developing the capabilities of the public service workforce and its leadership;
- **Performance** - Embedding a performance culture to improve outcomes; and
- **Prevention** - Shifting towards preventative spending – preventing problems by intervening earlier.

Management Commentary (Continued)

The Council continues to demonstrate a long term plan to support a shift towards preventative spending, supporting early intervention and service redesign where appropriate whilst meeting agreed outcomes.

In February 2017, the Council agreed budgets for 2018/19 – 2021/22 on a provisional basis. These provisional budgets indicated a potential resource available to the Council of some £1 billion per year across revenue budgets, capital plans, 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.

Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016

The Regulations have been applied from 1 June 2016 and were applied in financial year 2016/17. The new Regulations repealed a number of the provisions of the Local Government Act 1975, setting out the statutory arrangements for local authority borrowing, lending and the statutory loans fund. The implications of the main changes were reported to the Business Services Committee in March 2017. The main area that will require to be reviewed is in relation to the statutory repayment of loans fund advances. Local authorities are able to continue to use the statutory method until 31 March 2021. After this date the Council must change its policy to either use the depreciation, asset life or funding/income profile method. A full review will be undertaken in conjunction with our Treasury advisors and a decision will be taken prior to 31 March 2021 by Committee on which methodology to use. An update on the position will be provided in next year's Annual Accounts.

Annual Accounts

The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, of 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 2016/17 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

Jim Gifford
Leader of the Council

Jim Savege
Chief Executive

Alan Wood
Head of Finance

On behalf of the Councillors and Strategic Leadership Team

21 September 2017



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 Senior 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 the Leader of the Council, the Provost and Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2016. 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 2016/17 the salary for the Leader of Aberdeenshire Council is £39,418 (2015/16 £39,028). Since the appointment of Co-Leaders in June 2015, this salary has been paid on an alternate month basis to the incumbents in this post. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council.

The 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 £498,982 (2015/16 £503,326) and is detailed in Table B of this report.

Remuneration Report (Continued)

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.

Senior Employees – Aberdeenshire Council

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 19 and the costs identified on page 17 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:

2015/16 £'000	Type of Remuneration	2016/17 £'000
1,592	Salaries	1,601
119	Expenses	117
1,711	Totals	1,718

The annual return of Councillors' salaries and expenses for 2016/17 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at <http://www.aberdeenshire.gov.uk>.

Remuneration Report (Continued)

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

Total Remun'n 2015/16 £	Pension Cont's 2015/16 £	Name	Salaries, Fees and Allowances 2016/17 £	Total Remun'n 2016/17 £	Pension Cont's 2016/17 £		As at 31 March 2017 £'000	Difference from 31 March 2016 £'000
31,978	6,172	Richard Thomson	34,544	34,544	6,667	Pension Lump Sum	3 -	1 -
24,113	4,654	Alison Evison	32,028	32,028	6,181	Pension Lump Sum	2 -	1 -
32,713	6,314	Martin Kitts-Hayes	14,782	14,782	2,853	Pension Lump Sum	3 21	(1) 19
25,181	4,860	James Gifford	22,173	22,173	4,279	Pension Lump Sum	3 2	(1) -
5,159	996	Isobel Davidson	-	-	-	Pension Lump Sum	- -	- -
29,272	5,649	Gillian Owen	29,565	29,565	5,706	Pension Lump Sum	4 2	1 -
24,113	-	Anne Allan	29,565	29,565	-	Pension Lump Sum	- -	- -
18,177	-	Charles Buchan	22,173	22,173	-	Pension Lump Sum	- -	- -
3,776	-	Ron McKail	-	-	-	Pension Lump Sum	- -	- -
18,177	3,508	Stephen Smith	22,173	22,173	4,279	Pension Lump Sum	4 3	1 -
3,776	729	Alan Buchan	-	-	-	Pension Lump Sum	- -	- -
18,177	3,508	Ross Cassie	22,173	22,173	4,279	Pension Lump Sum	1 -	- -
18,177	3,508	Raymond Christie	22,173	22,173	4,279	Pension Lump Sum	2 -	- -
3,776	729	Alisan Norrie	-	-	-	Pension Lump Sum	- -	- -
27,888	-	Hamish Vernal	29,565	29,565	-	Pension Lump Sum	- -	- -
284,453	40,627	CARRIED FORWARD	280,914	280,914	38,523		50	21

Remuneration Report (Continued)

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

Total Remun'n 2015/16 £	Pension Cont's 2015/16 £	Name	Salaries, Fees and Allowances 2016/17 £	Total Remun'n 2016/17 £	Pension Cont's 2016/17 £		As at 31 March 2017 £'000	Difference from 31 March 2016 £'000
284,453	40,627	BROUGHT FORWARD	280,914	280,914	38,523		50	21
5,159	996	Jill Webster	-	-	-	Pension Lump Sum	- -	- -
21,144	4,081	Allison Grant	22,173	22,173	4,279	Pension Lump Sum	3 1	- -
4,467	-	Norman Smith	-	-	-	Pension Lump Sum	- -	- -
24,113	4,654	David Aitchison	29,565	29,565	5,706	Pension Lump Sum	2 -	1 -
5,159	996	Peter Argyle	-	-	-	Pension Lump Sum	- -	- -
5,159	996	Karen Clark	-	-	-	Pension Lump Sum	- -	- -
25,612	4,943	John Cox	25,869	25,869	4,993	Pension Lump Sum	2 -	1 -
25,612	4,943	Stuart Pratt	25,869	25,869	4,993	Pension Lump Sum	4 2	- -
25,612	4,943	Rob Merson	25,869	25,869	4,993	Pension Lump Sum	4 2	1 -
25,612	4,943	Fergus Hood	25,869	25,869	4,993	Pension Lump Sum	2 -	(1) -
25,612	-	Carl Nelson	25,869	25,869	-	Pension Lump Sum	- -	- -
25,612	4,943	Moirra Ingleby	25,869	25,869	4,993	Pension Lump Sum	5 2	1 -
-	-	Graeme Clark	11,116	11,116	2,145	Pension Lump Sum	- -	- -
503,326	77,065	TOTALS	498,982	498,982	75,618		79	24

Remuneration Report (Continued)

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

Name	Post Title	Period in Office	Name	Post Title	Period in Office
Richard Thomson	Co-Leader of the Council Chair – Business Services Committee Chair – Policy and Resources Committee Vice Chair – Policy and Resources Committee Vice Chair – Scrutiny and Audit Committee	From 8 June 2015 From 26 January 2017 1 September 2016 to 25 January 2017 8 June 2015 to 31 August 2016 Until 7 June 2015	Hamish Vernal	Provost Leader of the Opposition	From 8 June 2015 Until 7 June 2015
Alison Evison	Co-Leader of the Council Chair – Education and Children's Services Committee Chair – Education, Learning and Leisure Committee	From 29 September 2016 From 26 January 2017 8 June 2015 to 25 January 2017	Jill Webster	Provost	Until 7 June 2015
Martin Kitts-Hayes	Co-Leader of the Council Chair – Policy and Resources Committee Vice Chair – Policy and Resources Committee	8 June 2015 to 31 August 2016 8 June 2015 to 31 August 2016 Until 7 June 2015	Allison Grant	Deputy Provost	From 8 June 2015
James Gifford	Leader of the Main Opposition Leader of the Council Chair - Policy and Resources Committee	From 8 June 2015 Until 7 June 2015 Until 7 June 2015	Norman Smith	Deputy Provost	Until 7 June 2015
Isobel Davidson	Chair – Education, Learning and Leisure Committee	Until 7 June 2015	David Aitchison	Chair – Infrastructure Services Committee	From 8 June 2015
Gillian Owen	Chair – Audit Committee Chair – Scrutiny and Audit Committee	From 26 January 2017 8 June 2015 to 25 January 2017	Peter Argyle	Chair - Infrastructure Services Committee	Until 7 June 2015
Anne Allan	Chair – Communities Committee Chair – Social Work and Housing Committee	From 26 January 2017 8 June 2015 to 25 January 2017	Karen Clark	Chair – Social Work and Housing Committee	Until 7 June 2015
Charles Buchan	Vice Chair – Education and Children's Services Committee Vice Chair – Education, Learning and Leisure Committee	From 26 January 2017 8 June 2015 to 25 January 2017	John Cox	Chair - Banff and Buchan Area Committee	From 1 April 2015
Ron McKail	Vice Chair – Education, Learning and Leisure Committee	Until 7 June 2015	Stuart Pratt	Chair - Buchan Area Committee	From 1 April 2015
Stephen Smith	Vice Chair – Business Services Committee Vice Chair – Policy and Resources Committee Vice Chair – Infrastructure Services Committee	From 26 January 2017 29 September 2016 to 25 January 2017 8 June 2015 to 28 September 2016	Rob Merson	Chair - Formartine Area Committee	From 1 April 2015
Alan Buchan	Vice Chair – Infrastructure Services Committee	Until 7 June 2015	Fergus Hood	Chair - Garioch Area Committee	From 1 April 2015
Ross Cassie	Vice Chair – Audit Committee Vice Chair – Scrutiny and Audit Committee	From 26 January 2017 8 June 2015 to 25 January 2017	Carl Nelson	Chair - Kincardine and Mearns Area Committee	From 1 April 2015
Raymond Christie	Vice Chair – Communities Committee Vice Chair – Social Work and Housing Committee	From 26 January 2017 8 June 2015 until 25 January 2017	Moir Ingleby	Chair - Marr Area Committee	From 1 April 2015
Alison Norrie	Vice Chair – Social Work and Housing Committee	Until 7 June 2015	Graeme Clark	Vice Chair – Infrastructure Services Committee	From 29 September 2016

Remuneration Report (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 – The column titled "Total Cost of Councillors (non-taxable expenses, NI and Superannuation)" contains the information reported each year on the cost of councillors which is published on the Council's website.

Note 5 – For 2016/17 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 2015/16 £	Pension Contributions 2015/16 £	Name and Post Title	Salaries, Fees and Allowances 2016/17 £	Total Remuneration 2016/17 £	Pension Contributions 2016/17 £		As at 31 March 2017 £'000	Difference from 31 March 2016 £'000
148,022	28,344	Jim Savege : Chief Executive	158,872	158,872	28,038	Pension Lump Sum	6 -	3 -
113,716	21,947	Maria Walker : Director of Education and Children's Services	115,564	115,564	22,167	Pension Lump Sum	61 134	3 1
113,716	21,947	Stephen Archer : Director of Infrastructure Services	114,853	114,853	22,167	Pension Lump Sum	76 -	3 -
113,716	21,947	Ritchie Johnson : Director of Business Services (From 1 October 2015) : Director of Communities (Until 30 September 2015)	115,718	115,718	22,167	Pension Lump Sum	40 72	3 1
19,305	3,668	Christine Gore : Director of Business Services (Until 8 May 2015) (Full Year Equivalent - £113,716)	-	-	-	Pension Lump Sum	- -	- -
93,731	18,059	Alan Wood : Director of Business Services (From 1 June 2015 until 30 September 2015) (Full Year Equivalent - £113,716) : Head of Service (Finance) (Except For 1 June 2015 to 30 September 2015) (Full Year Equivalent - £83,457)	84,670	84,670	16,268	Pension Lump Sum	31 56	(1) (6)
27,395	5,287	Alex Stephen : Head of Service (Finance) (From 1 June 2015 until 30 September 2015) (Full Year Equivalent - £83,457)	-	-	-	Pension Lump Sum	- -	- -
83,457	16,107	Robert Driscoll : Head of Service (Chief Social Work Officer)	84,292	84,292	16,268	Pension Lump Sum	38 80	2 1
83,802	16,107	Karen Wiles : Head of Service (Legal and Governance)	85,321	85,321	16,268	Pension Lump Sum	11 -	1 -
796,860	153,413	TOTALS	759,290	759,290	143,343		605	11

Remuneration Report (Continued)

Notes to Table C:

The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2017 includes £18,770 received as the Returning Officer for Aberdeenshire in respect of the 2015 Westminster Election, the 2016 Scottish Parliamentary Election, the EU Referendum and Local Council By-Elections.

The Director of Education and Children's Services, the Director of Business Services, the Head of Service (Finance) and the Head of Service (Legal and Governance) also received payments relating to the 2016 Scottish Parliamentary Election, the EU Referendum and Local Council By-Elections of £711, £865, £379 and £1,029 respectively during the year ended 31 March 2017.

For 2016/17 there was no payment for Bonuses, Taxable Expenses, Compensation for Loss of Employment, and Non-Cash Benefits. These columns have been removed from the above table.

Table 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.

Remuneration Bands	No of Employees	
	2016/17	2015/16
£50,000 - £54,999	187	150
£55,000 - £59,999	43	40
£60,000 - £64,999	26	13
£65,000 - £69,999	9	4
£70,000 - £74,999	1	7
£75,000 - £79,999	5	19
£80,000 - £84,999	20	6
£85,000 - £89,999	1	-
£90,000 - £94,999	1	1
£95,000 - £99,999	2	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	-
£110,000 - £114,999	1	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	-	-
£145,000 - £149,999	-	1
£150,000 - £154,999	-	-
£155,000 >	1	-
TOTALS	300	244

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 LGPS.

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 full-time equivalent 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.

Tier Bandings for 2016/17 and 2015/16	Contribution Rates
Earnings up to and including £20,500	5.50%
Earnings above £20,500 and up to £25,000	7.25%
Earnings above £25,000 and up to £34,400	8.50%
Earnings above £34,400 and up to £45,800	9.50%
Earnings above £45,800	12.00%

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	Compulsory	Voluntary	Voluntary
	Number	Value £'000	Number	Value £'000
Bandings 2016/17				
Up to £19,999	22	107	9	57
£20,000 up to £39,999	1	32	1	30
	23	139	10	87
Total				226
Bandings 2015/16				
Up to £19,999	8	58	3	50
£20,000 up to £39,999	-	-	2	49
£40,000 up to £59,999	-	-	1	59
	8	58	6	158
Total				216

Notes to Table E:

1. The total cost of £226,000 in the table above includes exit packages that have been agreed, accrued for and charged to the Council's CIES in the current year.

Councillor Jim Gifford,
 Leader of the Council
 On behalf of the Councillors and Officers of Aberdeenshire Council
 21 September 2017

Jim Savege, Chief Executive

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Audit Committee at its meeting on 21 September 2017.

Signed on behalf of Aberdeenshire Council

Councillor Jim Gifford
Leader of the Council

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).

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 2017.

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

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 discharging this responsibility senior officers put in place appropriate arrangements for the governance of the Council's resources, approved by Councillors. Councillors agree the strategic direction for the Council through the approval of a Council Plan which informs the setting of the Council's revenue and capital budgets. Service plans and Head of Service Business Plans are shaped by the Council Plan themes including Lifelong Learning, Strong & Sustainable Communities, Caring for Communities and Public Service Excellence. The Council's performance management and reporting framework and corporate and service risk registers are the tools which Councillors use to scrutinise delivery of the Council Plan.

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. This statement extends to the entities included in the Council's Group Accounts, as detailed on page 92.

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 and lead 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 2017 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 the Governance Code in practice. Following approval of the Council Plan 2017-2022 by Full Council in November 2017, the Governance Code will be reviewed and will be reported to Full Council in early 2018 for comment and approval. The review will take account of CIPFA's *Delivering Good Governance in Local Government: Framework (2016)*.

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;
- 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 involving:

- 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 who is the Chief Social Work Officer and provides professional advice and guidance to Councillors and officers in the provision of Social Work Services. He 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;
- 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 and the regulation and inspection of care services by the Care Inspectorate; 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.

Annual Governance Statement (Continued)

Each year the external auditor produces a report for the Council, which includes a number of recommendations for the Council to address. The Council recognises the importance of the recommendations and developed an Action Plan which was reported to Scrutiny and Audit Committee on 22 September 2016. 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 Chief Accountant.

There were eleven recommendations in the action plan, all of which were considered to be medium priority. All of these recommendations have been completed, as summarised in the table below.

Key Areas	Fully Implemented	Partially Implemented	Not Implemented
Property, Plant and Equipment	4		
Fixed Asset Register	1		
Council Tax Bad Debt Provision	1		
Charitable Trusts	2		
Highways Network Asset	1		
National Fraud Initiative	1		
Financial Management	1		
Total	11 (100%)	0 (0%)	0 (0%)

The Chief Internal Auditor has the responsibility to review independently, and report to the Audit Committee annually on the adequacy and effectiveness of the Council's internal control environment. The Chief Internal Auditor reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2017.

Whilst the Chief Internal Auditor has expressed assurance on the overall effectiveness of the internal control system, some significant concerns were identified throughout the year. Recommendations graded as "major" (i.e. the absence or failure to comply with an internal control) were made in 10 reports in 2016/17 (10 in 2015/16): SEEMIS; Waste Collection and Disposal; Pre-School Commissioned Places; Disclosure Checks; Recruitment; Procedures; LEADER Grants; CareFirst; Information Technology in Schools; Creditors Payments; and Social Work Client Transport. This is still an area to address and as such an Action Plan referenced below is being developed by SLT. SLT notes the improvement but equally notes that action is required to address and prevent repetition in these areas. Therefore, Service Management Teams will also continue to discuss and implement the Action Plan once formed, to the agreed timescale. This will add to the update report to Audit Committee and influence future Service Plans.

In 2015/16 Internal Audit undertook a self-assessment and evaluation against the 13 areas of the Public Sector Internal Audit Standards (PSIAS). All areas were fully or generally compliant. Where generally compliant an action plan was developed to move areas towards fully compliant. No internal self-assessment has been completed for 2016/17 as an external peer review is in the process of being completed by Dundee City Council's Internal Audit Section. The outcome of this review is scheduled to be reported to the Audit Committee in autumn 2017.

Aberdeenshire's Integration Joint Board (IJB) for Health and Social Care is now established with full delegation of functions and resources. The revenue budget for the IJB has been reported to both Aberdeenshire Council and NHS Grampian for their information. Relevant audit reports prepared for the IJB Audit Committee will also be reported to Aberdeenshire Council's Audit Committee and the council's Audit Committee can undertake scrutiny on the delivery of Adult Social Care Services. A separate Annual Governance Statement has been prepared for the IJB.

Appropriate arrangements for monitoring expenditure and performance will continue by Aberdeenshire Council under the new Scheme of Governance.

The Council concluded and implemented a wider governance review which includes the decision-making structure, committee structure and review of constitutional documents. A report on the review was considered by Aberdeenshire Council on 30 June 2016. The new Scheme of Governance was considered by the Council on 29 September 2016, and approved with minor amendments on 24 November 2016. The new arrangements were implemented on 27 January 2017. The key recommendations approved were that:

- the existing 5 committee structure for decision making continue to include four policy committees, a bespoke audit committee and six area committees;
- membership of the Council's policy committees continue on the current basis of 1 member 1 committee;
- high level functions for committees were approved;
- new vision statements and values for Area and Policy Committees were approved;
- the proposed new Audit Committee be allocated responsibility for receiving and providing feedback on reports from the IJB Audit Committee;
- substitute members be permitted for the new Audit Committee;
- the scrutiny role currently exercised by Scrutiny and Audit Committee be shared amongst all policy and area committees and based on respective remits;
- Full Council take on the finance primacy role from Policy and Resources Committee;
- decision-making authority for financial matters be delegated to the relevant Policy Committees;
- the new front loading approach for committee involvement in procurement decisions be supported with further information on financial ceilings for different areas of procurement to be agreed as part of the procurement guidance being produced;
- procurement training for Members be compulsory;
- new proposals for Appeals and Appointments Committees be reported to members for approval as part of the Governance Framework documentation review; and
- a mechanism for councillors bringing forward issues be developed.

The full reports can be viewed at <http://committees.aberdeenshire.gov.uk/committees.aspx?commid=1&meetid=18282> (June), <http://committees.aberdeenshire.gov.uk/Committees.aspx?commid=1&meetid=18290> (September) and <http://committees.aberdeenshire.gov.uk/committees.aspx?commid=1&meetid=18296> (November).

There will continue to be monitoring of the governance arrangements by Councillors and senior officers including regular updates to Full Council to ensure appropriate delegations are in place. In addition the Scheme of Governance will continue to be embedded through the Governance Officer Transitional Implementation Taskforce and service champions.

The approach and process for developing the revised Scheme of Governance, including achieving unanimous agreement of the Scheme by Full Council, has been recognised externally by:

- The Municipal Journal (MJ) Awards – excellence in governance and scrutiny award - shortlisted
- CIPFA Public Innovation Awards – good governance award - shortlisted
- Society of Local Authority Lawyers and Administrators in Scotland (SOLAR) Awards – legal team of the year - shortlisted
- Scottish Legal Awards – in-house team of the year - shortlisted

In terms of customer and stakeholder feedback, the Council carried out a budget engagement exercise to help inform the setting of the budget for 2017/18. A significant amount of responses were recorded from residents and from employees. The responses were a helpful source of information on the views and attitudes of residents and employees towards a range of proposals informing the Council's future budget considerations. Full details of the engagement results are on the Council's website.

Action Plan

Moving forward, the Council will continue to place fundamental importance on the governance arrangements. This will involve:

- A formal review of the Scheme of Governance between June and December 2018 and a review of the Code of Corporate Governance in early 2018;
- A greater input from SLT into the formation of the Internal Audit work plan;
- Implementing the recommendations from internal and external audit and other audits and inspections;
- Consideration of lessons learned from implementing specific projects; and
- Specifically develop a plan to address the recommendations from Internal Audit graded as 'major'.

Conclusion

This 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 provide assurance, are adequate and are operating effectively.

Jim Savege, Chief Executive

Councillor Jim Gifford
Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council

21 September 2017

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

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, and Balance Sheets, the council-only 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, Trusts and Endowments, and the Common Good Funds 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services 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 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Head of Finance 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements.

My objectives are to achieve 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&I) 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.

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 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements**Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable 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 auditable 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; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

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

22 September 2017

Expenditure and Funding Analysis

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.

Net Expenditure Chargeable to the General Fund and HRA Balances 2015/16 £'000	Adjustments Between the Funding and Accounting Basis 2015/16 £'000	Net Expenditure in the CIES 2015/16 £'000		Net Expenditure Chargeable to the General Fund and HRA Balances 2016/17 £'000	Adjustments Between the Funding and Accounting Basis 2016/17 £'000	Net Expenditure in the CIES 2016/17 £'000	Notes Ref
			Aberdeenshire Services				
38,311	11,466	49,777	Business Services Committee	39,525	6,342	45,867	
118,493	17,036	135,529	Communities Committee	114,837	6,612	121,449	
284,056	41,859	325,915	Education and Children's Services Committee	293,496	40,343	333,839	
76,901	14,117	91,018	Infrastructure Services Committee	67,266	23,534	90,800	
-	14,666	14,666	Housing Revenue Account	-	160,433	160,433	
517,761	99,144	616,905	NET COST OF SERVICES	515,124	237,264	752,388	
(509,835)	(37,936)	(547,771)	Other (Income) and Expenditure	(503,385)	(37,827)	(541,212)	
7,926	61,208	69,134	Surplus or Deficit	11,739	199,437	211,176	5,6
(53,598)			Opening General Fund and HRA Balance at 1 April	(46,933)			
7,926			(Plus)/Less (Surplus) or Deficit on the General Fund and HRA Balance in the Year	11,739			
(1,261)			Transfer from Statutory Reserves	(3,719)			
(46,933)			Closing General Fund and HRA Balance at 31 March*	(38,913)			

*For a split of this balance between the General Fund and the HRA, see the MIRS.

Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2017

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.

Council Restated			Group		Council			Group	
Gross Expenditure 2015/16 £'000	Income 2015/16 £'000	Net Expenditure 2015/16 £'000	Net Expenditure 2015/16 £'000	Aberdeenshire Services	Gross Expenditure 2016/17 £'000	Income 2016/17 £'000	Net Expenditure 2016/17 £'000	Net Expenditure 2016/17 £'000	Notes Ref
*127,114	*(77,337)	49,777	49,777	Business Services Committee	124,542	(78,675)	45,867	45,867	EFA, 5
*184,145	*(48,616)	135,529	135,529	Communities Committee	283,008	(161,559)	121,449	121,449	
*341,541	*(15,626)	325,915	325,915	Education and Children's Services Committee	348,132	(14,293)	333,839	333,839	
*175,062	*(84,044)	91,018	91,018	Infrastructure Services Committee	169,564	(78,764)	90,800	90,800	
69,209	(54,543)	14,666	14,666	Housing Revenue Account	217,601	(57,168)	160,433	160,433	
*(79,905)	*79,905	-	-	Adjustment to Remove Central Charges	(75,637)	75,637	-	-	
-	-	-	(4)	Charitable Trusts and Endowments	-	-	-	22	
817,166	(200,261)	616,905	616,901	COST OF SERVICES	1,067,210	(314,822)	752,388	752,410	
-	(2,068)	(2,068)	(2,068)	(Gains) on the disposal of Non Current Assets and AHfS	-	(1,774)	(1,774)	(1,774)	
-	(2,068)	(2,068)	(2,068)	Other Operating Expenditure	-	(1,774)	(1,774)	(1,774)	
28,056	-	28,056	28,056	Interest Payable and Similar Charges	29,284	-	29,284	29,284	22
9,241	-	9,241	9,241	Net Interest on Net Defined Pension Liability	8,906	-	8,906	8,906	34
-	-	-	-	Changes in the Fair Value of Investment Properties	56	(2)	54	54	16
-	(856)	(856)	(856)	Interest Receivable and Similar Income	-	(625)	(625)	(625)	22
-	-	-	421	Investment Losses/(Gains) on Charitable Trusts and Endowments	-	-	-	(590)	
-	-	-	-	Share of Integration Joint Board Surplus	-	-	-	(5)	
37,297	(856)	36,441	36,862	Financing and Investment Income and Expenditure	38,246	(627)	37,619	37,024	
-	(582,144)	(582,144)	(582,144)	Taxation and Non-Specific Grant Income	-	(577,057)	(577,057)	(577,057)	9
		69,134	69,551	Deficit on Provision of Services			211,176	210,603	6
		10,082	10,082	Deficit/(Surplus) on revaluation of Non Current assets and AHfS			(61,688)	(61,688)	
		(51,719)	(51,719)	Actuarial (gains)/losses on pension assets/liabilities			144,651	144,651	34
		(41,637)	(41,637)	Other Comprehensive Income and Expenditure			82,963	82,963	
		27,497	27,914	Total Comprehensive Income and Expenditure			294,139	293,566	

*Figures have been restated. See note 10 for details.

Other Notes

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Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2017

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.

	General Fund Balance £'000	Housing Revenue Account £'000	Repairs and Renewals Fund £'000	Insurance Fund £'000	Capital Reserves * £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	Group Usable Reserves £'000	Group Unusable Reserves £'000	Total Group Reserves £'000	Notes Ref
Balance at 31 March 2016	(44,933)	(2,000)	(4,423)	(1,690)	(7,015)	(60,061)	(1,142,352)	(1,202,413)	(63,092)	(1,142,352)	(1,205,444)	7
Movement in Reserves During 2016/17												
Total Comprehensive Income and Expenditure	49,264	161,912	-	-	-	211,176	82,963	294,139	210,603	82,963	293,566	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(37,482)	(161,955)	-	-	(505)	(199,942)	199,942	-	(199,942)	199,942	-	
Decrease/(Increase) before Transfers to Statutory Reserves	11,782	(43)	-	-	(505)	11,234	282,905	294,139	10,661	282,905	293,566	
Transfers to/(from) Statutory Reserves	(3,762)	43	873	(332)	3,178	-	-	-	-	-	-	
Balance at 31 March 2017 Carried Forward	(36,913)	(2,000)	(3,550)	(2,022)	(4,342)	(48,827)	(859,447)	(908,274)	(52,431)	(859,447)	(911,878)	
Notes Ref	8						30					

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

Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2017 (Continued)

	General Fund Balance £'000	Housing Revenue Account £'000	Repairs and Renewals Fund £'000	Insurance Fund £'000	Capital Reserves * £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	Group Usable Reserves £'000	Group Unusable Reserves £'000	Total Group Reserves £'000	Notes Ref
Comparative Movements in 2015/16												
Balance at 31 March 2015	(51,598)	(2,000)	(5,020)	(1,228)	(6,918)	(66,764)	(1,163,146)	(1,229,910)	(70,212)	(1,163,146)	(1,233,358)	
Movement in Reserves During 2015/16												
Total Comprehensive Income and Expenditure	51,911	17,223	-	-	-	69,134	(41,637)	27,497	69,551	(41,637)	27,914	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(44,666)	(16,542)	-	-	(1,223)	(62,431)	62,431	-	(62,431)	62,431	-	7
Decrease/(Increase) before Transfers to Statutory Reserves	7,245	681	-	-	(1,223)	6,703	20,794	27,497	7,120	20,794	27,914	
Transfers to/(from) Statutory Reserves	(580)	(681)	597	(462)	1,126	-	-	-	-	-	-	
Balance at 31 March 2016 Carried Forward	(44,933)	(2,000)	(4,423)	(1,690)	(7,015)	(60,061)	(1,142,352)	(1,202,413)	(63,092)	(1,142,352)	(1,205,444)	
Notes Ref	8						30					

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

Balance Sheet as at 31 March 2017

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 2015/16 £'000	Group 2015/16 £'000		Council 2016/17 £'000	Group 2016/17 £'000	Note Ref
2,104,410	2,104,410	Property, Plant and Equipment	2,022,896	2,022,896	14
1,604	1,604	Heritage Assets	1,964	1,964	15
1,741	1,741	Investment Properties	1,687	1,687	16
1,970	1,970	Intangible Assets	1,402	1,402	17
77	77	Long Term Investments	77	77	22
5,911	5,911	Long Term Debtors	7,327	7,327	25
2,115,713	2,115,713	Long Term Assets	2,035,353	2,035,353	
-	3,054	Short Term Investments	25,000	28,630	22
40	40	Assets Held for Sale	933	933	18
3,871	3,871	Inventories	4,003	4,003	24
29,969	29,969	Short Term Debtors	40,126	40,131	25
21,925	21,925	Cash and Cash Equivalents	6,408	6,408	26
55,805	58,859	Current Assets	76,470	80,105	
(48,782)	(48,782)	Short Term Borrowing	(24,505)	(24,505)	22
(86,791)	(86,814)	Short Term Creditors	(90,571)	(90,602)	27
(121)	(121)	Provisions	(502)	(502)	28
(889)	(889)	Revenue Grants Receipts in Advance	(392)	(392)	29
(136,583)	(136,606)	Current Liabilities	(115,970)	(116,001)	
(11,549)	(11,549)	Provisions	(10,049)	(10,049)	28
(485,130)	(485,130)	Long Term Borrowing	(584,762)	(584,762)	22
(253,899)	(253,899)	Pension Liabilities	(413,173)	(413,173)	34
(115)	(115)	Finance Leases	(110)	(110)	19, 22
(66,329)	(66,329)	PFI and PPP Liabilities	(63,772)	(63,772)	20
(15,500)	(15,500)	Capital Grants Receipts in Advance	(15,713)	(15,713)	29
(832,522)	(832,522)	Long Term Liabilities	(1,087,579)	(1,087,579)	
1,202,413	1,205,444	Net Assets	908,274	911,878	
(60,061)	(60,061)	Usable Reserves	(48,827)	(48,827)	MIRS
-	(3,031)	Share of Usable Reserves of Subsidiary and Joint Venture	-	(3,604)	
(1,142,352)	(1,142,352)	Unusable Reserves	(859,447)	(859,447)	30
(1,202,413)	(1,205,444)	Total Reserves	(908,274)	(911,878)	
Other Notes					13,21,23 31-33, 35

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

The unaudited accounts were issued on 16 June 2017 and the audited accounts were authorised for issue on 21 September 2017.

Cash Flow Statement for the Year Ended 31 March 2017

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.

2015/16 £'000		2016/17 £'000	Notes Ref
(69,134)	Net deficit on the provision of services	(211,176)	
157,744	Adjust net deficit on the provision of services for non cash movements	276,770	
(38,467)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(49,669)	
50,143	Net Cash Flows from Operating Activities	15,925	36
	Investing Activities:		
(122,300)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(125,685)	
-	Purchase of Short and Long Term Investments	(25,000)	
(2,678)	Other Payments for Investing Activities	(1,855)	
4,232	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	5,812	
44,754	Other Receipts from Investment Activities	42,145	
(75,992)	Net Cash Flows from Investing Activities	(104,583)	
	Financing Activities:		
40,394	Cash Receipts of Short Term and Long Term Borrowing	130,104	
(2,242)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(2,250)	
(33,375)	Repayments of Short Term and Long Term Borrowing	(54,713)	
4,777	Net Cash Flows from Financing Activities	73,141	
(21,072)	Net (Decrease)/Increase in cash and cash equivalents	(15,517)	
42,997	Cash and cash equivalents at 1 April	21,925	
21,925	Cash and cash equivalents at 31 March	6,408	26

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.

1.1 General Principles

The Annual Accounts summarise transactions of the Council and its Group for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 these 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 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (SeRCOP), 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.

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 reclassifiable and amounts that are not, i.e. all the amounts in Other Comprehensive Income and Expenditure are not reclassifiable in the Surplus or Deficit on the Provision of Services.

1.2 Accruals of Income and Expenditure

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

- income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

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

1.4 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses, or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal repayments. Depreciation, revaluation and impairment losses, and amortisation are therefore substituted by a funding contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

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

Short-term employee benefits are those due to be settled within twelve months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost 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 accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue 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 officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the CIES when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the 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) Post Employment Benefits

Employees of the Council are members of one of two separate 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.

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

Note 1 – Significant Accounting Policies (Continued)

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

(iv) The Local Government Pension Scheme

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

- the liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit 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 projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on a weighted average of "spot yields" on AA rated corporate bonds);
- the assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price; and
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the 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, i.e. net interest expense for the Council – 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 – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Note 1 – Significant Accounting Policies (Continued)

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(v) Discretionary Benefits

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

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 and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or 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.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

Level 3 – unobservable inputs for the asset or liability.

1.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Liabilities

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

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 reflected in Creditors) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the 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

The Council holds loans and receivables which are defined as assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are measured subsequently at 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.

However, the Council has made a number of loans to small businesses and other organisations 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 to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the small businesses and other organisations, 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)

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.

The council derecognises a financial asset only when the contractual right to the cash flows from the asset expire. Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CIES.

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

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 and Nestrans. The Council has concluded that its interests 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

Aberdeenshire Council's Museum Service collections relate to the natural and man-made history of Aberdeenshire. These are held in support of the Museum Service's primary objective which is "To collect, research, conserve, interpret and make accessible to all people living in Aberdeenshire the museum collection belonging to Aberdeenshire Council". The vast majority of the objects held were acquired in the 19th century and the first half of the 20th century.

Aberdeenshire Council's Archaeology Service collections and heritage assets either relate directly to the everyday activities of protecting and managing all known elements of the historic environment within Aberdeenshire Council (it also provides a similar service to Moray and Angus Councils) or are physical items that have been allocated to it under the Council's Asset Management Plan. Most items are donated.

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. The Council has applied a de minimis of £100,000 for reporting Heritage Assets on the Balance Sheet.

The Deskford Carnyx, which is regarded as of national importance and is on loan to National Museums Scotland was valued by them in 2011 at current sale room price.

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 1.20 (iii).

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 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

1.17 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**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. Charges 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. 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 over a property or an item of plant or equipment, 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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 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.

1.19 Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Note 1 – Significant Accounting Policies (Continued)

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

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

1.20 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.

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);

Note 1 – Significant Accounting Policies (Continued)

- 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 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 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.

Note 1 – Significant Accounting Policies (Continued)

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).

Depreciation is calculated on the following bases:

- Council Dwellings and Other Buildings - straight-line allocation over the useful life of the property (between 10 and 60 years) as estimated by the valuer;
- Vehicles, Plant and Equipment – straight-line allocation over the useful life of the asset (between 4 and 30 years) as advised by a suitably qualified officer;
- Infrastructure – straight-line allocation over the useful life of the asset (between 10 and 60 years) as advised by a suitably qualified officer; 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.

1.21 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 under a finance lease. 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 contract with Robertson Education (Aberdeenshire) Limited is 8.687%, the interest charge on the contract with Robertson Education (Aberdeenshire 2) Limited is 8.299%;
- 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 the Aberdeen Western Peripheral Route. The accounting treatment adopted will be similar to that detailed above.

1.22 Provisions and Contingent Liabilities**(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.

The Council has created provisions for compensation for equal pay claims for staff who have not yet signed compromise agreements and who have progressed a tribunal claim.

(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.

1.23 Reserves

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

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

1.24 VAT

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

Note 2 – Accounting Standards that have been Issued but have not yet been Adopted and New Standards, Amendments and Interpretations that Became Effective in 2016/17

The following Accounting Standard will be adopted by the Code in 2017/18:

- IAS 26 Retirement Benefit Plans

It is not expected that this change will have a material impact on the information provided in the financial statements.

The following new Standards, Amendments and Interpretations became effective in 2016/17 for the first time:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions);
- Annual Improvements to IFRSs 2010–2012 Cycle;
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Annual Improvements to IFRSs 2012–2014 Cycle;
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative);
- The changes to the format of the CIES, the MIRS and the introduction of the new Expenditure and Funding Analysis; and
- The changes to the format of the Fund Account and the Net Assets Statement.

Although there is no material impact on the information provided in the financial statements as a result of the above, the changes to the format of the CIES, the MIRS and the introduction of the new Expenditure and Funding Analysis are designed to improve the understandability of the accounts.

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:

- 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.
- The Council is deemed to control the services provided under three PFI contracts covering ten schools and associated community facilities and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the schools (valued at £199,782,000) are recognised as property, plant and equipment on the Council's Balance Sheet.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 £6,536,000 for every year that useful lives had to be reduced. The value of assets is measured by an internal valuer in accordance with the policies set out in note 1.20 (ii) and the impact recorded in the accounts. The vast majority of Property, Plant and Equipment assets are valued at fair value. The valuations are significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value. The significant assumptions used in the valuations are detailed in note 14.

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. The Adjustment Factor, therefore, is the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent public sector investment. An increase of 1% in the Adjustment Factor would reduce the value of the Council Dwellings by £14,000,000.

Fair Value Measurements – The Council uses current market conditions and recent sales prices and other relevant information for similar assets in the Aberdeenshire area to measure the fair value of some of its investment properties. Significant changes in any of these unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.

PFI and Similar Contracts - The Council is committed to three PFI contracts, as detailed in the Annex. The total unitary charge for 2017/18 is expected to be £14,639,000. Elements of the contracts are subject to inflation. An increase in the inflation rate of 1% would equate to additional costs of £55,000 for the Council.

Provisions - The Council has made a provision of £3,620,000 for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £368,000 to the provision needed. 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 2016/17 the obligation exists to settle these costs in future and the Council must capitalise these costs and fund from borrowing in accordance with LASAAC accounting guidance issued in September 2014.

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

Arrears - At 31 March 2017, the Council had a balance of sundry debtors of £9,963,000. A review of significant balances suggested that an allowance for doubtful debts of 48.67% (£4,849,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, an additional £996,000 would require to be set aside for each 10% increase in the allowance. This list does not include assets and liabilities that are carried at fair value based on a recently observed market price. At 31 March 2017, the Council had arrears of Council Tax of £23,880,000. A review of significant balances suggested that an allowance for doubtful debts of £14,785,000 was appropriate. Should collection rates deteriorate by 0.1%, this would add £905,000 to the provision.

Pension Liability – The estimation of the defined benefit obligations is sensitive to various actuarial assumptions. More details on this can be found in note 34.

Note 5 - Note to the EFA

Adjustments Between Funding and Accounting Basis 2016/17

Adjustments from General Fund to Arrive at CIES Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Business Services Committee	4,870	804	668	6,342
Communities Committee	4,348	2,072	192	6,612
Education and Children's Services Committee	44,820	873	(5,350)	40,343
Infrastructure Services Committee	22,242	1,396	(104)	23,534
Housing Revenue Account	165,873	572	(6,012)	160,433
Net Cost of Services	242,153	5,717	(10,606)	237,264
Other Income and Expenditure from the EFA	(56,679)	8,906	9,946	(37,827)
Difference Between General Fund (Surplus)/Deficit and CIES (Surplus)/Deficit on the Provision of Services	185,474	14,623	(660)	199,437

Comparative Movements in 2015/16

Adjustments from General Fund to Arrive at CIES Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Business Services Committee	9,814	2,034	(382)	11,466
Communities Committee	14,184	3,019	(167)	17,036
Education and Children's Services Committee	44,225	2,123	(4,489)	41,859
Infrastructure Services Committee	11,511	2,250	356	14,117
Housing Revenue Account	19,401	828	(5,563)	14,666
Net Cost of Services	99,135	10,254	(10,245)	99,144
Other Income and Expenditure from the EFA	(56,765)	9,241	9,588	(37,936)
Difference Between General Fund (Surplus)/Deficit and CIES (Surplus)/Deficit on the Provision of Services	42,370	19,495	(657)	61,208

Note 6 – Expenditure and Income Analysed by Nature

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

Restated 2015/16 £'000		2016/17 £'000
*373,741	Employee Benefit Expenses	385,302
*332,399	Other Service Expenses	571,369
*12,314	Support Service Recharges	12,723
98,712	Depreciation, Amortisation and Impairment	97,872
*37,297	Interest Payments	38,190
(2,068)	Gain or Loss on Disposal of Non Current Assets and AHfS	(1,774)
852,395	Total Expenditure	1,103,682
*(148,542)	Fees, Charges and Other Service Income	(260,479)
*(856)	Interest and Investment Income	(625)
(117,755)	Income from Council Tax	(119,646)
*(516,108)	Government Grants and Contributions	(511,756)
(783,261)	Total Income	(892,506)
69,134	(Surplus) or Deficit on the Provision of Services	211,176

*Figures have been restated. See note 10 for details.

Note 7 - 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.

2016/17	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	(63,634)	(33,552)	-	(97,186)	97,186
Revaluation losses on PPE and AHfS	(20,223)	(146,287)	-	(166,510)	166,510
Movements in the fair value of Investment Properties	(54)	-	-	(54)	54
Amortisation of intangible assets	(603)	(83)	-	(686)	686
Grants and contributions used to fund capital expenditure	38,720	3,259	-	41,979	(41,979)
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(1,619)	(2,058)	-	(3,677)	3,677
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	13,439	729	-	14,168	(14,168)
Capital expenditure charged against the General Fund and HRA balances	5,930	13,319	-	19,249	(19,249)
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,879	3,572	-	5,451	(5,451)
Adjustment involving the Capital Grants Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	1,792	-	(1,792)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,287	1,287	(1,287)
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	962	241	-	1,203	(1,203)
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)	(47,909)	(3,326)	-	(51,235)	51,235
Employer's pensions contributions and direct payments to pensioners payable in the year	34,399	2,213	-	36,612	(36,612)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	(561)	18	-	(543)	543
Total Adjustments	(37,482)	(161,955)	(505)	(199,942)	199,942

Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2015/16 Comparative Figures	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	(62,923)	(35,168)	-	(98,091)	98,091
Revaluation losses on PPE and AHfS	(30,561)	747	-	(29,814)	29,814
Movements in the fair value of Investment Properties	-	-	-	-	-
Amortisation of intangible assets	(565)	(56)	-	(621)	621
Grants and contributions used to fund capital expenditure	39,805	3,106	-	42,911	(42,911)
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(1,067)	(1,172)	-	(2,239)	2,239
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	12,830	533	-	13,363	(13,363)
Capital expenditure charged against the General Fund and HRA balances	12,022	14,543	-	26,565	(26,565)
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,249	2,058	-	4,307	(4,307)
Adjustment involving the Capital Grants Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	1,249	-	(1,249)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	26	26	(26)
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	934	263	-	1,197	(1,197)
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)	(49,717)	(3,386)	-	(53,103)	53,103
Employer's pensions contributions and direct payments to pensioners payable in the year	31,611	1,997	-	33,608	(33,608)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	(533)	(7)	-	(540)	540
Total Adjustments	(44,666)	(16,542)	(1,223)	(62,431)	62,431

Note 8 - Transfers to/from Earmarked Reserves

Of the General Fund Balance of £36,913,000 (2015/16: £44,933,000), £28,377,000 (2015/16: £27,655,000) is earmarked for specific purposes and £8,536,000 (2015/16: £17,278,000) represents the Working Balance. This note sets out details the amounts earmarked from the General Fund to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

General Fund	Balance at 31 March 2015 £'000	Transfers Out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers in 2016/17 £'000	Balance at 31 March 2017 £'000
Business Transformation	(7,577)	4,077	-	(3,500)	2,198	-	(1,302)
Devolved Education Management (DEM)	(4,382)	-	(776)	(5,158)	1,501	-	(3,657)
Property Service - Central Energy Efficiency Fund	(595)	79	(51)	(567)	470	(52)	(149)
Infrastructure Projects	(2,654)	2,654	-	-	-	-	-
Six Key Areas for Development	(2,990)	2,842	-	(148)	148	-	-
Investment in Technologies	(602)	10	(190)	(782)	782	-	-
Community, Culture and Tourism	(1,969)	559	(81)	(1,491)	932	(757)	(1,316)
Welfare Reform	(982)	83	-	(899)	-	-	(899)
Business Rates Incentivisation Scheme Income	(770)	-	-	(770)	770	-	-
Innovation	(3,229)	305	(171)	(3,095)	3,018	-	(77)
Education Learning Estate Reserve	-	-	(2,000)	(2,000)	-	-	(2,000)
Affordable Housing	-	733	(1,033)	(300)	173	(3,700)	(3,827)
Transitional Reserve for Severance Costs	-	-	(1,033)	(1,033)	534	-	(499)
Regeneration Reserve	-	356	(5,670)	(5,314)	215	(400)	(5,499)
Renewable Energy	-	-	-	-	61	(2,020)	(1,959)
City Region Deal	-	-	-	-	-	(5,000)	(5,000)
Capital	-	-	-	-	534	(1,000)	(466)
Revenue Grants Unconditional And Expenditure Not Incurred	(2,285)	1,734	(289)	(840)	394	(616)	(1,062)
Other Earmarked Reserves (each less than £500,000)	(1,501)	183	(440)	(1,758)	1,211	(118)	(665)
Total Earmarked General Fund Reserves	(29,536)	13,615	(11,734)	(27,655)	12,941	(13,663)	(28,377)

Details of the purpose and nature of each reserve can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Note 9 – Taxation and Non Specific Grant Income

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

2015/16 £'000		2016/17 £'000
(117,755)	Council Tax Income	(119,646)
(91,954)	Business Rates (see below)	(99,190)
(328,275)	Non Ring Fenced Government Grants	(314,451)
(44,160)	Non Specific Grant Income	(43,770)
(582,144)	Total	(577,057)

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

Restated 2015/16 £'000		2016/17 £'000
*(92,096)	Distribution from Non-Domestic Rates Pool	(98,451)
13	Discretionary Reliefs	193
*129	BRIS Income Retained by Council	(932)
(91,954)	Total	(99,190)

*Figures have been restated. See note 10 for details.

Note 10 – Previous Year Reclassifications and Restatements

Restatements

Changes to the Code have resulted in changes to the presentation of the CIES. The Cost of Services is now reported using the same categorisation as is used in monitoring reports to the Council and its Policy Committees. There have also been adjustments made as a result of errors identified. The overall impact of the adjustments is nil.

	Gross Expenditure Published £'000	Adjustment Made £'000	Restated £'000	Income Published £'000	Adjustment Made £'000	Restated £'000
Education Services	311,817	(311,817)	-	(10,590)	10,590	-
Housing Services	51,153	(51,153)	-	(44,314)	44,314	-
Cultural and Related Services	32,814	(32,814)	-	(6,096)	6,096	-
Environmental Services	40,688	(40,688)	-	(5,309)	5,309	-
Roads and Transport Services	66,338	(66,338)	-	(24,073)	24,073	-
Planning and Development Services	25,201	(25,201)	-	(11,543)	11,543	-
Social Work	180,167	(180,167)	-	(28,211)	28,211	-
Central Services	34,865	(34,865)	-	(23,601)	23,601	-
Corporate and Democratic Core	13,798	(13,798)	-	(1,216)	1,216	-
Non Distributed Costs	351	(351)	-	-	-	-
Business Services Committee	-	127,114	127,114	-	(77,337)	(77,337)
Communities Committee	-	184,145	184,145	-	(48,616)	(48,616)
Education and Children's Services Committee	-	341,541	341,541	-	(15,626)	(15,626)
Infrastructure Services Committee	-	175,062	175,062	-	(84,044)	(84,044)
Adjustment to Remove Central Charges	-	(79,905)	(79,905)	-	79,905	79,905

Note 10 – Previous Year Reclassifications and Restatements (Continued)

In note 6 on Income and Expenditure Analysed by Nature the figures for income and expenditure have been restated, this is as a result of the restatement of internal allocations in the CIES as well as some categorisation errors. The overall impact of the adjustments is nil.

Expenditure and Income Analysed by Nature	Published £'000	Adjustment Made £'000	Restated £'000
Employee Benefit Expenses	365,606	8,135	373,741
Other Service Expenses	347,673	(15,274)	332,399
Support Service Recharges	14,364	(2,050)	12,314
Interest Payments	37,343	(46)	37,297
Fees, Charges and Other Service Income	(160,488)	11,946	(148,542)
Interest and Investment Income	(775)	(81)	(856)
Government Grants and Contributions	(513,478)	(2,630)	(516,108)

In note 9 on Taxation and Non Specific Grant Income, figures in the analysis of Business Rate Income have been amended to separate BRIS retained by the Council from the Distribution from the Non-Domestic Rates Pool. The overall effect is nil.

Analysis of Business Rate Income	Published £'000	Adjustment Made £'000	Restated £'000
Distribution from Non-Domestic Rates Pool	(91,967)	(129)	(92,096)
BRIS Income Retained by Council	-	129	129

In note 22 on Financial Instruments, the fair value and carrying amount of liabilities has been restated as an adjustment made in the final accounts was not reflected in this note.

Fair Value of Liabilities	Published £'000	Adjustment Made £'000	Restated £'000
Early Repayment Methodology			
Fair Value	888,924	(5,134)	883,790
Carrying Amount	692,281	(5,134)	687,147
New Borrowing Rates			
Fair Value	787,244	(5,134)	782,110
Carrying Amount	692,281	(5,134)	687,147

In note 24 on Inventories, the Balances Outstanding at 1 April 2015 on Consumable Stores/Finished Goods and Maintenance Materials/Raw Materials have been restated to correct an error in the classification of a stock item. The overall impact of the adjustments is nil.

	Published £'000	Adjustment Made £'000	Restated £'000
Balance Outstanding at 1 April 2015			
Consumable Stores/Finished Goods	2,113	88	2,201
Maintenance Materials/Raw Materials	1,706	(88)	1,618

Note 10 – Previous Year Reclassifications and Restatements (Continued)

In note 29 on Grant Income, the figures have been amended to include two grants that were omitted in 2015/16, and to reclassify two grants as less than £500,000.

	Published £'000	Adjustment Made £'000	Restated £'000
Credited to Services			
Alford Campus – Scottish Government Funding	-	(946)	(946)
Alcohol & Drugs Partnership	(360)	360	-
Scottish Rural Development Programme – LEADER	(60)	60	-
Maintenance Materials/Raw Materials	(4,049)	(455)	(4,504)

Note 11 – Agency Services

Scottish Water

The Council collects Water and Sewage Rates on behalf of Scottish Water from householders within the Council's boundaries, where the annual collections were £37,387,000 (2015/16: £35,040,000). There is a management fee payable to the Council associated with these collections which amounted to £663,000 (2015/16: £662,000).

Note 12 – External Audit Costs

The Council has incurred the following costs in relation to the external audit services undertaken in accordance with the Code of Practice.

2015/16 £'000		2016/17 £'000
406	Fees payable to Audit Scotland for Services undertaken in 'Code of Audit Practice'*	391
8	Fees payable in respect of non-audit services provided by the appointed external auditor Deloitte LLP during the year (2015/16)	-
414		391

*2016/17 figure includes £13,000 (2015/16: £16,000) in relation to audit requirements for the charities' accounts of Local Authorities.

Note 13 – 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.

2015/16 £'000		2016/17 £'000
631,572	Opening Capital Financing Requirement	687,441
	Capital Investment	
135,864	Property, Plant and Equipment	125,422
6,679	Asset Decommissioning Provision	-
498	Intangible Assets	118
	Sources of Finance	
(4,307)	Capital Receipts	(5,451)
(42,937)	Government Grants and Other Contributions	(43,266)
	Sums Set Aside from Revenue:	
(26,565)	Capital Financed from Current Revenue	(19,249)
(13,363)	Loans Fund Principal Repayments	(14,168)
687,441	Closing Capital Financing Requirement	730,847
	Explanation of movements in year	
55,869	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	43,406
55,869	Increase in Capital Financing Requirement	43,406

Note 14 – Property, Plant and Equipment (PPE)

Movements in 2016/17:	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000
Cost or Valuation									
At 1 April 2016	622,571	1,356,125	97,244	339,848	674	70,942	9,415	2,496,819	215,444
Additions	22,046	19,828	11,863	20,203	-	51,444	38	125,422	2,507
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	60,560	(3,112)	-	-	-	10,314	927	68,689	-
Revaluation Decreases/(Increases) Recognised in the Deficit on the Provision of Services	(140,717)	(17,703)	-	-	-	(7,645)	(445)	(166,510)	-
Derecognition - Disposals	(5,482)	(4,431)	(8,608)	(214)	-	-	(584)	(19,319)	-
Assets Reclassified to/(from) AHfS	-	(198)	(918)	-	-	-	(1,116)	(2,232)	-
Transfers or Reclassifications of Assets	(114,963)	19,179	39	-	66	(58,366)	1,338	(152,707)	-
At 31 March 2017	444,015	1,369,688	99,620	359,837	740	66,689	9,573	2,350,162	217,951
Accumulated Depreciation and Impairment									
At 1 April 2016	(131,255)	(92,818)	(50,395)	(109,510)	(16)	(7,605)	(810)	(392,409)	(13,281)
Depreciation Charge	(12,183)	(39,428)	(10,625)	(10,866)	(2)	-	(66)	(73,170)	(4,888)
Impairment Losses recognised in the RR	(5,357)	(350)	-	-	-	-	-	(5,707)	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(20,176)	(3,555)	(27)	(2)	-	(256)	-	(24,016)	-
Derecognition - Disposals	3,424	4,113	8,391	214	-	-	11	16,153	-
Assets Reclassified to/(from) AHfS	-	-	828	-	-	-	-	828	-
Other Movements in Depreciation and Impairment	123,346	19,304	-	-	(3)	7,605	803	151,055	-
At 31 March 2017	(42,201)	(112,734)	(51,828)	(120,164)	(21)	(256)	(62)	(327,266)	(18,169)
Net Book Value at 31 March 2017	401,814	1,256,954	47,792	239,673	719	66,433	9,511	2,022,896	199,782

Note 14 – Property, Plant and Equipment (PPE) (Continued)

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000
Comparative Movements in 2015/16:									
Cost or Valuation									
At 1 April 2015	603,150	1,267,834	94,570	319,034	592	102,078	17,328	2,404,586	157,730
Additions	15,237	58,859	11,558	20,814	12	36,023	40	142,543	30,264
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	1,029	22,312	-	-	70	-	(33,607)	(10,196)	15,292
Revaluation Decreases/(Increases) Recognised in the Deficit on the Provision of Services	1,068	(19,709)	-	-	-	-	(11,122)	(29,763)	-
Derecognition - Disposals	(1,552)	(198)	(8,884)	-	-	-	(35)	(10,669)	-
Assets Reclassified to/(from) AHfS	-	546	-	-	-	-	(16)	530	-
Transfers or Reclassifications of Assets	3,639	26,481	-	-	-	(67,159)	36,827	(212)	12,158
At 31 March 2016	622,571	1,356,125	97,244	339,848	674	70,942	9,415	2,496,819	215,444
Accumulated Depreciation and Impairment									
At 1 April 2015	(98,307)	(49,223)	(48,747)	(99,051)	(16)	(7,540)	(390)	(303,274)	(9,487)
Depreciation Charge	(23,379)	(39,483)	(10,117)	(10,248)	-	-	(420)	(83,647)	(3,794)
Impairment Losses recognised in the RR	-	(109)	-	-	-	-	-	(109)	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(10,504)	(3,358)	(160)	(211)	-	(211)	-	(14,444)	-
Derecognition – Disposals	420	15	8,629	-	-	-	-	9,064	-
Other Movements in Depreciation and Impairment	515	(660)	-	-	-	146	-	1	-
At 31 March 2016	(131,255)	(92,818)	(50,395)	(109,510)	(16)	(7,605)	(810)	(392,409)	(13,281)
Net Book Value at 31 March 2016	491,316	1,263,307	46,849	230,338	658	63,337	8,605	2,104,410	202,163

Note 14 – Property, Plant and Equipment (PPE) (Continued)

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2017/18 and future years budgeted to cost £70,057,000. Similar commitments at 31 March 2016 were £114,342,000. The major commitments are:

Project Title	£'000
Home Energy Efficiency Programme	500
HRA Window and Door Replacement Programme	700
Sheltered Housing Upgrades	706
Portlethen New Primary School	900
Ellon Balmacassie New Household Waste Recycling Centre	960
Depot Projects	1,000
Conglass New Housing Development	1,360
Laurencekirk New Housing Development	1,530
Westfield School, Fraserburgh Phase 3	1,728
HRA Procurement Framework Projects	2,600
Ballater Railway Station	2,779
HRA Bathroom Upgrades	3,000
Turriff New Primary School	3,100
Uryside New Primary School	6,018
Kinellar New Primary School	10,274
Aberdeen Western Peripheral Route	30,241

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 14 – Property, Plant and Equipment (PPE) (Continued)

	Council Dwellings £'000	Other Land & Buildings £'000	Other PPE* £'000	Total £'000
Carried at Historical Cost	22,045	20,578	499,557	542,180
Valued at fair value as at:				
1 April 2016	421,970	98,734	7,781	528,485
1 April 2015	-	226,299	8,608	234,907
1 April 2014	-	973,971	20,298	994,269
1 April 2013	-	6,665	262	6,927
1 April 2012	-	43,394	-	43,394
Total Cost or Valuation	444,015	1,369,641	536,506	2,350,162

*Other Plant, Property and Equipment (PPE) consists of Vehicles, Plant, Furniture and Equipment, Infrastructure Assets, Community Assets, Assets under Construction and Surplus Assets.

Note 15 – 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 2016	1,164	320	120	1,604
Revaluations	360	-	-	360
Cost or Valuation at 31 March 2016	1,524	320	120	1,964

Human History

A small number of archaeological items on loan to National Museums Scotland were valued by them in 2011 on the basis 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 £200,000, which is its fair value, at 1 April 2015;
- 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 16 – 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:

2015/16 £'000		2016/17 £'000
1,743	Balance at 1 April	1,741
-	Net Loss from Fair Value Adjustments	(54)
(2)	Reclassified as Property, Plant and Equipment	-
1,741	Balance at 31 March	1,687

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) 2015/16 £'000		Other Significant Observable Inputs (Level 2) 2016/17 £'000
	Recurring fair value measurements using:	
93	Residential (Market Rental) Property	38
770	Residential Development Land	770
867	Commercial Development Land	867
11	Agricultural Land	12
1,741	Balance at 31 March	1,687

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 17 – 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:

2015/16 £'000		2016/17 £'000
	Balance at 1 April:	
7,867	Gross carrying amounts	8,365
(5,774)	Accumulated amortisation	(6,395)
2,093	Net Carrying amount at 1 April	1,970
498	Additions - Purchases	118
(621)	Amortisation for the year	(686)
1,970	Net carrying amount at 31 March	1,402
	Comprising:	
8,365	Gross carrying amounts	8,483
(6,395)	Accumulated amortisation	(7,081)
1,970	Net carrying amount at 31 March	1,402

Note 18 – 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:

2015/16 £'000		2016/17 £'000
1,101	Balance Outstanding at 1 April	40
	Assets Newly Classified as Held for Sale:	
652	Property, Plant and Equipment	1,404
	Assets Declassified as Held for Sale:	
(1,182)	Property, Plant and Equipment	-
(634)	Assets Sold	(511)
103	Other Movements	-
40	Balance Outstanding at 31 March	933

Note 19 – Leases

Council as Lessee - Operating Leases

The Council has acquired vehicles by entering into operating leases, with typical terms of five to seven years. Additionally the Council leases part of its property portfolio, as well as cars for the employee car leasing scheme. The future minimum lease payments due under non-cancellable leases in future years are:

2015/16 £'000		2016/17 £'000
1,303	Not later than one year	1,286
2,770	Later than one year and not later than five years	2,323
7,294	Later than five years	7,019
11,367	Minimum Lease Payments	10,628

The expenditure is charged to the Services occupying or using the assets and is shown across the various lines in the CIES. The total expenditure during the year in relation to these leases was £518,000 (2015/16: £512,000) which comprised Minimum Lease Payments of £503,000 (2015/16: £500,000) and Contingent Rentals of £15,000 (2015/16: £12,000).

Council as Lessor - Finance Leases

The Council has leased out a number of properties on a finance lease basis. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The residual value of the properties is nil. The minimum lease payments comprises the settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2015/16 £'000		2016/17 £'000
	Finance lease debtor (net present value of minimum lease payments):	
6	Current	7
667	Non-current	659
3,823	Unearned finance income	3,738
4,496	Gross investment in the lease	4,404

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

Gross Investment in the Lease 2015/16 £'000	Minimum Lease Payments 2015/16 £'000		Gross Investment in the Lease 2016/17 £'000	Minimum Lease Payments 2016/17 £'000
92	92	Not later than one year	92	92
366	366	Later than one year and not later than five years	366	366
4,038	4,038	Later than five years	3,946	3,946
4,496	4,496	Total	4,404	4,404

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.

Note 19 – Leases (Continued)

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 2016/17, £23,000 contingent rents were receivable by the Council (2015/16: £23,000).

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:

2015/16 £'000		2016/17 £'000
3,682	Not later than one year	3,656
10,215	Later than one year and not later than five years	8,508
21,384	Later than five years	21,380
35,281	Minimum Lease Payments	33,544

In 2016/17 £674,000 contingent rents were receivable by the Council (2015/16: £572,000).

Note 20 – Private Finance Initiatives (PFI) and Similar Contracts**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 2017 (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
2017/18	4,145	4,430	1,373	2,557	2,134	14,639
Between 2018/19 and 2021/22	17,617	15,694	7,386	14,126	6,965	61,788
Between 2022/23 and 2026/27	24,064	13,092	13,436	26,127	7,938	84,657
Between 2027/28 and 2031/32	14,439	5,434	9,950	14,218	3,706	47,747
Between 2032/33 and 2036/37	2,498	2,792	(51)	5,097	2,592	12,928
Between 2037/38 and 2040/41	1,947	739	(467)	4,204	3,021	9,444

Note 20 – Private Finance Initiatives (PFI) and Similar Contracts (Continued)

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

Creditors 2015/16 £'000	Long Term Liabilities 2015/16 £'000	Total Liability 2015/16 £'000		Creditors 2016/17 £'000	Long Term Liabilities 2016/17 £'000	Total Liability 2016/17 £'000
(2,028)	(49,405)	(51,433)	Balance Outstanding at 1 April	(2,245)	(66,329)	(68,574)
2,028	-	2,028	Payments During the Year	2,245	-	2,245
-	(19,169)	(19,169)	Capital Expenditure incurred in the Year	-	-	-
(2,245)	2,245	-	Transfer to Current Creditors	(2,557)	2,557	-
(2,245)	(66,329)	(68,574)	Balance Outstanding at 31 March	(2,557)	(63,772)	(66,329)

Note 21 – Impairment Losses

During 2016/17, the Council has recognised an impairment loss of £195,223,000 (2015/16: £112,795,000) in relation to its PPE. This is due to downward revaluations (Economic Loss) of £165,500,000 (2015/16: £98,247,000) being accounted for and adjusting for capital expenditure amounting to £29,723,000 (2015/16: £14,548,000) 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.

The properties were revalued as at 1 April 2016 on the basis of fair value (existing use value). The downward revaluations between 2011 and 2016 was generally due to variations in the valuation schemes, decreasing land rates and increasing building obsolescence.

Note 22 – Financial Instruments

Categories of Financial Instruments

The following categories of Financial Instruments are carried on the Balance Sheet:

Long Term 2015/16 £'000	Short Term 2015/16 £'000			Long Term 2016/17 £'000	Short Term 2016/17 £'000
		Balance Sheet Category	Financial Assets		
77	-	Investments	Loans and receivables	77	25,000
5,911	29,969	Debtors	Loans and receivables	7,327	40,126
-	21,925	Cash and Cash Equivalents	Cash and Cash Equivalents	-	6,408
5,988	51,894		Total Financial Assets	7,404	71,534
		Balance Sheet Category	Financial Liabilities		
(485,130)	(48,782)	Borrowing	Financial liabilities at amortised cost	(584,762)	(24,505)
(115)	-	Finance Leases	PFI and finance lease liabilities	(110)	-
(66,329)	-	Other Long Term Liabilities	PFI and finance lease liabilities	(63,772)	-
-	(2,245)	Creditors	PFI and finance lease liabilities	-	(2,557)
-	(84,546)	Creditors	Financial liabilities at amortised cost	-	(88,014)
(551,574)	(135,573)		Total Financial Liabilities	(648,644)	(115,076)

Note 22 – Financial Instruments (Continued)

Material Soft Loan Made by the Authority

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 (2015/16: £3,743,000) to Osprey Housing (known previously 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 fair value of the loan is £2,058,000 (2015/16: £1,959,000) hence the increase in the discounted amount during the year was £101,000 (2015/16: £98,000).

Income, Expense, Gains and Losses

31 March 2017	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Total £'000
Interest Expense	(29,105)	-	(29,105)
Gains	-	(473)	(473)
Fee Expense	(179)	-	(179)
Total Expense in Surplus or Deficit on the Provision of Services	(29,284)	(473)	(29,757)
Interest Income	-	625	625
Total Income in Surplus or Deficit on the Provision of Services	-	625	625
Net Loss for the Year	(29,284)	152	(29,132)

Comparative Figures 31 March 2016	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Total £'000
Interest Expense	(27,909)	-	(27,909)
Gains	-	112	112
Fee Expense	(147)	-	(147)
Total Expense in Surplus or Deficit on the Provision of Services	(28,056)	112	(27,944)
Interest Income	-	856	856
Total Income in Surplus or Deficit on the Provision of Services	-	856	856
Net Loss for the Year	(28,056)	968	(27,088)

Fair Value of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2017 of 0.83% to 2.47% for loans from the PWLB and 1.02% to 2.60% 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

Note 22 – Financial Instruments (Continued)

- 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, the Council has used a financial model valuation provided by Capita Asset Services. 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 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 fair value of liabilities is as follows:

- early repayment methodology fair value is £1,056,482,000 (2015/16: *£883,790,000 restated) and the carrying amount is £763,720,000 (2015/16: *£687,147,000 restated); and
- new borrowing rates fair value of the liabilities is £916,059,000 (2015/16: *£782,110,000 restated) and the carrying amount is £763,720,000 (2015/16: *£687,147,000 restated).

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders below current market rates.

Assets are carried at cost as this is a fair approximation of their value.

*Figures have been restated. See note 10 for details.

Note 23 – Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy statement. The most recent Treasury Management Strategy document was approved by the Council's Business Services Committee on 2 March 2017 (<http://committeesinternal/committees.aspx?commid=492&meetid=18723>) although the version that applied in 2016/17 was approved by the Council's Policy and Resources Committee on 21 April 2016 (<http://committees.aberdeenshire.gov.uk/committees.aspx?commid=11&meetid=18188>). The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they are rated independently with a "very small risk" classification, specifically based in the EU, a rating of P-1 (or better) from Moodys or a rating of F-1 (or better) from Fitch, or where the organisation is deemed to be UK Government backed. 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.

Note 23 – Nature and Extent of Risks Arising from Financial Instruments (Continued)

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £29,050,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

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

	Debtors as at 31 March 2017 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £'000	Estimated maximum exposure at 31 March 2016 £'000
	A	B	C	(A X C)	
Customers	11,421	51.76	51.76	5,911	4,619
Housing Rents	2,353	74.25	74.25	1,747	2,567
	13,774			7,658	7,186

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.

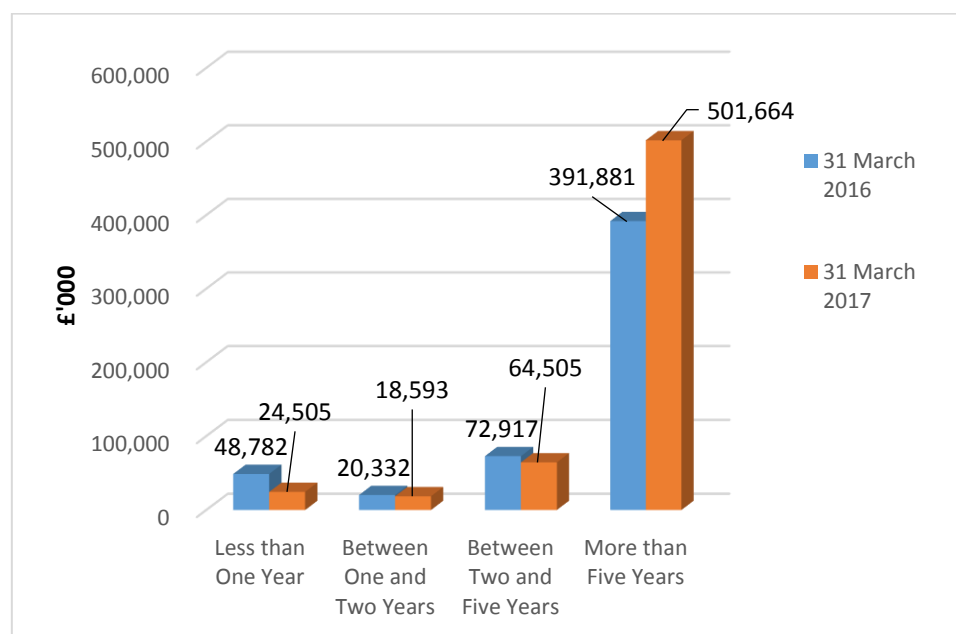
The past due but not impaired amount can be analysed by age as follows:

31 March 2016 £'000		31 March 2017 £'000
3,068	Less than Three Months	4,426
519	Three to Six Months	470
228	Six Months to One Year	248
791	More than One Year	972
4,606	Total	6,116

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 60% of loans are due to mature within any rolling two-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. Financial liabilities are £609,267,000 (2015/16: £533,912,000). The maturity analysis of these is as follows:

Note 23 – Nature and Extent of Risks Arising from Financial Instruments (Continued)



All trade and other payables are due to be paid in less than one year.

Market Risk - Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an increase in interest of variable rate investments and an impact on the Surplus or Deficit on the Provision of Services of £786,000. The share of the overall impact charged to the HRA would be £179,000. The decrease in the fair value of fixed rate borrowings liabilities would be £108,294,000. This would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Note 23 – Nature and Extent of Risks Arising from Financial Instruments (Continued)

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

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.

The £77,000 shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £4,000 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2016/17.

Foreign Exchange Risk

The Council holds a bank account in Euros that has a maximum balance of approximately £700,000 and therefore has limited exposure to foreign exchange.

Note 24 – Inventories

31 March 2017	Consumable Stores/ Finished Goods 2016/17 £'000	Maintenance Materials/ Raw Materials 2016/17 £'000	Client Services/ Work in Progress 2016/17 £'000	Total 2016/17 £'000
Balance Outstanding at 1 April 2016	2,022	1,710	139	3,871
Purchases	11,740	6,690	737	19,167
Recognised as an Expense in the Year - Issues	(11,775)	(6,662)	(352)	(18,789)
Inventory Adjustments	(204)	(22)	(20)	(246)
Balance Outstanding at 31 March 2017	1,783	1,716	504	4,003

Comparative Figures for 31 March 2016	Consumable Stores/ Finished Goods 2015/16 £'000	Maintenance Materials/ Raw Materials 2015/16 £'000	Client Services/ Work in Progress 2015/16 £'000	Total 2015/16 £'000
Restated Balance Outstanding at 1 April 2015	*2,201	*1,618	193	4,012
Purchases	11,850	7,759	1,109	20,718
Recognised as an Expense in the Year - Issues	(11,965)	(7,642)	(1,138)	(20,745)
Written off Balances	(3)	-	-	(3)
Inventory Adjustments	(61)	(25)	(25)	(111)
Balance Outstanding at 31 March 2016	2,022	1,710	139	3,871

*Figures have been restated. See note 10 for details

Note 25 – Debtors

Long Term Debtors at 31 March 2017	Balance Outstanding at 31 March 2017 £'000	Cumulative Soft Loan Adjustment at 31 March 2017 £'000	Fair Value Amortised Costs at 31 March 2017 £'000
Osprey Housing	3,743	(1,685)	2,058
Create Homes	4,089	-	4,089
Leasing	667	-	667
Other Long Term Debtors (each less than £500,000)	759	(88)	671
	9,258	(1,773)	7,485
Repayments due 2017/18 shown as Current Debtors			(158)
Balance at 31 March 2017			7,327

Comparative Figures at 31 March 2016	Balance Outstanding at 31 March 2016 £'000	Cumulative Soft Loan Adjustment at 31 March 2016 £'000	Fair Value Amortised Costs at 31 March 2016 £'000
Osprey Housing	3,743	(1,788)	1,955
Create Homes	2,619	-	2,619
Leasing	673	-	673
Other Long Term Debtors (each less than £500,000)	864	(100)	764
	7,899	(1,888)	6,011
Repayments due 2016/17 shown as Current Debtors			(100)
Balance at 31 March 2016			5,911

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.

Short Term Debtors

2015/16 £'000		2016/17 £'000
9,403	Central Government Bodies	14,166
2,396	Other Local Authorities	1,660
350	NHS Bodies	1,381
322	Public Corporations and Trading Funds	2,616
17,498	Other Entities and Individuals	20,303
29,969	Total Short Term Debtors	40,126

Note 26 – Cash and Cash Equivalents

The balance of Cash and Cash equivalents of £6,408,000 (2015/16: £21,925,000) is made up of Cash Held by the Council of £33,000 (2015/16: £33,000) and Bank Current Accounts of £6,375,000 (2015/16: £21,892,000).

Note 27 – Short Term Creditors

2015/16 £'000		2016/17 £'000
(14,167)	Central Government Bodies	(14,978)
(5,881)	Other Local Authorities	(6,095)
(1,009)	NHS Bodies	(714)
(264)	Public Corporations and Trading Funds	(209)
(65,470)	Other Entities and Individuals	(68,575)
(86,791)	Total Short Term Creditors	(90,571)

Note 28 – Provisions**(i) Specific Provisions**

Estimates have been made for a number of potential liabilities, the most significant of which are:

Equal Pay

In common with most other Scottish local authorities, the Council sought to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these were predominantly female groups of manual workers whose jobs do not attract bonus payments and who were able to identify a manual worker job undertaken predominantly by males, which does attract bonus payments and is graded at a comparable level. Between 2006/07 and 2015/16, actual payments of £22,200,000 were made in respect of compensation for equal pay, including Solicitor's costs. At 31 March 2016, the Council held a provision of £4,794,000 in respect of claims for staff who have not yet signed compromise agreements and who have progressed to a tribunal claim.

During 2016/17 costs of £74,000 were incurred in on Solicitor's costs, administration costs, an HMRC payment in association with equal pay claims, as well as settlements to employees. These were charged against the provision. A review of the provision indicated that it should be reduced by £1,100,000. The revised provision is £3,620,000 at 31 March 2017.

Asset Decommissioning

A provision has been created for the future capital costs associated with the decommissioning of Household Waste Recycling Centres, waste transfer sites, landfill sites and quarries owned by the Council.

	Balance at 31 March 2016 £'000	Provision Made in Year £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2017 £'000
Equal Pay	(4,794)	-	1,100	74	(3,620)
Asset Decommissioning	(6,679)	-	-	-	(6,679)
Other Provisions (each less than £500,000)	(197)	(191)	136	-	(252)
Total	(11,670)	(191)	1,236	74	(10,551)
Provisions anticipated to be utilised within 12 months, shown as Current Provisions	121				502
Non-Current Provisions at 31 March	(11,549)				(10,049)

(ii) Debtors Provision

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:

Note 28 – Provisions (Continued)

- 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 £3,543,000 as at 31 March 2017.

Debtors Provision	Balance at 31 March 2016 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2017 £'000
General Debtors	(4,663)	(186)	(4,849)
Revenues	(15,544)	759	(14,785)
Housing Rents	(2,567)	(287)	(2,854)
Total	(22,774)	286	(22,488)

Note 29 – Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2016/17:

31 March 2016 £'000		31 March 2017 £'000
	Credited to Taxation and Non Specific Grant Income	
(328,275)	Revenue Support Grant	(314,451)
(91,954)	NDR Receipts from Pool	(99,190)
(33,268)	Scottish Government General Capital Grant	(30,097)
(4,029)	Leisure Enhancements	(400)
(1,343)	Education – Academy Enhancements	(397)
(433)	Education – Primary Replacement	(3,515)
(3,106)	Housing Revenue Account	(3,259)
(866)	Roads and Transport Services - Network and Traffic Management	(1,421)
(1,115)	Other Capital Grants (each less than £500,000)	(4,681)
(464,389)	Total	(457,411)
	Credited to Services	
*(946)	Alford Campus – Scottish Government Funding	(1,892)
(518)	Youth Music Initiative	(585)
(604)	Active Schools	(607)
(2,379)	Criminal Justice Service Grant	(2,499)
(4,894)	Universal Homes Insulation Scheme	(3,739)
(838)	Nestrans	(761)
(37,035)	Housing Benefits	(39,572)
(806)	Benefits Administration	(682)
-	NHS Social Care Funding	(9,504)
(684)	NHS Integrated Care Fund	(1,571)
(11,709)	NHS Resource Transfer	(11,709)
(687)	NHS Delayed Discharge	(830)
(660)	NHS Elderly Service Redesign	(660)
*(4,504)	Other grants (each less than £500,000)	(4,110)
(66,264)	Total	(78,721)

*Figures have been restated. See note 10 for details.

Note 29 – Grant Income (Continue)

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

31 March 2016 £'000	Short Term Liabilities - Revenue Grants Receipts in Advance	31 March 2017 £'000
(509)	Home Energy Efficiency Programme	-
(380)	Other grants (each less than £500,000)	(392)
(889)	Total	(392)

31 March 2016 £'000	Long Term Liabilities - Capital Grants Receipts in Advance	31 March 2017 £'000
(15,500)	Developer Obligations	(15,713)
(15,500)	Total	(15,713)

Note 30 – Unusable Reserves

The Unusable Reserves can be analysed as follows:

2015/16 £'000		2016/17 £'000
(818,765)	Revaluation Reserve	(851,034)
(603,561)	Capital Adjustment Account	(447,001)
14,280	Financial Instruments Adjustment Account	13,077
253,899	Pensions Reserve	413,173
11,795	Employee Statutory Adjustment Account	12,338
(1,142,352)	Total	(859,447)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PPE. 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.

2015/16 £'000	Revaluation Reserve	2016/17 £'000
(858,695)	Balance at 1 April	(818,765)
(55,641)	Upward Revaluation of Assets	(128,536)
65,723	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	66,848
10,082	Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services	(61,688)
29,848	Difference Between Fair Value Depreciation and Historical Cost Depreciation	29,419
(818,765)	Balance at 31 March	(851,034)

Note 30 – 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 2016/17.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £'000	Capital Adjustment Account	2016/17 £'000
(617,306)	Balance at 1 April	(603,561)
	Reversal of items relating to Capital Expenditure debited or credited to the CIES:	
98,091	Charges for Depreciation and Impairment of Non-Current Assets	97,186
29,814	Revaluation losses on PPE and AHfS	166,510
621	Amortisation of Intangible Assets	686
2,239	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	3,677
(29,848)	Adjusting amounts written out of the Revaluation Reserve	(29,419)
100,917		238,640
	Capital Financing Applied in the Year:	
(4,307)	Use of Capital Receipts to finance new Capital Expenditure	(5,451)
(42,911)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(41,979)
(26)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(1,287)
(13,363)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(14,168)
(26,565)	Capital Expenditure charged against the General Fund and HRA Balances	(19,249)
(87,172)		(82,134)
-	Movements in the Market Value of Investment Properties debited or credited to the CIES	54
(603,561)	Balance at 31 March	(447,001)

Note 30 – 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 2017 will be charged to the General Fund over the next 39 years.

2015/16 £'000	Financial Instruments Adjustment Account	2016/17 £'000
15,477	Balance at 1 April	14,280
(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)
(137)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(143)
14,280	Balance at 31 March	13,077

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.

2015/16 £'000	Pensions Reserve	2016/17 £'000
286,123	Balance at 1 April	253,899
(51,719)	Actuarial (gains) or losses on pensions assets and liabilities	144,651
53,103	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	51,235
(33,608)	Employer's pensions contributions and direct payments to pensioners payable in the year	(36,612)
253,899	Balance at 31 March	413,173

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.

Note 30 – Unusable Reserves (Continued)

2015/16 £'000	Employee Statutory Adjustment Account	2016/17 £'000
11,255	Balance at 1 April	11,795
(11,255)	Settlement or cancellation of accrual made at the end of the preceding year	(11,795)
11,795	Amounts accrued at the end of the current year	12,338
540	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	543
11,795	Balance at 31 March	12,338

Note 31 – Events after the Balance Sheet Date

The unaudited accounts were issued on 16 June 2017 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 this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information, if appropriate.

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 32 – Contingent Liabilities**Limitation (Childhood Abuse) (Scotland) Bill**

The Scottish Parliament is considering the Limitation (Childhood Abuse) (Scotland) Bill which seeks to remove the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. This may result in legislation being enacted that may result in court action being taken against the Council, should any claims of childhood abuse be brought against the Council. Should such actions be raised, the Council may be held liable in court and may be required to pay compensation. If the Council had to face a number of claims proportionate to the overall population (equivalent to 5%), based on the Scottish Government's figure of 2,200 potential claims, Aberdeenshire could see 110 claims. Not all of those would necessarily be against the Council, but any proportion of that has the potential for significant cost.

Guarantor in relation to NESPF

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

Note 33 – Defined Contribution Pension Schemes

The Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019. The Council has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Council is unable to identify its share of the underlying assets and liabilities of the scheme. The employer contribution rate from 1 April 2016 was 17.2%. Whilst the employee rate applied is a variable, it will provide an actuarial yield of 9.6% of pensionable pay. At the last valuation a shortfall of £1,300,000,000 was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers' contribution rate. The Council's level of participation in the scheme is 4.56% based on the proportion of employer contributions paid in 2015/16.

In 2016/17, the Council paid £17,532,000 to the Scottish Public Pension Agency in respect of teachers' retirement benefits representing 17.2% of pensionable pay. The figures for 2015/16 were £16,435,000 and 16.25%.

In addition, the Council is responsible for all pension payments related to "added years" it has awarded, together with related increases. These amounted to £41,000 or 0.04% of pensionable pay. The figures for 2015/16 were £42,000 and 0.04%. Contributions of £2,289,000 (2015/16: £2,345,000) remained payable at the year end. The contributions due to be paid in 2017/18 are estimated to be £17,632,000.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and detailed in note 34.

Participation in Pensions 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. 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; and
- the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government. This scheme meets the definition of a defined benefit scheme, but it is accounted for on the same basis as a defined contribution scheme as described in note 33.

The NESPF 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 Pensions Committee is comprised of elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations.

Under sections 5(1) and (2) of the Public Service Pensions Act 2013 each Local Government Pension Scheme Manager in Scotland is now required to establish a Pensions Board. The Pensions Board is responsible for assisting the Scheme Manager (Aberdeen City Council) in relation to compliance with Scheme regulations and the requirements of the Pensions Regulator. The Pensions Board consists of eight members: one elected member from Aberdeen City Council, one elected member from Aberdeenshire Council, one elected member from Moray Council, one member representing the Colleges and Admitted Bodies and four Trade Union representatives.

The 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).

At the most recent valuation of the Fund as at 31 March 2014, the Fund's assets were sufficient to cover 94% 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), where a shortfall exists at the effective date of valuation, a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. The maximum deficit recovery period for the Fund has been set at 19 years.

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 14.9% 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 deficit recovery contribution of 4.4% of projected pensionable pay at the valuation date.

Note 34 – Defined Benefit Pension Schemes (Continued)

Since 31 March 2014 there have been significant changes in the financial market position. In particular there has been a fall in gilt yields, which underpin the assessment of the past service liability values and therefore the long term funding target, which has led to a worsening of the funding position and an increase in the shortfall. As the new contribution rates are effective from 1 April 2015, it has been agreed that average contributions will be kept, as far as possible, at current levels.

In practice, each employer's position is assessed separately and individual rates set for each employer over the three year period to 31 March 2018. 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 five 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 2017, the Council makes up 33.7% (2015/16: 32.7%) of the total membership of the scheme.

Discretionary Post-Retirement Benefits

The Council has discretion to award additional post employment benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they fall due.

Transactions Relating to Post-employment Benefits

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. Contributions of £3,616,000 (2015/16: £3,417,000) remained payable at the year end. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

Note 34 – Defined Benefit Pension Schemes (Continued)

NESPF 2015/16 £'000	Teachers Additional Unfunded Pensions 2015/16 £'000	Total 2015/16 £'000	CIES	NESPF 2016/17 £'000	Teachers Additional Unfunded Pensions 2016/17 £'000	Total 2016/17 £'000
43,511	-	43,511	Cost of Services:			
38	-	38	Current Service Cost	42,279	-	42,279
313	-	313	Past Service Costs	-	-	-
			Loss from Settlements	50	-	50
8,017	583	8,600	Financing and Investment Income and Expenditure:			
641	-	641	Net Interest Expense	7,629	599	8,228
			Administration Expenses	678	-	678
52,520	583	53,103	Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	50,636	599	51,235
			Other Post Employment Benefit charged to the CIES			
(51,080)	(639)	(51,719)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	140,791	3,860	144,651
1,440	(56)	1,384	Total Post Employment Benefit charged to the CIES	191,427	4,459	195,886
			Movement in Reserves Statement			
(52,520)	(583)	(53,103)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in Accordance with the Code	(50,636)	(599)	(51,235)
32,509			Actual amount charged against the General Fund Balance for pensions in the year:			
	1,099		Employers' Contributions Payable to the Scheme	35,451		
			Retirement Benefits Payable to Pensioners		1,161	

NESPF		Teachers Additional Unfunded Pensions £'000	Total 2015/16 £'000	Assets and Liabilities Recognised in the Balance Sheet	NESPF		Teachers Additional Unfunded Pensions £'000	Total 2016/17 £'000
Funded Benefits £'000	Unfunded Benefits £'000				Funded Benefits £'000	Unfunded Benefits £'000		
1,148,190	23,871	18,201	1,190,262	Present value of the defined benefit obligation	1,513,240	27,046	21,499	1,561,785
(936,363)	-	-	(936,363)	Fair value of plan assets	(1,148,612)	-	-	(1,148,612)
211,827	23,871	18,201	253,899	Net liability arising from defined benefit obligations	364,628	27,046	21,499	413,173

Note 34 – Defined Benefit Pension Schemes (Continued)

NESPF		Teachers Additional Unfunded Pensions	Total 2015/16	Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	NESPF		Teachers Additional Unfunded Pensions	Total 2016/17
Funded Benefits £'000	Unfunded Benefits £'000	£'000	£'000		Funded Benefits £'000	Unfunded Benefits £'000	£'000	£'000
1,151,733	25,173	19,356	1,196,262	Opening Balance at 1 April	1,148,190	23,871	18,201	1,190,262
43,511	-	-	43,511	Current Service Cost	42,279	-	-	42,279
36,497	782	583	37,862	Interest Cost	39,803	811	599	41,213
9,444	-	-	9,444	Contributions from Scheme Participants	10,004	-	-	10,004
				Remeasurement (gains) and losses:				
				Actuarial experience (gains)/losses	-	-	1,031	1,031
(61,228)	(819)	(639)	(62,686)	Actuarial (gains)/losses arising from changes in financial assumptions	304,907	3,702	2,829	311,438
(31,939)	(1,444)	(1,099)	(34,482)	Benefits Paid	(31,969)	(1,362)	(1,161)	(34,492)
38	-	-	38	Past Service Cost	-	-	-	-
134	179	-	313	Losses on Curtailments	26	24	-	50
1,148,190	23,871	18,201	1,190,262	Closing Balance at 31 March	1,513,240	27,046	21,499	1,561,785

NESPF		Teachers Additional Unfunded Pensions	Total 2015/16	Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets	NESPF		Teachers Additional Unfunded Pensions	Total 2016/17
Funded Benefits £'000	Unfunded Benefits £'000	£'000	£'000		Funded Benefits £'000	Unfunded Benefits £'000	£'000	£'000
910,139	-	-	910,139	Opening fair value scheme assets at 1 April	936,363	-	-	936,363
29,262	-	-	29,262	Interest Income	32,985	-	-	32,985
(10,967)	-	-	(10,967)	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	167,818	-	-	167,818
(641)	-	-	(641)	Administration expenses	(678)	-	-	(678)
31,065	1,444	1,099	33,608	Contributions from employer	34,089	1,362	1,161	36,612
9,444	-	-	9,444	Contributions from employees into the scheme	10,004	-	-	10,004
(31,939)	(1,444)	(1,099)	(34,482)	Benefits paid	(31,969)	(1,362)	(1,161)	(34,492)
936,363	-	-	936,363	Closing fair value of scheme assets at 31 March	1,148,612	-	-	1,148,612

Note 34 – Defined Benefit Pension Schemes (Continued)
NESPF Assets Comprised:

Asset category	Sub-category	Quoted (Y/N)	31 March 2016 £'000	31 March 2017 £'000
Equities:	UK quoted	Y	184,462	223,404
	Global quoted	Y	219,109	209,966
	Global Frontier Fund	Y	10,300	-
	Pooled UK	Y	136,709	172,292
	Pooled Global	Y	135,773	175,738
Bonds:	UK Government fixed	Y	22,473	32,161
	UK Government indexed	Y	37,455	57,431
	Overseas Government fixed	Y	43,073	37,904
	UK Other	Y	1,873	-
	Overseas other	Y	936	-
	UK Corporate	Y	1,873	3,446
	Overseas Corporate	Y	14,982	14,932
	Overseas Pooled Funds	Y	1,873	-
Property:	UK Direct	N	71,164	78,106
	Property Funds - UK	N	-	2,297
	Property Funds - Global	N	8,427	-
Alternatives:	European Private Equity	N	11,236	14,932
	Global Private Equity	N	25,282	29,864
	Global Infrastructure	N	1,873	2,297
	UK Private Equity	N	-	2,297
	Global Private Equity Real Estate	N	-	10,338
	Diversified Growth Funds	N	-	62,025
	Other Loan Fund	N	936	804
Cash:	Cash instruments	N	5,618	17,229
	Net current assets	N	936	1,149
Total			936,363	1,148,612

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. 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 2014 rolled forward to 31 March 2017. The next triennial valuation will be based on the Fund as at 31 March 2017.

Note 34 – Defined Benefit Pension Schemes (Continued)

The significant assumptions used by the actuary have been:

NESPF		Teachers Additional Unfunded Pensions 2015/16		NESPF		Teachers Additional Unfunded Pensions 2016/17
Funded Benefits 2015/16	Unfunded Benefits 2015/16			Funded Benefits 2016/17	Unfunded Benefits 2016/17	
			Mortality Assumptions:			
			Longevity at 65 for Current Pensioners:			
22.2	22.2	23.5	Men	22.3	22.3	23.6
24.8	24.8	25.6	Women	24.9	24.9	25.7
			Longevity at 65 for Future Pensioners:			
24.4	-	-	Men	24.5	-	-
27.6	-	-	Women	27.8	-	-
2.00%	2.00%	2.00%	Rate of Inflation	2.30%	2.30%	2.30%
3.50%	-	-	Rate of Increase in Salaries	3.80%	-	-
2.00%	2.00%	2.00%	Rate of Increase in Pensions	2.30%	2.30%	2.30%
3.50%	3.50%	3.40%	Rate for Discounting Scheme Liabilities	2.50%	2.50%	2.50%
50%	-	-	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	50%	-	-

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)	30,406	(30,406)
Rate of inflation (increase or decrease by 0.1%)	26,722	(26,722)
Rate of increase in salaries (increase or decrease by 0.1%)	6,670	(6,670)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(26,266)	26,266

Note 34 – Defined Benefit Pension Schemes (Continued)

Asset and Liability Matching (ALM) Strategy

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 2014 and the results indicate that overall the assets represented 94% 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 Pensions Committee have considered this trade-off and defined a strategic benchmark to achieve the long term investment returns required to achieve the Fund objective:

Growth Assets 70% (+/- 5%)	Income/Protection Assets 30% (+/-5%)
Global Equities 55%	Bonds 10%
Diversified Growth Funds 10%	Direct Property 10%
Limited Partnerships 5%	Index Linked 5%
	Other 5%

The asset proportions of the Fund at 31 March 2017 were: equities, including alternatives 78.7% (2015/16: 77.5%), bonds 12.7% (2015/16: 13.3%), property 7.0% (2015/16: 8.5%) and cash 1.6% (2015/16: 0.7%).

Impact on the Council's Cash Flows

The next triennial valuation is due to be completed on 31 March 2017.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £34,056,000.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2014 valuation is 17 years.

Joint Boards

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

Total 2015/16 £'000	Aberdeenshire Share 2015/16 £'000		Total 2016/17 £'000	Aberdeenshire Share 2016/17 £'000
3,911	1,721	Grampian Valuation Joint Board	6,625	2,915

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

Note 35 – Related Parties

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

Scottish Government

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

Grants received from the Scottish Government are set out in the subjective analysis in note 6 on Expenditure and Income Analysed by Nature. Grant receipts in advance at 31 March 2017 are shown in note 29.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of Councillors' allowances paid in 2016/17 is shown in the Remuneration Report. Councillors have involvement with 74 outside bodies, 28 of which are in a decision making role and 46 in an observational role, as reported to Full Council on 24 April 2014. During 2016/17, works and services to the value of £2,964,000 were commissioned from companies in which 26 Councillors' had an interest (2015/16: £2,761,000 and 28 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition grants totalling £411,000 were awarded to voluntary organisations in which 15 Councillors had positions on the governing body (2015/16: £390,000 and 11 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' Interest, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website:

[\(http://www.aberdeenshire.gov.uk/council-and-democracy/councillors/register-of-members-interests-amended-270715register-of-interests/\)](http://www.aberdeenshire.gov.uk/council-and-democracy/councillors/register-of-members-interests-amended-270715register-of-interests/)

Officers – Key Management Personnel

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report on pages 11 – 20. 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 2017, the CIES shows a deficit of £2,698,000 (2015/16: £732,000 surplus) and the net liabilities were £5,764,000 (2015/16: £3,066,000). The Board is funded by requisitions from the three Councils. The Council paid a requisition of £1,772,000 (2015/16: £1,591,000) in 2016/17. The balance outstanding at the 31 March 2017 due to the Council is £101,000. 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 2017, the CIES showed a £384,000 deficit (2015/16: £44,000 surplus) and the net liabilities were £928,000 (2015/16: £544,000). The two Councils fund the Partnership. The Council paid a requisition of £118,000 (2015/16: £42,000) and provided capital funding of £761,000 (2015/16: £939,000). The balance outstanding at the 31 March 2017 due to the Council is £570,000. 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 2017, the net assets were £6,289,000 (2015/16: £5,624,000) for Trusts and £2,875,000 (2015/16: £2,627,000) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 100 – 104. The Trusts and Common Good Funds had £4,158,000 (2015/16: £4,043,000) invested in the Council's loans fund at 31 March 2017. 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. For the year ended 31 March 2017, the CIES shows a deficit of £2,590,000 (2015/16 £1,017,000 surplus), the net liabilities were £4,748,000 (2015/16: £2,255,000). Aberdeenshire Council's contribution to the organisation in 2016/17 was £157,000 (2015/16: £143,000). A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Aberdeenshire Integration Joint Board

Aberdeenshire Integration Joint Board (the Board) of Aberdeenshire Health and Social Care Partnership was established as a Body Corporate by Scottish Ministers on 6 February 2016. Its purpose is to improve the wellbeing of 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. Two Non-Voting Board members and one Stakeholder Representative Non-Voting Board member are employees of the Council. For the year ended 31 March 2017, the CIES shows a surplus of £9,000 (period from 6 February 2016 to 31 March 2016: breakeven) and the net assets were £9,000 (period from 6 February 2016 to 31 March 2016: nil). The Board is funded by the Council and NHS Grampian. The Council made a payment of £102,395,000 for integrated functions (period from 6 February 2016 to 31 March 2016: £12,000). A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Note 36 – Cash Flow Statement – Operating Activities

2015/16 £'000		2016/17 £'000
(69,134)	Net Deficit on the Provision of Services	(211,176)
	Adjust net surplus or deficit on the provision of services for non cash movements	
98,091	Depreciation and Impairment	97,186
29,814	Downward Revaluations	166,510
621	Amortisation	686
(109)	Soft Loans (non Subsidiary)-Interest adjustment credited to CIES during year	(114)
(35)	Adjustments for Effective Interest Rates	(36)
(107)	Increase/(Decrease) in Interest Creditors	276
3,116	Increase in Creditors	2,840
170	(Increase)/Decrease in Interest and Dividend Debtors	(31)
(2,204)	(Increase)/Decrease in Debtors	(7,648)
141	(Increase)/Decrease in Inventories	(132)
19,495	Movement in Pension Liability	14,621
6,512	Contributions to/ (from) Provisions	(1,119)
2,239	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,677
-	Movement in Investment Property Values	54
157,744		276,770
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(44,160)	Capital Grants credited to surplus or deficit on the provision of services	(43,771)
10,000	Net Adjustment from the Sale of Short and Long Term Investments	-
(4,307)	Proceeds from the sale of property plant and equipment and intangible assets	(5,898)
(38,467)		(49,669)
50,143	Net Cash Flows from Operating Activities	15,925

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
917	Interest Received	480
(28,198)	Interest Paid	(29,044)

Note 37– 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 100 – 104. The Aberdeenshire Integration Joint Board has been consolidated as a Joint Venture. The accounting year end for these entities is 31 March 2017.

Note 37– Summarised Financial Information of Group Entities (Continued)

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

	2016/17 £'000
(Surplus)/Deficit on Operating Activities	(5)
Current Assets	5

Aberdeenshire Integration Joint Board

Details of the Aberdeenshire Integration Joint Board are given in note 35 on Related Parties. The contribution provide by the Council to the Board in 2016/17 was £102,395,000. 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.

2015/16 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2016/17 £'000	Notes Ref
	Expenditure		
17,728	Repairs and Maintenance	20,250	
8,815	Supervision and Management	8,957	
34,477	Depreciation, Amortisation and Impairment of Non-Current Assets	179,922	
557	Movement in the Allowance for Bad Debts	410	
7,632	Other Expenditure	8,062	
69,209	Total Expenditure	217,601	
	Income		
(44,150)	Dwelling Rents	(45,888)	
(1,411)	Non-dwelling Rents	(1,020)	
(8,982)	Other Income	(10,260)	
(54,543)	Total Income	(57,168)	
14,666	Net Cost of HRA Services as Included in the CIES	160,433	
337	HRA Services' Share of Corporate and Democratic Core	381	
10	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	1	
15,013	Net Expenditure for HRA Services	160,815	
	HRA Share of the Operating Income and Expenditure Included in the CIES		
(886)	Gain on Sale of HRA Non Current Assets	(1,514)	
5,701	Interest Payable and Similar Charges	5,352	
(45)	Interest and Investment Income	(24)	
546	Net Interest on Net Defined Benefit Liability (Asset)	542	
(3,106)	Non-specific Grant Income	(3,259)	
17,223	Deficit for the Year on HRA Services	161,912	
Other Notes			2 - 4

2015/16 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2016/17 £'000	Notes Ref
(2,000)	Balance on the HRA at 1 April	(2,000)	
17,223	Deficit for the Year on the HRA Income and Expenditure Statement	161,912	
(16,542)	Adjustments Between Accounting Basis and Funding Basis Under Statute	(161,955)	7~
681	Net Decrease/(Increase) Before Transfers to or from Reserves	(43)	
(681)	Transfers (from)/to Reserves	43	1
-	Movement in Year on the HRA	-	
(2,000)	Balance on the HRA at 31 March	(2,000)	

~Refers to note 7 to the Council's Financial Statements on pages 54 - 55.

Housing Revenue Account Disclosures

HRA Note 1 – Transfers to/from Reserves

2015/16 £'000		2016/17 £'000
(733)	Transfer from General Fund	-
59	Transfer to Insurance Fund	43
(7)	Transfer from Repairs and Maintenance Fund	-
(681)	Total	43

HRA Note 2 – Housing Stock

The Council's housing stock at 31 March 2017 was 12,929 (12,936 at 31 March 2016) in the following categories:

Restated 2015/16	Types of dwellings:	2016/17
1,534	- Sheltered Housing	1,509
35	- 1 apartment	38
3,685	- 2 apartment	3,715
5,088	- 3 apartment	5,081
2,447	- 4 apartment	2,442
147	- 5 + apartment	144
12,936	Total Housing Stock as at 31 March	12,929

The Council's housing stock includes 34 properties (2015/16: 36 properties) that are not in the ownership of the Council.

HRA Note 3 – Rent Arrears

Rent arrears at 31 March 2017 were £2,353,000 (£2,307,000 at 31 March 2016).

HRA Note 4 – Impairment of Debtors

In 2016/17 an impairment of £1,747,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £38,000 from the provision in 2015/16.

HRA Note 5 – Void Properties

The loss on void properties in 2016/17 was £864,000 (2015/16: £542,000)

Council Tax

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

COUNCIL TAX INCOME ACCOUNT

Local authorities raise taxes from their residents through the Council Tax – which is a property tax linked to property values. Each dwelling in a local authority area is placed into one of eight valuation bands (A to H). The property values are determined by the Assessor. The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more.

All domestic dwellings which appear on the valuation list are liable for the tax, but some dwellings, for instance student residences and certain unoccupied dwellings, are exempt. The full Council Tax bill is based on the assumption that there are two adults living in the dwelling. If only one adult lives in a dwelling the Council Tax bill is reduced by 25%.

In 2016/17, for Band D properties, the Council Tax was £1,141.00. The Scottish average Band D Council Tax for 2016/17 was £1,149.00. This statement also includes any residual Community Charges collected.

2015/16 £'000		2016/17 £'000	Notes Ref
(139,616)	Gross Council Tax Levied and Contributions in Lieu	(141,312)	
	Less:		
7,072	Council Tax Reduction Scheme	7,235	
13,603	Other Discounts and Reductions	14,622	
1,184	Write Off of Uncollectable Debts and Allowance for Impairment	-	
21,859		21,857	
2	Adjustments to Previous Years' Community Charge and Council Tax	(191)	
(117,755)	Transfer to CIES	(119,646)	
Council Tax Income Account notes			1 - 2

Council Tax Disclosures

CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	Proportion of Band D	2015/16 Council Tax	2016/17 Council Tax
A	Up to £27,000	6/9	£760.67	£760.67
B	£27,001 – £35,000	7/9	£887.44	£887.44
C	£35,001 – £45,000	8/9	£1,014.22	£1,014.22
D	£45,001 - £58,000	9/9	£1,141.00	£1,141.00
E	£58,001 - £80,000	11/9	£1,394.56	£1,394.56
F	£80,001 - £106,000	13/9	£1,648.11	£1,648.11
G	£106,001 - £212,000	15/9	£1,901.67	£1,901.67
H	Above £212,000	18/9	£2,282.00	£2,282.00

CT Note 2 – Calculation of Council Tax Base 2016/17

The Council Tax Base is calculated by analysing properties across the valuation bandings and detailing the numbers of properties which are subject to discounts and those which are exempt. The total number of properties in each banding is then converted into Band D equivalent figures. This calculation is based on the valuation list at 31 March 2017.

BAND	Band A*	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Properties	20,622	16,067	14,324	17,603	21,445	16,127	10,214	591	116,993
Less:									
Exemptions	1,413	704	574	478	378	205	118	13	3,883
Discount - 25%	2,597	1,620	1,222	1,243	1,119	596	285	13	8,695
Discount - 50%	338	267	231	246	235	145	89	16	1,567
Number of chargeable dwellings subject to disabled reduction	(62)	(42)	(7)	(61)	33	57	77	5	-
Number of adjusted chargeable dwellings	16,336	13,518	12,304	15,697	19,680	15,124	9,645	544	102,848
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Band D equivalents for RSG purposes	10,885	10,514	10,937	15,697	24,053	21,845	16,075	1,088	111,094
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2016/17									13
Adjustment to base for Council Tax Reduction Scheme									6,292
COUNCIL TAX BASE 2016/17									104,815
2015/16									104,172

* Of the 16,336 Band A properties, 52 receive a discount in the ratio 5/9 relating to disabled relief.

Business Rates

The Business Rate 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.

BUSINESS RATES INCOME ACCOUNT

Business Rates income is collected by local authorities, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

Business rates are levied in respect of all commercial properties within the area. The Assessor determines a rateable value for each property, this figure broadly representing the rent, which the property could expect to fetch on the open market.

Properties which are empty may receive reductions to the charge, the level of reduction varies depending on the last use of the Property. Similarly certain properties in Rural Areas, e.g. Post Offices can also qualify for relief from the full charge. Charities can also receive reductions against the rates bill for any property. Other reliefs and exemptions may also be received by certain properties, a full list of Reliefs and Exemptions can be viewed on Aberdeenshire Council Website (<http://www.aberdeenshire.gov.uk/business/business-rates/reductions-and-relief-schemes/>).

The table below details the actual levels of Business Rates collected by the Council, and the overall increase/decrease between the rates collected and the amount that the Council contributes to the National Pooling arrangement.

Restated 2015/16 £'000		2016/17 £'000	Notes Ref
(113,733)	Gross Rates Levied and Contributions in Lieu	(118,689)	
	Less:		
20,858	Reliefs and Other Deductions	18,570	
4	Payment of Interest	-	
6	Write Off of Uncollectable Debts and Allowance for Impairment	29	
(92,865)	Net Business Rate Income	(100,090)	
*518	Adjustments to Previous Year's Business Rates	3,643	
(92,347)	Total Business Rate Income (before Council Retentions)	(96,447)	
*(129)	Business Rate Income Retained by the Council (BRIS)	932	
(92,476)	Contribution to National Non-Domestic Rate Pool	(95,515)	
Business Rate Income Account Notes			1 - 2

*Figures have been restated to show the figure for BRIS separately. The published accounts showed a figure of £389,000 for Adjustments to Previous Year's Business Rates and nil for BRIS.

Business Rates Disclosures

BR Note 1 – Rateable Values and Number of Premises at 1 April 2016

As at 1/4/15 Number of Entries	As at 1/4/15 Rateable Value £'000		As at 1/4/16 Number of Entries	As at 1/4/16 Rateable Value £'000
1,924	34,895	Shops	1,942	35,920
107	2,152	Public Houses	105	2,150
1,412	31,260	Offices (Including Banks)	1,431	31,873
235	5,843	Hotel, Boarding Houses etc.	244	5,616
3,072	74,133	Industrial and Freight Transport Subjects	3,174	78,898
1,032	7,703	Leisure, Entertainment, Caravans and Holiday Sites	1,059	7,879
404	2,815	Garage and Petrol Stations	398	2,838
56	597	Cultural	57	586
182	286	Sporting Subjects	177	304
259	18,175	Education and Training	215	18,952
767	11,757	Public Services Subjects	762	11,727
42	4,629	Communications (Non Formula)	43	4,639
215	1,300	Quarries, Mines etc.	215	1,327
15	18,650	Petrochemical	15	18,610
447	1,756	Religious	445	1,772
125	3,449	Health Medical	129	3,550
1,034	1,564	Other	1,103	2,611
135	4,212	Care Facilities	134	4,453
20	49	Advertising	19	49
30	1,466	Undertaking	31	1,534
11,513	226,691	Total	11,698	235,288

Note: The 2010 Revaluation Roll came into force on 1 April 2010 and contains revised rateable values. National revaluations take place every five years throughout Scotland.

BR Note 2 – Explanation of the Nature and Amount of Each Fixed Rate

The Assessor maintains the listing of all rateable values in the Valuation Roll. All properties listed in the Roll are liable for rating purposes. The actual rates charge is calculated by multiplying the rateable value by the poundage i.e. pence in the pound, set each year by the Scottish Government. The poundage set for the year 2016/17 for properties with a rateable value up to £35,000 was 48.4 pence (2015/16: 48.0 pence), and for properties with rateable value over £35,000 was 51.0 pence (2015/16: 49.3 pence).

Properties with a combined rateable value of £18,000 or less are entitled to claim under the Small Business Bonus Scheme for rates relief. In addition, where the cumulative rateable value of a business with multiple properties falls between £18,000 and £35,000, the scheme will offer 25% relief to individual properties with a rateable value of £18,000 or under.

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 2017 and details of how these balances were invested at that date are shown below.

INCOME AND EXPENDITURE STATEMENT

All Trusts 2015/16 £'000	Charitable Trusts 2015/16 £'000		All Trusts 2016/17 £'000	Charitable Trusts 2016/17 £'000	Notes Ref
		Expenditure			
50	53	Administrative Costs	54	55	2
47	43	Donations, Grants etc.	66	58	
1	-	Other Costs	2	-	
98	96	Total Expenditure	122	113	
		Income			
(247)	(220)	Investment Income	(137)	(89)	2
(71)	(67)	Other Income	(59)	(75)	
(318)	(287)	Total Income	(196)	(164)	
(220)	(191)	(Surplus) for the year	(74)	(51)	

BALANCE SHEET

All Trusts 2015/16 £'000	Charitable Trusts 2015/16 £'000		All Trusts 2016/17 £'000	Charitable Trusts 2016/17 £'000	Notes Ref
		Current Assets			
3	-	Other	2	-	
3,050	2,482	Investments	3,628	2,939	
2,594	1,441	Loans Fund Balance	2,690	1,496	
5,647	3,923	Total Current Assets	6,320	4,435	
		Current Liabilities			
(23)	(21)	Creditors	(31)	(29)	
5,624	3,902	Net Current Assets	6,289	4,406	
5,624	3,902	Total Net Assets	6,289	4,406	
		Financed by:			
(4,414)	(3,489)	Capital	(4,925)	(3,994)	
(1,210)	(413)	Revenue Balance	(1,364)	(412)	
(5,624)	(3,902)	Reserves	(6,289)	(4,406)	
		Other Trusts and Endowments notes			1,3

Trusts and Endowments (Continued)

SUMMARY OF FUNDS

Total Funds 2015/16 £'000	Charitable Trusts 2015/16 £'000		Total Funds 2016/17 £'000	Charitable Trusts 2016/17 £'000	Notes Ref
3,304	3,304	Education Trusts			
		Aberdeenshire Educational Trust	3,808	3,808	
		Other Trusts			
1,409	503	General	1,440	503	
149	91	Libraries	151	91	
		Endowment Funds			
432	4	Educational Endowments	501	4	
330	-	Social Work Endowments	389	-	
5,624	3,902	Total	6,289	4,406	

Alan Wood, MA (Hons), CPFA

Head of Finance

The unaudited accounts were issued on 16 June 2017 and the audited accounts were authorised for issue on 21 September 2017.

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 2017 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

Common Good Funds are subsidiaries of the Council. A summary of their accounts is presented in the Annual Accounts. The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs.

Income and Expenditure Account for the Year Ended 31 March 2017

Net Expenditure 2015/16 £'000	Services	Net Expenditure 2016/17 £'000	Notes Ref
24	Donations, Grants etc.	6	
24	Depreciation	25	
48	Expenditure	31	
(42)	Rental Income	(18)	
(8)	Interest Receivable and Similar Income	(8)	
(50)	Income	(26)	
(2)	(Surplus)/Deficit on the Provision of Services	5	
(22)	Transfer from Revaluation Reserve	(23)	
(24)	Increase in the Year	(18)	
Other Notes			CG1

Balance Sheet as at 31 March 2017

2015/16 £'000		2016/17 £'000	Note Ref
1,164	Property, Plant and Equipment	1,392	
1,164	Long Term Assets	1,392	
14	Short Term Investments	15	
1,449	Cash and Cash Equivalents	1,468	
1,463	Current Assets	1,483	
2,627	Net Assets	2,875	
	Usable Reserves:		
(1,090)	Revenue	(1,109)	CG 2
(370)	Capital	(370)	CG 2
	Unusable Reserves:		
(1,167)	Revaluation Reserve	(1,396)	
(2,627)	Total Reserves	(2,875)	
Other Notes			

Alan Wood, MA (Hons), CPFA

Head of Finance

The unaudited accounts were issued on 16 June 2017 and the audited accounts were authorised for issues on 21 September 2017.

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:

Total Funds 2015/16 £'000		Total Funds 2016/17 £'000
203	Macduff	195
1,287	Banff	1,543
4	Rosehearty	4
8	Portsoy	6
4	Aberchirder	4
64	Fraserburgh	64
453	Peterhead	455
90	Turriff	89
4	Oldmeldrum	5
111	Inverurie	109
45	Kintore	45
102	Stonehaven	102
55	Inverbervie	55
36	Laurencekirk	36
126	Huntly	128
35	Banchory	35
-	Ballater	-
2,627	Total	2,875

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. 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.

20. 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.

21. 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.

22. 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.

23. International Financial Reporting Standards (IFRS): The accounting standards adopted by the Council in the preparation of its accounts.

24. 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.

25. 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.

26. 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.

27. 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.

28. Non Current Assets: Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

29. Non-Specific Grant Income: All the grants and contributions receivable that cannot be identified to particular service expenditure.

30. 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.

Glossary (Continued)

- 31. Premises Costs:** Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, metered water charges, etc.
- 32. 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.
- 33. Payments to Agencies and Others:** Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.
- 34. 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.
- 35. Public Works Loans Board (PWLb):** A Government Agency which provides long term loans to the Council.
- 36. 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 money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.
- 37. Revenue Expenditure:** This is expenditure incurred in providing services in the current year and which benefits that year only.
- 38. Revenue Support Grant:** A block grant received from Government to help finance the cost of the Council's services.
- 39. Staff Costs:** Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.
- 40. 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.
- 41. Transport and Plant Costs:** Includes the cost of providing and maintaining all vehicles and plant including fuel, tyres, repairs, road tax, insurance, etc.
- 42. Unusable Reserves:** Those reserves that an authority is not able to utilise to provide service.
- 43. 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 2016	(673)	(3,923)	(2,419)	(7,015)
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	-	-	(1,792)	(1,792)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,287	1,287
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	-	-	(505)	(505)
Transfers to/from Statutory Reserves	(447)	3,625	-	3,178
(Increase)/Decrease in 2016/17	(447)	3,625	(505)	2,673
Balance at 31 March 2017 Carried Forward	(1,120)	(298)	(2,924)	(4,342)

	Capital Receipts Reserve £'000	Capital Fund £'000	Capital Grants Unapplied Account £'000	Total Capital Reserves £'000
Balance at 31 March 2015	(673)	(5,049)	(1,196)	(6,918)
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	-	-	(1,249)	(1,249)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	26	26
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	-	-	(1,223)	(1,223)
Transfers to/from Statutory Reserves	-	1,126	-	1,126
Decrease in 2015/16	-	1,126	(1,223)	(97)
Balance at 31 March 2016 Carried Forward	(673)	(3,923)	(2,419)	(7,015)

Further Information on Museums Collections

The Aberdeenshire Council Museum Service collections are managed by the Museums Curator - Learning who reports to the Arts and Heritage Manager. The Curators manage the collections in accordance with policies that are approved by Aberdeenshire Council. Further information is provided in the Museum Service's Acquisition & Disposal Policies 2012-2017, which is available on the Council's website: (<https://www.aberdeenshire.gov.uk/leisure-sport-and-culture/museums/explore-online/research-and-student-resources/>)

As is explained in that document, items in the collection are only disposed of where, in the opinion of the Curators, an item does not contribute to the interest and diversity of the Museum Service's 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 2017, 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

This is the remains of a recumbent stone circle dating to the Neolithic period (circa 2500BC), and 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

This is 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.

Annex - Note 15 – Heritage Assets (Continued)

(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 collection in terms of content would be impossible to replicate from scratch given the nature of how it was formed.

Annex - Note 20 – 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

Annex - Note 20 – Private Finance Initiatives (PFI) and Similar Contracts (Continued)

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
EFA	Expenditure and Funding Analysis
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IJB	Integrated Joint 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
SeRCOP	Service Reporting Code of Practice 2016/17
SLT	Strategic Leadership Team
TF	Trust Funds
The Code	Code of Practice on Local Authority Accounting in the UK 2016/17
VAT	Value Added Tax