



Annual Accounts 2023/24

For the Year to 31 March 2024

(Subject to Audit)



ANNUAL ACCOUNTS 2023/24 – CONTENTS

The Annual Accounts for Aberdeenshire Council consist of the below items.

Our Primary statements include the Remuneration Report, Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement. Additional notes to support these statements include the Expenditure and Funding Analysis and related note, as well as the notes to the financial statements found from page 59 onwards.

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Management Commentary

The Management Commentary outlines the key messages regarding the performance of the Council over the 2023/24 financial year, as well as providing an indication of the principal risks and uncertainties which may impact upon the Council in the future.

The Annual Accounts for Aberdeenshire Council and its group for the year ended 31 March 2024 have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Local Authority Accounts (Scotland) Regulations 2014.

Our Place



Aberdeenshire covers a geographical area of 6,339 km² and is the 6th largest Scottish Council by population, serving a population of 263,000.

The population of Aberdeenshire has risen from approximately 189,000 residents in 1981, to 263,000 in 2021 – an increase of 39%, exceeding the national average increase of 6%. There has been a noticeable reduction in the percentage of children and young adults in the population and the working age population is in decline. Aberdeenshire has witnessed a consistent increase in the proportion of older adults (aged 65 and over).

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

More information on the changing trends and the impact of these can be found in the Council's [Strategic Assessment 2023/24](#).

*population information as per National Records of Scotland.

Our Council

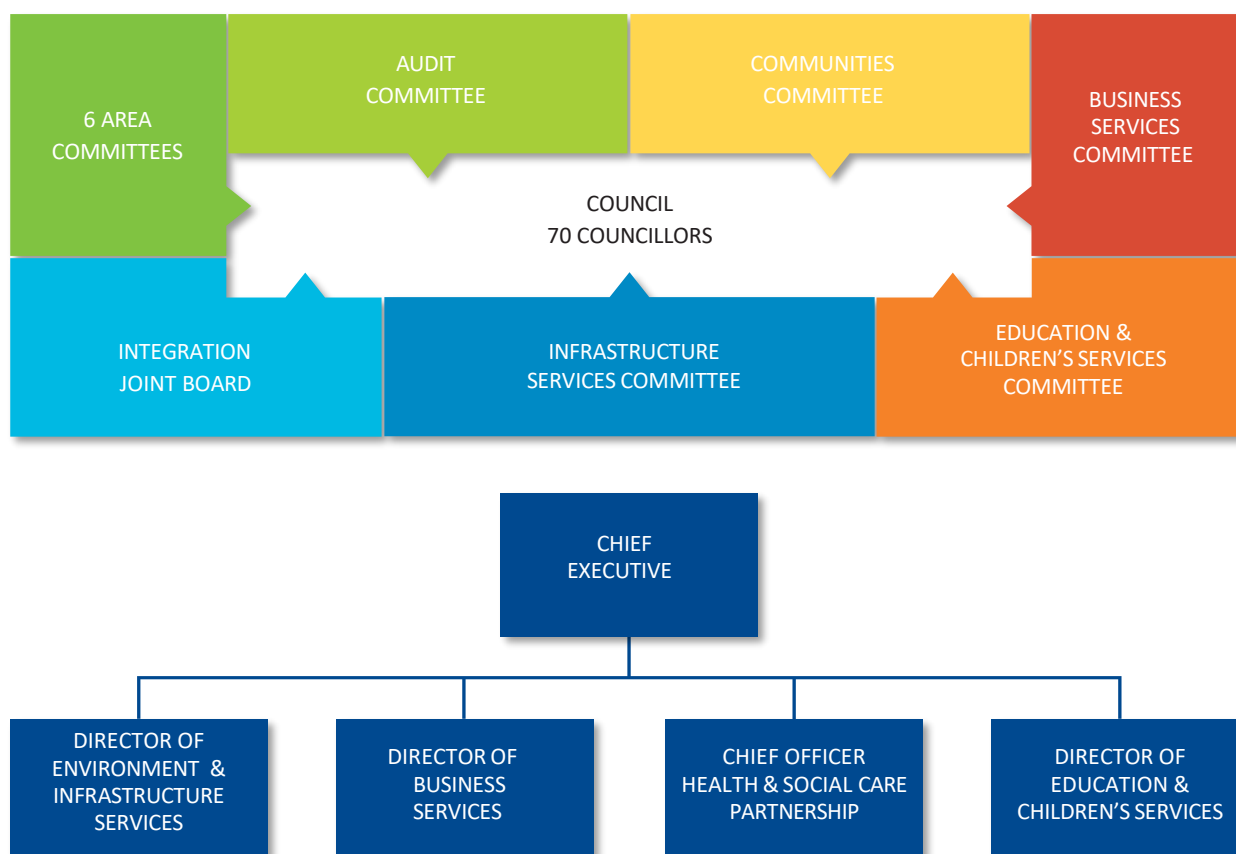
Aberdeenshire Council was constituted in 1996 under the Local Government (Scotland) Act 1994 bringing together the work of the previous regional Council and 3 district Councils.

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

- Educating over 40,400 children across 86 nurseries, 147 primary schools, 17 secondary schools and 4 special schools.
- Operating 23 community centres, 5 sports centres, 14 swimming pools, 10 museums, 1 aquarium, 1 outdoor centre, 2 ski centres, 39 pavilions, 9 all-weather pitches, 28 libraries, 17 halls and 4 town halls.
- Management, maintenance and allocation of 13,347 Council homes.
- Waste collection and disposal for 124,518 households and 3,276 trade waste properties.
- Operation of 15 household recycling centres and 12 seasonal garden waste points.
- Maintaining over 6,425 acres of open space, 231 cemeteries, 37 beaches, 451 play parks and skate parks and 808 acres of woodland.
- Maintenance and management of 5,722 kilometres of carriageways, 1,829 kilometres of footways, 1,311 highway bridges, 47,906 streetlights, almost 16,000 kilometres of watercourses, 200 kilometres of coastline and 7 harbours.
- Supporting and caring for vulnerable adults and children and helping older people retain their independence through the running of 10 family resource centres, 4 children's homes, 9 older people care homes and 1,502 sheltered houses.

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

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



Strategic Plans and Priorities

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

Our [Strategic Assessment](#) is a high level, succinct statistical report summarising a select number of Aberdeenshire-specific themes. It draws on various national and local data sources. The Strategic Assessment 2023/24 was agreed by Full Council in September 2023. The latest iteration for 2024/25 was compiled alongside the updated Council Plan 2024-29 and approved by Full Council in June 2024.

In light of the new strategic assessment which sets out significant demographic changes for communities across Aberdeenshire, along with the budgetary challenges (discussed further on [page 12](#)), it was considered prudent to refresh the Council Plan. The updated [Council Plan 2024-2029](#) was approved by Full Council in June 2024 after a public consultation ending 31 May 2024. The Plan is a strategic document setting out how the Council will meet its communities' needs and expectations over the next few years and provides Officers clear political direction on the priorities of the Council.

The Plan is based on outcomes that the Council want to achieve for Aberdeenshire, focusing on improving wellbeing of Aberdeenshire residents and making our region a more sustainable and better place to live in, work and visit. It is set around 3 key priorities:

A sustainable economy	We will support a strong and diverse economy by attracting people of working age to our region, complementing our highly skilled local workforce.
Connected Communities	We will work with communities and partners to enhance the sense of connection among our places. This includes supporting communities to come up with innovative solutions to ensure our places are resilient and vibrant.
Living well locally	We will encourage and support our residents to lead healthy and active lives and contribute meaningfully to their communities. We will make proactive choices that will allow us to cater to the needs of our increasingly ageing population.

Everything we do will consider the impact on our places and will be shaped by the voices of our communities. We will involve communities and service users in shaping our services, including how and where they are delivered. We will work with local people to actively shape the places they live and work in, through supporting volunteering and helping them to make the best use of the assets and resources in their area.

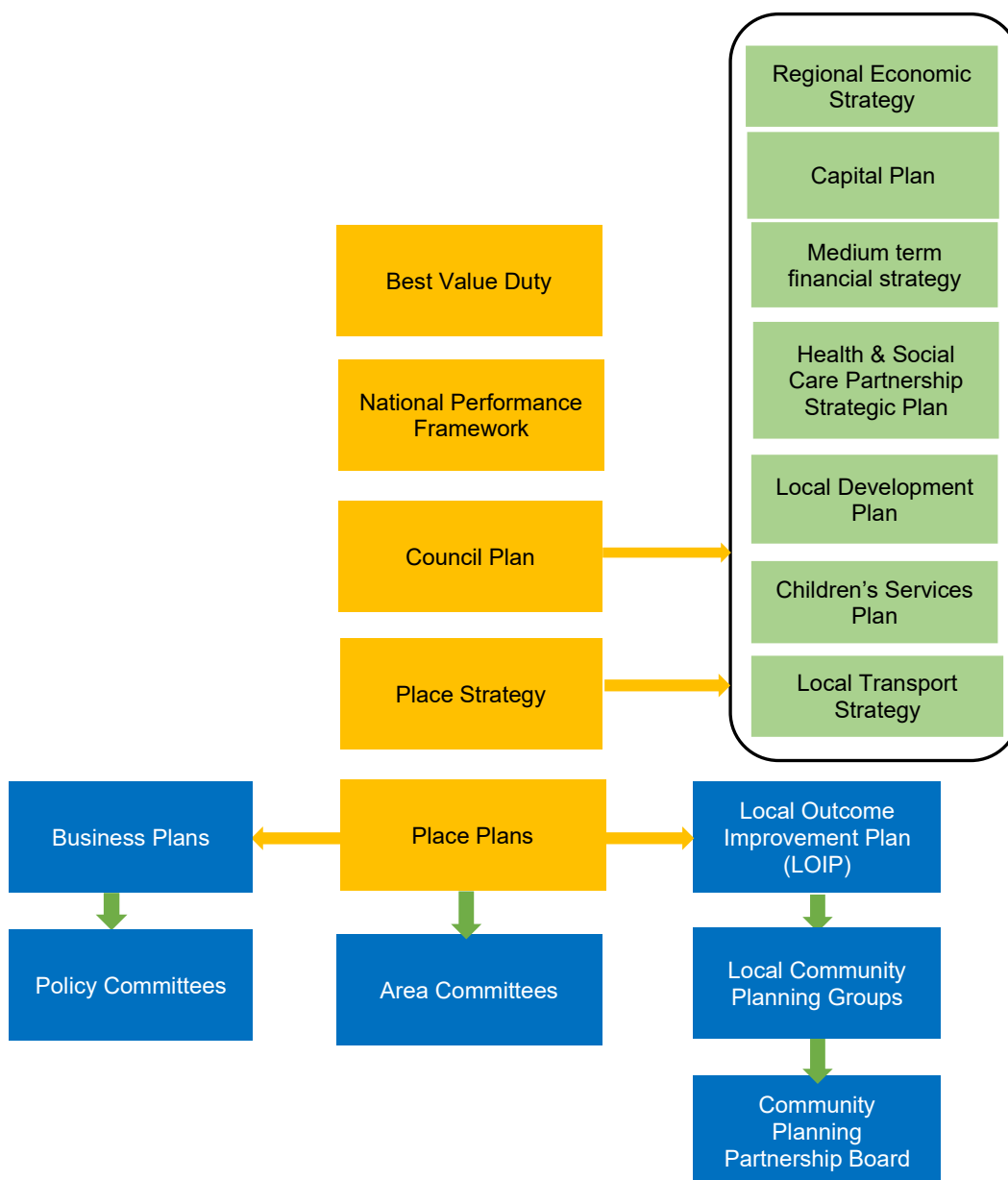
Climate change and the drive to net zero will be at the heart of how we make decisions and deliver services to support the delivery of our strategic priorities in the long-term. Our decisions will be informed through the lens of climate change to support our communities to have a sustainable future.

Aberdeenshire Council approved a [Performance Management Framework](#) in June 2021 (updated in 2022) which sets out the performance management at Aberdeenshire. Councillors will receive update reports on progress with the Council Plan through the Annual Performance Report which is presented at full Council each September. In addition, the updates on Business Plans are reported to policy committees every 6 months, providing a further opportunity for scrutiny on progress towards delivering the council's strategic priorities.

The Council Plan 2022-27 identified the development of a Place Strategy as a key strategic outcome. The approach aligns to the new Council Priorities and Plans approved in June 2024, with a Place [Policy](#) and [Strategy](#) also approved by Full Council in June 2024. The strategy is a key driver to change and represents a new approach for the future operating model of the Council. The policy is a high-level document that sets out the expectations of the Council and clear direction. The strategy recognises the challenges and more importantly the opportunities facing the Council and our Partners and looks to build on current successes and deliberately support partnership working to deliver the outcomes needed in our communities.

The inter-relationship between the Place Strategy with other key strategies is illustrated below through the Place Planning Framework.

Place Planning Framework



Sustainability and Climate Change

The [Carbon Budget 2023-24](#) was approved by Aberdeenshire Council on 9 March 2023 (item 5). This budget included a list of projects across the 3 Directorates and the Health and Social Care Partnership and confirmed the identified funding streams necessary for project progression. The Sustainability and four Policy Committees monitored this budget throughout 2023/24, with the final update provided to Sustainability Committee on 21 February 2024 ([Item 6](#)).

The Carbon Budget for 2024/25 was approved by Aberdeenshire Council on 22 February 2024 ([Item 6](#)). A six monthly progress update will be presented to Sustainability Committee on 28 August 2024. The Route Map to 2030 and Beyond Action Plan was approved at Sustainability Committee on 21 February 2024 ([Item 5](#)). Officers are now working towards the delivery of this action plan to support the Council's targets committed through the Climate Change Declaration. Six monthly updates on progress will also be provided to the Sustainability Committee. The first update will be on 28 August 2024.

Our Performance and Achievements during 2023/24

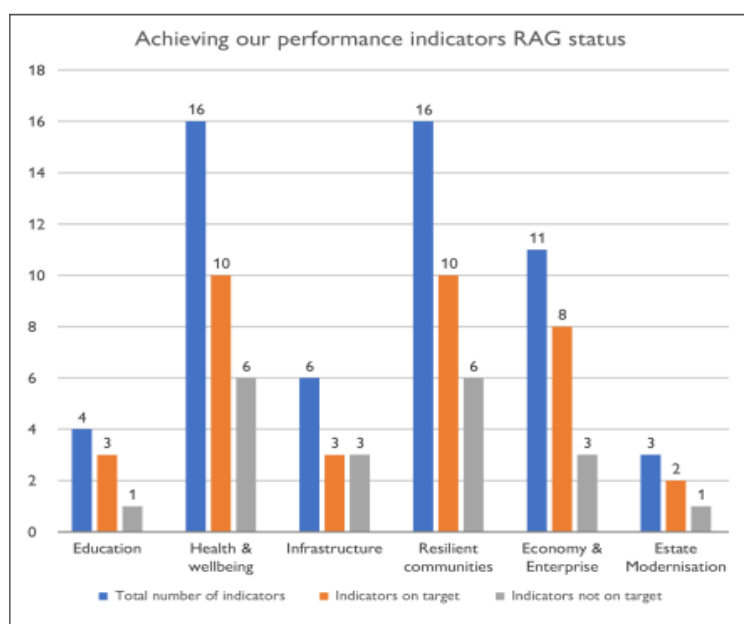
Effective performance management's core purpose is to improve the lives of the people we serve by using high quality information for decision making. [Aberdeenshire's Performance Framework](#) outlines how our performance management fosters a culture of continuous improvement within the Council, ensuring the best outcomes for our community. It provides an overview of statutory context and our current performance management arrangements.

Performance Summary

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

The [Aberdeenshire Council Annual Performance Report 2022 - 2023](#), approved by the Council in September 2023 consolidates and summarises our service performance over the year to support our public performance reporting arrangements. The report highlights our key successes and identifies avenues for growth and development.

A summary of our performance in 2022/23, being the most recent published data, is illustrated below. Full details are available within the [Aberdeenshire Council Annual Performance Report 2022 - 2023](#). This will be updated to incorporate 2023/24 data prior to the audited Annual Accounts being finalised in October 2024.



What we've done well

- Supporting people to lead active and healthy lifestyles;
- Encouraging active travel;
- Ensuring that residents and business across Aberdeenshire are prepared to adapt to effects of climate change including the risk of flooding;
- Effective delivery of the Council's priorities through a programme of digital innovation and web-based services;
- Developing person-centred care which is delivered sustainably; and
- Providing support for those facing homelessness.

Where we need to do better

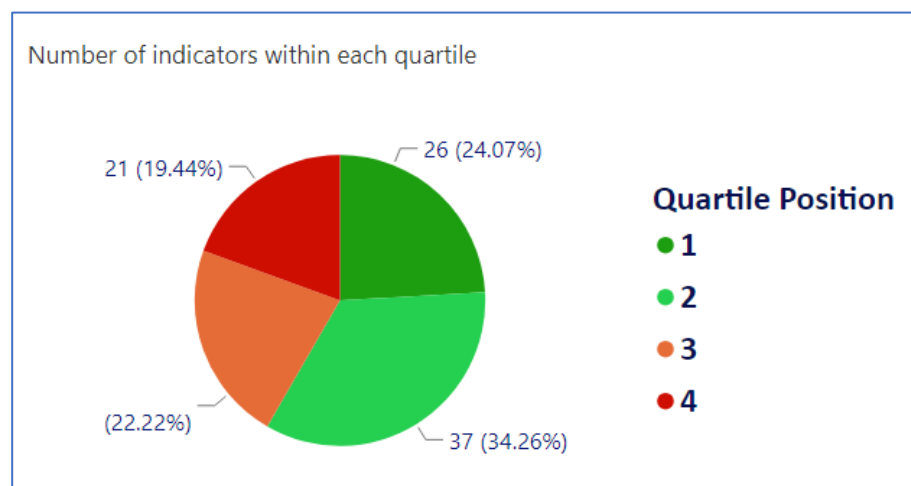
- Community involvement and participatory budgeting;
- Reducing inequality of outcome across our communities;
- Everyone having access to appropriate accommodation and housing support where required;
- Making sure our waste and recycling supports our attractive environment and reduces emissions; and
- Delivering community based services in health and social care.

Comparing Our Performance

The Local Government Benchmarking Framework (LGBF) compiles extensive information on the performance of all Scottish Councils in delivering services to local communities. Covering most major public service areas in Scotland, the framework includes data on service costs, achieved outcomes and resident satisfaction.

The latest LGBF data (2022/23) published in March 2024 is detailed in the [LGBF National Benchmarking Overview Report 2022/23](#). This report helps Councils compare their performance across various efficiency, output and outcome indicators.

A summary of the Council's performance is provided on the following page.



Improvement Plans have been developed to address indicators in the lower two quartiles. These actions ensure that Aberdeenshire Council uses LGBF findings to enhance performance related to Council Priorities.

The detailed report and Improvement Plan has been considered by the Strategic Leadership Team and will be presented to the Audit Committee on 4 July 2024. The improvement actions will be integrated into Business Plans and reported through the performance framework. The LGBF data will be included in the Annual Performance Report to Full Council in September 2024.

Sustainability and climate change

The Council prepares a [Public Bodies Climate Change Duties report](#) (PBCCD) annually in November. The outcomes for 2023/24 will be reported in the November 2024 PBCCD report

The Council's progress on meeting its sustainability aims, as per November 2023 PBCCD report are shown below.

Established the **Route Map to 2030 and Beyond**, our plan for reaching our climate change targets.

Circular Economy Business Development Officer and Procurement Officers working on opportunities to meet our Resources & Circular Economy Commitment.

Our **Integrated Impact Assessment tool** is ensuring all proposed projects, policies, strategies consider their impact on our Climate Change & Sustainability targets.

Involved in and communicated events including **Scotland Climate Week, Climate Week North East, Earth Hour, and Earth Day**, and established a working relationship with the **North East Scotland Climate Action Network**.

Established the **Sustainability Champions**, a voluntary staff programme to lead and support teams in understanding and

Developed an internal and external Sustainability and Climate Change **webpage, internal newsletter**, and weekly sustainability **blogs**.

Aberdeenshire Council Emissions



Energy
(electricity, heat,
street lighting)



Travel
(business and
fleet)



Waste
(internal landfill,
recycling, garden/food)



Water
(supply and
treatment)

Our total emissions for 2022/23 were 46,335 tCO₂e - This is a reduction of **2,969 tCO₂e** (6%) from 2021/22, the equivalent of the emissions from **645 cars**

- Exceeded our 2022/23 **emissions reduction target** of 47,383 tCO₂e by **1,048 tCO₂e**
- Reduced energy usage by **17%** from 2021/22
- Increased **solar PV energy** consumption by **18%** from 2021/22
- Reduced street lighting energy consumption by **13%** from 2021/22
- Increased **mixed recycling** by **78%** from 2021/22

Climate Change Adaptation

- **A Sustainability and Climate Change Officer is in place** to deliver our adaptation targets.
- **Completed the Local Climate Impact Profile (LCLIP) Report** for 2019 – 2022.
- Benchmarked **adaptation capabilities** using Adaptation Scotland's tool.
- Updated the Aberdeenshire **Local Development Plan 2023** to include adaptation.
- Published the Aberdeenshire **Local Flood Management Plan 2022 – 2028**.

Looking back at 2023/24

Aberdeenshire Council, like most councils across Scotland, faces ongoing financial challenges amidst rising costs and increased demand for local services. Despite these challenges, the Council has continued to provide essential services and maintain appropriate governance.

Key achievements in 2023/24 within each service are summarised as follows:

Business Services

- Significant progress has been made in delivering digital strategy projects, with a new emphasis on digital and data as a key transformation theme to enhance efficiency across the Council.
- Notable examples of digital advancements this year include:
 - Improving call wait times in the contact centre by automating manual tasks and deploying webchat for routine enquiries.
 - Mitigating staffing reductions by using Chat to replace telephone interactions on the IT service desk, addressing more enquiries at first contact.
 - Automating the initial processing stage for setting up new customers in the finance system's sundry debtors section, allowing staff to focus on priority tasks and reducing backlogs and customer complaints.
- Progress is being made on replacing our IT network with the new Security Operation Centre adding a proactive defence layer.
- Our Legal and People Service managed several projects including a Cross Council Voluntary Severance exercise savings £1.86m anticipated to be realised in 2024/25 with 54 employees leaving the organisation within 2023/24. The team also facilitated the transition of a care home to a private provider.
- Finance Services administered the paying out of Energy Grants, a UK wide scheme, to provide support towards energy bills for those customers without a direct relationship to a domestic

supplier. Two grants were available, the Energy Bills Support Scheme and the Alternative Funding Grant. Between March 2023 and March 2024, 2,853 grants totalling £857,000 were issued.

- The Council Tax team reviewed over Single Person Discount cases generating an additional £500,000 in income for cancelled discount cases. The Council Tax Self-service launched in February 2024, offering online services like paperless billing and account management.
- Property and Facilities Management oversaw numerous capital projects including lifecycle maintenance, building upgrades and carbon reduction projects. In addition, over 58,000 reactive and planned maintenance tasks were completed during the year across the operational, non-operational, social housing and sheltered housing estate.
- A meet the buyer event with local contractors preceded the retendering the Minor Works Framework which utilises local contractors to support the development of a local supply chain, issuing 3,200 orders worth £3.9m

Education and Childrens Services

- Significant progress has been made in whole family wellbeing work. Wellbeing hubs have been developed in two highly deprived areas bringing partners together to focus resource on those most in need of our collective support and intervention. We have also started to work as a pathfinder for the national Bairns' Hoose project.
- In schools and early learning and childcare settings, we have shifted focus to consistency in learning, teaching and assessment and leadership of change based on self-evaluation. We have reconstituted our School Improvement Partnerships to further develop our self-improving system. A major change this year was transitioning from providing out of school care for school to facilitating private and voluntary sector involvement.. Our Community Learning and Development (CLD) service received a positive progress visit from colleagues within Education Scotland.
- In culture and sport services, modernisation efforts continue to reduce carbon emissions and to increase usage and footfall despite a challenging operating climate Enhanced local engagement is showing positive impacts and Live Life Aberdeenshire (LLA) focuses on diversifying outdoor offerings through Live Life Outdoors, including completing improvements on the Sir Arthur Grant Residential Centre.

Environment and Infrastructure Services

- The Council's Building Standards team won the Scottish Government's National Performance Award for Building Standards Excellence.
- Continued reducing temporary accommodation use and resolving homeless cases quicker, with the Rapid Rehousing Transition Plan earning nominations to the Chartered Institute of Housing Awards in 2023.
- Supported Grampian Housing Association' redevelopment of the Old School in Ballater winning the Best Use of Empty Homes to Meet Social/Affordable Housing Need at the Scottish Empty Homes Conference.
- Implemented major changes in waste collection and processing, opening of the joint Energy from Waste Plant and transitioning to a 3 stream, 3 weekly collection system.
- Managed increased pressure on Landscape Services due to extended growing seasons and included this in corporate sustainability work for the Route Map 2030.
- Delivered maintenance on active travel infrastructure, such as footways, to promote healthy lifestyles.
- Successfully executed the Local Employability Strategy reducing unemployment to 2.1% and ensuring equitable opportunities for skills development and fair work and pay conditions.

Health and Social Care Partnership

- Focused on pandemic recovery and addressing challenges from the aging population and complex needs.
- Key reports included:
 - [Chief Social Worker's Annual Report 2022/2023.](#)
 - [Annual Report on Community Justice in Aberdeenshire 2022/23](#)
 - Regular Strategic Delivery Plan updates
 - [Winter Planning 2023/24 and Delayed Discharge Performance and Responsibility](#)
 - [NHS Grampian GP Vision Programme](#)
 - Strategic Needs Assessment Project Progress Updates
 - [AHSCP Workforce Plan 2022-25](#)
 - [Assisted Transport Policy](#)
- Detailed progress against the Health and Social Care Partnership (HSCP) five strategic priorities can be found in the [Annual Accounts](#).

The Strategic Plan outlines the vision and priorities up to 2025, with preparations underway for the 2025-2030 plan. Demand for health and social care continues to change, necessitating innovative support solutions within available resources.

Community Resilience

- Following Storm Arwen, increased engagement with Community Resilience Groups and developed a Community Resilience Framework.
- The roll out of a People at Risk Distribution List has greatly aided emergency response efforts.

Financial Planning and Performance

Our Medium-Term Financial Strategy (MTFS) supports the delivery of the Council Plan and associated priorities by setting out the framework within which resources are available over the medium term and by addressing the financial challenges facing the Council. It incorporates all revenue and capital funding and use of reserves.



As part of the MTFS, the Council set its budget for 2023/24 on 9 March 2023 ([item 4](#)) with a funding gap being addressed through a range of budget savings, use of Reserves and a 4% increase in [Council Tax](#).

The financial performance monitoring process which involves reporting to Policy Committees and then to Council is an integral part of the MTFS. It compares the budget assumptions to the actual expenditure and income identifying areas where the initial assumptions differ from reality. This process allows for the monitoring reporting and management of risks that may have materialised during the year, which, in turn helps inform the following years budget setting process.

General Fund Revenue Expenditure 2023/24

The General Fund sets out the cost of running the day-to-day services (excluding Council housing) and the sources of funding for these costs..

The Revenue Budget for 2023/24 was set at £711.071m which included £18.629m of savings and efficiencies, £5.225m from the use of fiscal flexibilities (explained further on page [16-17](#)) and a net transfer to Reserves of £6.282m.

Despite the many challenges faced during the year, including the volatile economic situation, high energy prices, continuing high inflation and significant pay awards, the Council demonstrated strong financial management in 2023/24. This was reflected in an over budget position of £949,000 in the General Fund as reported to [Council in June 2024](#). This equates to 0.12% of the Revenue Expenditure Budget. HRA ended the year in a £300,000 under budget position, also reported to Council [in June 2024](#).. The new normality following the pandemic and the cost of living crisis has continued to impact resident behaviours and habits affecting our Services in 2023/24

Income and expenditure associated with the General Fund is recorded through the Comprehensive Income and Expenditure Statement (CIES) in the Annual Accounts. The income and expenditure detailed in the CIES differs from the financial performance information reported to Committees during the year due to accounting adjustments that are required for the Annual Accounts to be presented in accordance with the Code. These accounting adjustments totalled £36.013m, as shown in the table below, mainly relate to capital and pension adjustments required to show the true value of the Council's assets and liabilities.

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

		General Fund Outturn				Annual Accounts	
2023/24	Approved Budget £'000	In year Budget Movements £'000	Revised Budget £'000	Actual Net Expenditure £'000	Variance £'000	Accounting Adjustments £'000	Net Expenditure per the Annual Accounts £'000
Business Services	49,429	4,654	54,083	53,657	(426)	4,380	58,037
Communities	170,204	5,445	175,649	176,788	1,139	3,876	180,664
Education & Children's Services	400,652	20,934	421,586	422,677	1,091	(32,030)	390,647
Infrastructure Services	59,670	9,260	68,930	71,977	3,047	27,573	99,550
Service Concession Arrangements	(5,225)	-	(5,225)	(5,225)	-	5,225	-
Housing Revenue Account	-	-	-	(300)	(300)	19,539	19,239
Net Cost of Services	674,730	40,293	715,023	719,574	4,551	28,563	748,137
Other Income and Expenditure	(681,012)	(16,116)	(697,128)	(700,300)	(3,172)	(10,445)	(710,745)
Transfers to/from Reserves	6,282	(24,177)	(17,895)	(18,625)	(730)	18,625	-
Financial Out-Turn 2023/24	-	-	-	649	649	36,743	37,392
IJB Additional Expenditure (Funding to be agreed) ^{Note 1}	-	-	-	4,398	4,398	-	4,398
2022/23 Audit Adjustment - Top Up Working Balance ^{Note 2}	-	-	-	730	730	(730)	-
Rounding Adjustments	-	-	-	3	3	-	3
Net Chargeable to Working Balance	-	-	-	5,780	5,780	36,013	41,793

^{Note 1} The Health and Social Care Partnership reported a £10.1m over budget position at the end of the year across the NHS and Social Care budgets, even after using reserves of £14.6m. The partner organisations, NHS Grampian, and Aberdeenshire Council, are expected to be formally requested to provide additional funding contributions to balance this over budget position, following conclusion of the HSCP external audit. Currently £3.991m is set aside in a Risk Reserve earmarked for Health and Social Care which the Council could draw down to fund any request for additional funding. However, the balance on the reserve is not sufficient to fund the Council's share of the £10.1m deficit, estimated to be £4.334m. Additionally there is a disputed balance of £64,000 included in these figures to reflect the maximum potential liability to the Council of £4.398m. This dispute is expected to be resolved before the Audited Accounts are approved in October 2024 and the figures will be updated accordingly once formal approval has been made for any additional funding.

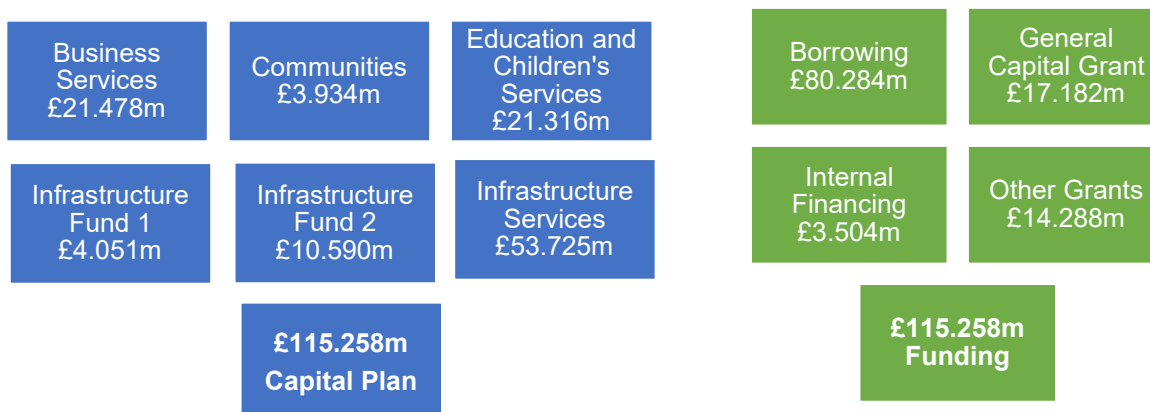
^{Note 2} As part of the 2022/23 external audit, an audit adjustment was made, reducing the uncommitted general fund balance by £0.730m due to a missed accrual in financial year 2022/23. An adjustment is therefore required to re-instate the uncommitted general fund balance back to the agreed level of £9m.

General Fund Capital Expenditure 2023/24

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

The Council's capital investment plan considers the capital investment requirements to deliver the Council's priorities against the affordability within the overall MTFS. The effective use of capital resources, including asset management, is fundamental to the Council achieving its medium and long-term strategic objectives. The Council has a large capital plan with planned expenditure running through to 2038 at the time the 2023/24 budget was approved.

The [Capital Budget](#) for 2023/24 was set at £115.258m and funded by a combination of General Capital Grant from Scottish Government, other Grants, Internal Financing (PFI Lifecycle Replacement and Capital Receipts) and Borrowing, shown in the diagram below.



The original Capital budget was revised during the year to reflect changes arising, including additional funding for Fraserburgh Lighthouse Museum and additional grant funding to support specific project work. The impact of these changes was a revised General Services Capital Plan of £118.532m.

In 2023/24 the Council spent £85.560m on Capital projects, this was £32.972m below the revised budgeted position or 28% lower than had been planned. Although expenditure against budget was lower than anticipated, several projects were completed or progressed during the year. Refurbishments and upgrades were completed across the school estate, leisure centres, libraries and depots. The Energy from Waste plant and Stonehaven Flood scheme were completed during 2023/24 and the design works have continued for the Peterhead Community Campus Project. The inherent complexities and risks associated with capital projects often leads to unforeseen challenges that can affect their timelines. In addition, many capital works span more than one financial year further increasing the likelihood of encountering delays.

The projects that were not achieved in 2023/24 may impact on the agreed 2024/25 programme, and it may be necessary to re-prioritise projects in 2024/25 to ensure that the plan remains affordable and within the overall capital plan financial envelope.

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

Energy from Waste £7.642m



Roads Resurfacing/Reconstruction £6.443m

Lifecycle Maintenance £2.956m



Vehicle Purchases £6.072m



Carbon Reduction £1.774m



New Council Office £4.131m



- ✓ **The Energy from Waste** plant constructed in partnership with Aberdeen City and Moray Councils, became fully operational in December 2023. Around 150,000 tonnes of non-recyclable waste will be processed annually from the three Councils. Electricity produced by the facility is sent to the national grid. Heat will also be supplied to a local district heating network.
- ✓ **Asset improvements** under the Council's Lifecycle Maintenance programme included works carried out on the boiler plant at Woodhill House, boiler upgrades at Dunecht School, Faithlie Care Home, Grangepark Care Home, Ythanvale Care Home and Robertson Road Day Centre. Roof upgrades were also carried out at Portlethen School.
- ✓ **Carbon Reduction** works have progressed under the Non-domestic Energy Efficiency Framework across a number of sites, as part of the Council's work in meeting its climate change targets.

- ✓ **New Council Office** – work has progressed during the year on the new council office, family centre and library in Ellon, which is expected to be completed during 2024/25. The building will feature a library and family resource centre, each with its own entrance, while the office area will house a registrar's office, a ceremony room, a flexible meeting room and space for around 80 members of staff.

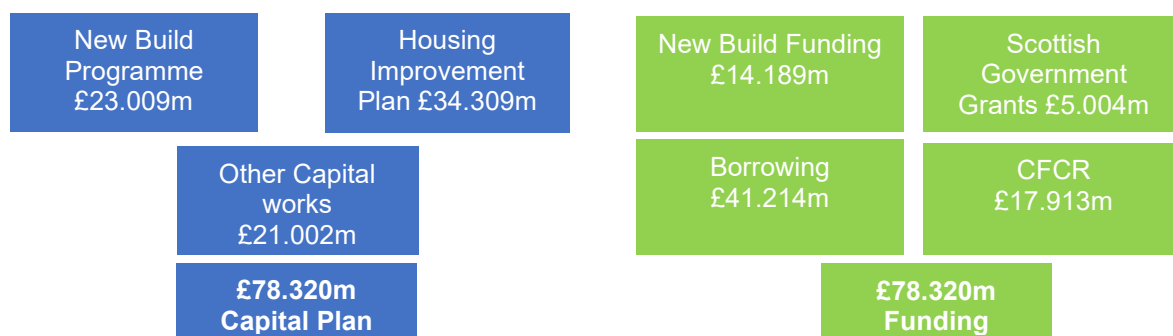
Housing Revenue Account 2023/24

The Council owns or leases 13,347 housing properties. The income and expenditure associated with the management of these properties is reflected in the Housing Revenue Account (HRA), a statutory account that the Council must maintain separate to the General Fund. All expenditure incurred, and tenant rents and service charges income received in the provision of rented accommodation must be retained in the HRA. This income must be sufficient to cover the expenditure on the HRA.

The HRA budget was set on [9 February 2023](#) (item 5) at £70.168m. At the end of the financial year an under budget position of £300,000 was achieved, which will be transferred to reserves in 2024/25. In 2023/24, Aberdeenshire collected 99.80% of the rent due in the year, a substantial increase over the 2022/23 figure of 99.17%. This is also significantly higher than the average for Scottish Local Authorities (based on 2022/23 figures) of 98.83%. Overall arrears performance has also improved, with Gross Arrears in 2023/24 equal to 4.76% of total rent due, compared to 5.42% last year. Aberdeenshire Council was already one of the strongest performing local authorities in Scotland in terms of arrears (in 2022/23, the Scottish Local Authorities average was 9.59%). It is likely this position will be replicated in 2023/24 as a result of this improvement.

HRA Capital Expenditure 2023/24

The HRA Capital Budget was set on [9 February 2023](#) (item 5) at £78.320m and funded by a combination of General Capital Grant from Scottish Government, other Grants, Capital Funded from Revenue (CFCR) and Borrowing, shown in the diagram below.



The actual expenditure incurred during the year was £68.138m or £10.182m lower than budget. As with the General Fund capital programme, there are inherent complexities and risks associated with the HRA capital programme which often lead to unforeseen challenges that can affect the timeline. The lower than planned expenditure in 2023/24 will be reprofiled for use in future years, with projects undertaken later than planned having a cumulative effect for resources budgeted in the later years.

The following projects were progressed during the year:

New Build Programme £24.528m (£1.519m over budget)



Housing Improvement Plan (HIP) £28.047m (£6.262m under budget)

Internal Wall Insulation Programme £6.845m



- ✓ **332 photovoltaic systems** installed

- ✓ **255 bathroom upgrades** completed
- ✓ **244 kitchen upgrades** completed
- ✓ **134 heating systems** upgraded
- ✓ **588 window upgrades** completed
- ✓ **544 cavity wall and external wall insulations** completed

Council Reserves

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

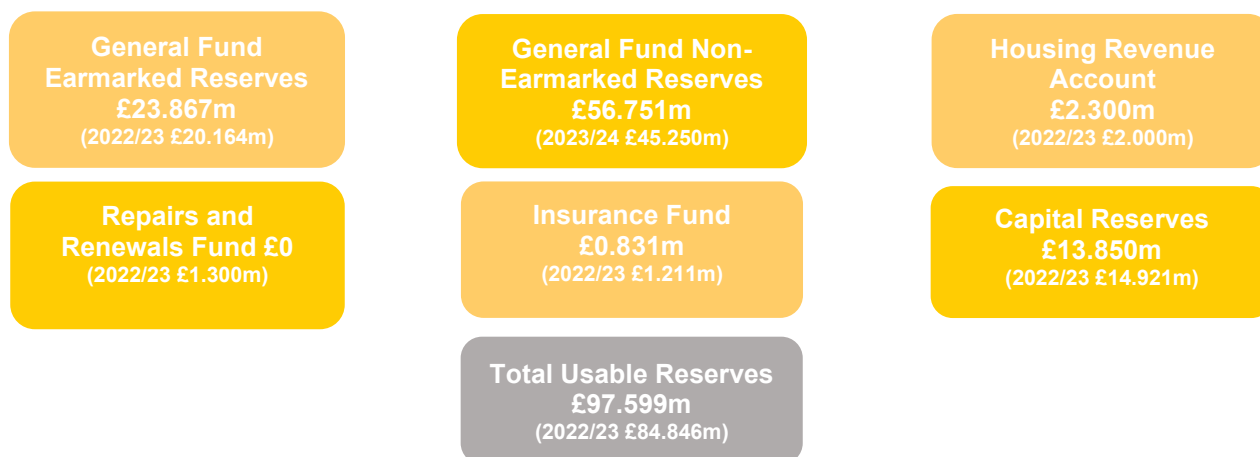
The Council's main usable reserves are the General Fund and Earmarked Reserves. Council agreed to maintain a working balance of £11m, £9m for General Fund and £2m for Housing Revenue Account. This is required to help cushion the impact of uneven cash flows, as a contingency to help with unexpected events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

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

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

The Council ended the previous financial year with £84.846m in usable reserves. Council agreed to transfer £6.282m to reserves as part of the 2023/24 budget, taking the balance at 1 April 2023 to £91.128m. This balance had increased to £97.599m by 31 March 2024 with more detail being provided in [Note 7](#).

Total usable reserves, which increased from £84.846m at the end of 2022/23 to £97.599m by 31 March 2024 are as follows:



Service Concession Flexibility

During 2023/24, the Council approved the adoption of revised accounting arrangements in respect of its Public Private Partnership (PPP)/ Private Finance Initiative (PFI) schools contracts. Collectively known as "Service Concession" arrangements.

In accordance with a financial flexibility enabled by the Scottish Government, the accounting arrangements in relation to the capital repayment element of the Council's service concession contracts have been reviewed and adjusted in a manner consistent with the accounting for other local authority fixed asset financing arrangements.

Under the revised accounting arrangements, an annuity-based repayment schedule has been identified as prudent, sustainable, and affordable, resulting in the rescheduling of charges to the General Fund over 50

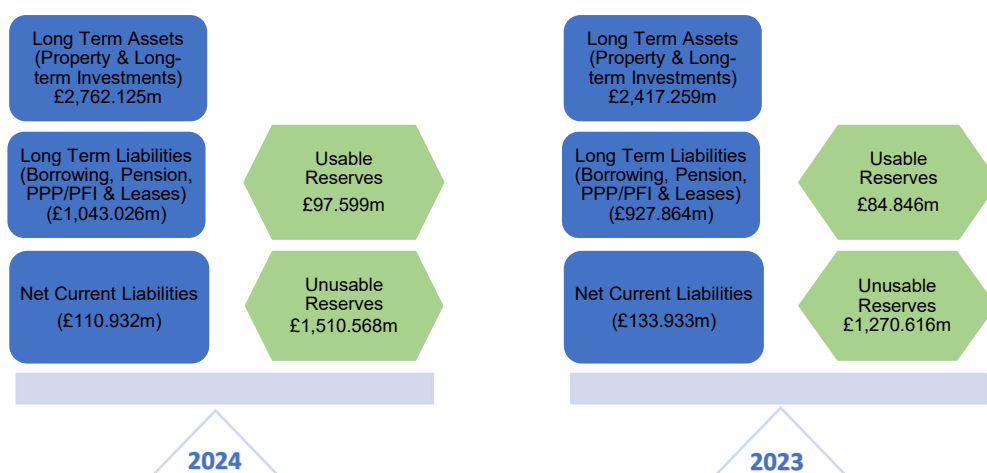
years useful economic life of the assets rather than the current contract terms of 25 years. This does not change what contractors are paid in cash each year and is simply about the accounting transactions to pay for the assets. This has resulted in the release of a one-off retrospective payment adjustment of £37.498m to the end of 2022/23 and a £5.225m benefit from 2023/24.

The Council has agreed that the short to medium term cost reductions of £5.225m in 2023/24, with a reducing profile of savings for the next 18 years be applied to address the rising cost pressures and has been included in the MTFS to reduce the budget gap. The retrospective element has been transferred to an earmarked reserve to support the transformation projects which are intended to result in efficiencies and cost reductions to enable closing of future year funding gaps.

Balance Sheet Assets and Liabilities

The Balance Sheet records our assets (such as property, vehicles, investments, and cash) and liabilities (such as creditors, borrowing, pensions and Public Private Partnership (PPP)/ (Private Finance Initiative (PFI) commitments) and is a snapshot of our financial position. The diagram below summarises the position as at 31 March 2024, with comparative information provided for the previous financial year.

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



In financial terms, Aberdeenshire remains in good health with a net worth of £1,608.167m (£1,355.462m in 2022/23). The movement between years is an overall increase in the net asset position of £252.705m

- Long Term Assets increased by £344.866m**

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

- Total Liabilities increased by £100.343m**

Total borrowing outstanding amounts to £1,023.082m an increase of £122.943m from previous year (£900.136m in 2022/23). The majority of borrowing comes from the Public Works Loan Board (PWLb), with the remainder coming from Market Loans and temporary borrowing from various public bodies. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

There was a reduction in the Council's Public Private Partnership (PPP) / Private Finance Initiative (PFI) liability of £6.550m because of payments made during the financial year. The Council had a net pension asset of £107.762m as at 31 March 2024 (net pension liability of £29.566m at 31 March 2023). The Local Government element had moved from a nil balance to a surplus fund balance, this is the lower of the surplus in the defined benefit plan and the asset ceiling, which has been adjusted in accordance with IAS19 and IFRIC 14. The Teachers element of the Pension Fund remains as the Pension Liability.

In addition to the above, there are also significant movements in Short Term Creditors, decreasing by £21.327m, an increase in Short Term Debtors of £2.051m and an increase in Cash and Cash Equivalents of £2.826m. More detail on Creditors can be found on [Note 25](#), Debtors on [Note 23](#) and Cash and Cash Equivalents on the [Cash Flow Statement](#).

Treasury Management and Investment

The Council's [Treasury Management Strategy Statement and Annual Investment Strategy](#) was approved by Council in March 2023 (item 4) setting out details of the Council's borrowing, treasury management and loans fund.

The Strategy sets out key prudential indicators over a 5 year period offering assurances in relation to the affordability and sustainability of our Capital Plan, managing our borrowing requirements to minimise revenue costs. The key indicators are noted below, with full details within the approved [Strategy](#).

Financial Indicator	2022-23	2023-24
CFR and Debt		
Capital Financing Requirement	£1,118.185m	£1,229.104m
Gross External Debt	£990.652m	£1,020.184m
(Over)/ Under Borrowed	£127.533m	£208.92m
Affordability		
Ratio of financing costs to net revenue stream – General Fund	6.4%	6.4%
Ratio of financing costs to net revenue stream – HRA	11.1%	16.05%

Gross External Debt is required to be within our overall Capital Financing Requirements. This is clearly demonstrated by the current under borrowing position.

We are required to consider the affordability of our capital investment plan in terms of their impact on our revenue stream, demonstrating prudence and ensuring our investments are sustainable in the long term. In approving the MTFS and Capital Plan in February 2024, the Council agreed to a strategy to set a cap of 8.5% on the maximum borrowing costs as a percentage of our net revenue for the General Fund. In approving the HRA budget for 2024/25 and beyond, it was recognised that the HRA Business Plan was no longer considered affordable in the longer term and is being reviewed to ensure future viability.

Financial Performance Indicators

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

Performance Indicator	Commentary	2022-23	2023-24
Council Tax			
Council Tax funding to overall level of taxation and non-specific grant funding	Reflection of the Council's capacity to vary expenditure by raising Council Tax income. For 2023/24 the Council Tax rate was increased by 4%.	22.31%	22.52%
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt.	96.92%	96.25%
Reserves			
Uncommitted General Fund Balance as a percentage of the Council's annual budgeted revenue	Reflects the Uncommitted General Fund Balance and is linked to the actual outturn as a percentage of budgeted expenditure indicator below.	1.25%	*0.97%
Total usable Reserves as a percentage of the Council's annual budgeted revenue	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is to hold £9m in the General Fund Working Balance, with any use of this reserve being replenished in the following year.	12.83%	13.73%
Financial Management			
Actual revenue outturn as a percentage of budgeted expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The Council continues to stay largely within budget overall which ensures that services are being delivered within the resources available.	100.10%	100.13%

Performance Indicator	Commentary	2022-23	2023-24
Percentage of invoices paid within 30 days	Indicates how timeous the Council is in meeting its commitment to pay its suppliers within 30 days of receiving invoices.	91.53%	92.44%

*This indicator assumes the £3.991m drawdown of the Risk Reserve earmarked for Health and Social Care. More information on this is provided above within the [Financial Planning and Performance](#) section of this Management Commentary.

These indicators reflect a generally consistent position for 2023/24 compared to 2022/23. Of particular note is that the Council Tax collection rate remained high in 2023/24 due to accurate and timely billing, and the continued regular payments by most Aberdeenshire residents, an effective recovery timetable, early intervention for payments defaulted on, different payment methods and instalment plans and managing the Sheriff Officer. Budget holders continue to demonstrate good budget management and cost control.

Participatory budgeting

In 2017, COSLA and Scottish Government agreed that at least 1% of Local Government budgets would be subject to participatory budgeting by the end of 2021. In 2021, COSLA leaders reaffirmed their commitment to meeting the 1% target allowing for flexibility due to the COVID-19 pandemic. Participatory budgeting can take many forms and mechanisms, with flexibility in approach left to individual local authorities.

The Council's 1% Participatory Budgeting target for financial year 2023/24, as derived from the information contained in the [2023/24 Finance Circular 3/2023](#), was £5.413m, as defined by COSLA and Scottish Government as 'The total estimated expenditure for revenue, as per the Local Government finance circular, less assumed Council tax intake'. However the Council did not meet this target for 2023/24 with only £92,000 identified (2022/23: £172,000 against a target of £5.213m).

While the specific target wasn't met the Council has several examples of community engagement that have influenced spending. For instance, during 2023/24, the Housing Service engaged extensively with tenants to influence capital and revenue expenditure. In total, 1,233 people participated in telephone and online surveys, 64 people joined working groups, and 17 in-depth stakeholder interviews were held. This engagement helped identify clear priorities for day-to-day services and future capital investment.

A Participatory Budgeting Strategy has been developed to provide a co-ordinated approach across services, raise awareness and determine responsibility within each directorate. The Strategy aims to meet the Council's obligations under the Community Empowerment Act and help reach the target agreed with COSLA and Scottish Government. The Strategy will be part of the Toolkit issues to services for developing Place Plans.

Outlook and Risks

Outlook

External Influences

Just as the uncertainties and effects of the Covid-19 pandemic on people and the economy were beginning to diminish, Russia's war against Ukraine, inflation pressures and rising borrowing costs have presented a potentially larger challenge for the country.

Inflation peaked at 11.1% (CPI) in October 2022, and remained high throughout 2022/23 sitting at 10.1% in March 2023. As of March 2024, the rate of inflation (CPI) has dropped to 3.2%. Pressures in the supply chain stemming from Russia's war against Ukraine have impacted materials such as steel and grain, contributing to the inflationary environment. In response, the Bank of England raised the Bank Base Rate with subsequent interest rate increases which plateaued at 5.25% in the latter half of the year.

The "Cost of Living Crisis" continues to affect our citizens as rising inflation impacts fuel, energy bills and everyday shopping costs. The Council is taking action, including setting aside £2.943m to support initiatives tackling poverty in 2024/25. This has also intensified the demand for higher pay settlements from unions. With a fixed grant settlement from Scottish Government, and the unlikelihood of any additional funding, increases to pay costs will put additional pressures on the Council's resources and its ability to deliver services.

. Severe weather events, leading to storms and flooding, have also become increasingly common in recent years. This presents a risk of significant additional expenditure for the Council in response to protecting our communities.

The above is consistent with recent national reports from Audit Scotland [Local government in Scotland: Overview 2023 \(audit.scot\)](#) where it was noted that Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressures on services at a time when councils have less capacity to support them.

The following challenges facing local government have been highlighted by Audit Scotland:



Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain



Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



National policies

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.



Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.

Aberdeenshire Council's Financial Plans

Revenue

Aberdeenshire Council's latest Medium Term Financial Strategy (MTFS) was approved at Council on 22 February 2024 [MTFS - Feb 2024](#). The MTFS is a strategic document that supports the delivery of the Council Plan and associated priorities. The MTFS establishes how the Council's priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of future funding gaps. It provides a roadmap for understanding available resources, assessing the costs of current services, and planning for the implementation of new services. By embracing this reality and proactively planning, we can effectively manage the tough operating environment and continue to service our communities to the best of our ability.

The MTFS provides the link between the Council's medium-term priorities and its financial capacity which effectively asks the question "Is it feasible to attain the strategic objectives within the existing financial framework?" It includes the consideration of a broad range of factors that influence the Council's long-term financial sustainability.

The MTFS is based on a financial forecast over a rolling timeframe from 2024/25 to 2028/29 and identifies the funding gap over this period which informs the annual budget setting process. As a local authority, we are legally obliged to set a balanced budget each year and to ensure we have enough reserves to cover any unexpected events. Therefore, the Council's spending plans must be affordable by matching them to the estimated funding available over that time. The 'funding gap' is a combination of the Council's best estimate of the budget needed to meet the scope and standard of services, policy decisions made by the Council, alongside rising cost pressures and demands for services and anticipated income.

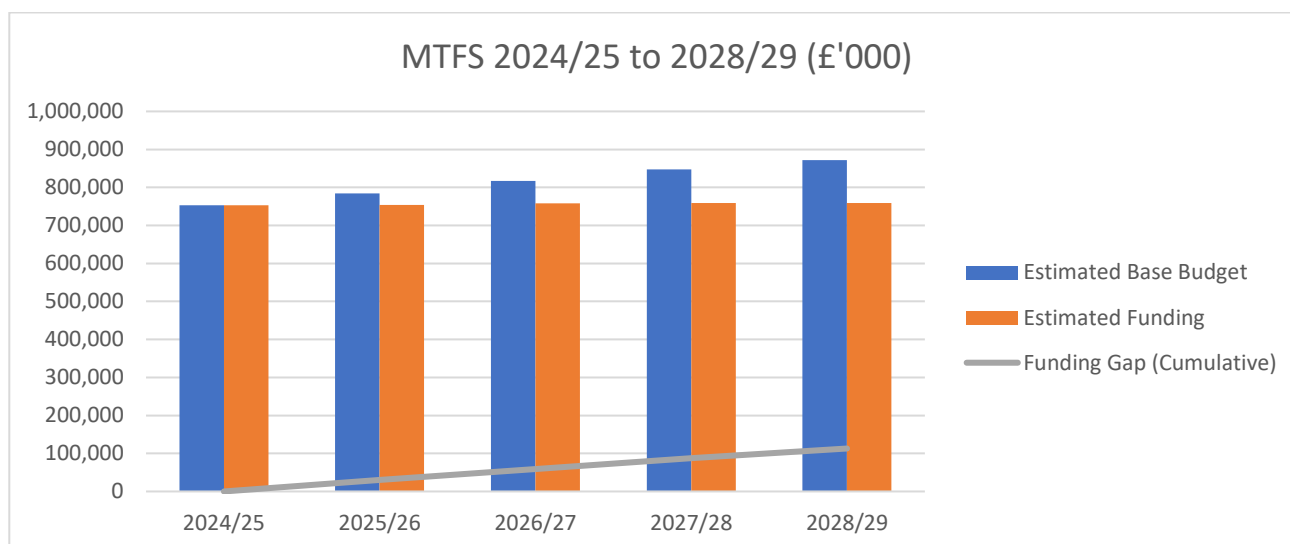
Aberdeenshire Council, like all Councils across Scotland, is facing unprecedented financial challenges. At the start of 2023/24, a budget gap of £91.778m was predicted over the life of the MTFS. During 2023/24, this estimate has continued to rise due to the ongoing challenges out with our control, including the ongoing economic challenges, the new normality following the pandemic, and the cost of living crisis. The significant impact on our budgets necessitates strategic adjustments to ensure ongoing financial sustainability.

During the budget setting process, our forecasts revealed an overall budget pressure of £67m for 2024/25. However, this estimate was revised following the changes to the settlement and budget assumptions, resulting in a revised out of balance position of £35.445m. A balanced budget was achieved through agreement of savings proposals, transformation and policy changes as follows:

	£'000	£'000
Out of balance position		67,063
Budget assumptions and settlement changes		(31,618)
Revised out of balance position		35,445
Savings and efficiencies:		
Policy Change – Business Rates	(2,000)	
Policy Change – Council Tax	(1,747)	
Cap on borrowing – Capital Plan	(7,000)	
Voluntary severance	(1,143)	
Transformation	(6,200)	
Savings	(17,355)	
		(35,445)
Balanced budget		0

Further details can be found within the budget report approved by Council on 22 February 2024 [Revenue Budget 2024-29](#).

Despite approving a balanced budget for 2024/25, the funding gap for the following years through to 2028/29 is currently £113m, as illustrated below.



A pivotal component of our efforts to address the current and future budget gap is our comprehensive transformation programme. This programme aims to fundamentally reshape the organisation by re-evaluating and rethinking our frontline service delivery, internal governance, back-office functions and making substantial investments in digital enhancements.

Currently the value of the transformation proposals are insufficient to bridge the budget gap for 2024/25, so budget savings proposals have been identified to close the gap. In future years, it is expected that more transformation proposals will be agreed and implemented thus generating additional savings and reducing the need for further targeted budget savings proposals.

Given the dynamic and demanding environment in which we operate, we have made certain assumptions regarding the resources available to the Council for funding the services we offer. However, these assumptions are continuously reassessed to adapt to evolving circumstances or new information regarding known risks. The budget report presented to Council included a detailed risk register, setting out the mitigating actions that could be taken to minimise the impact, if the risks came to pass. Good financial management is crucial to address these risks, ensuring financial sustainability, effective service delivery, and preventing overreliance on temporary solutions, and the successful implementation of transformation initiatives.

Budget reductions in other public sector organisations will adversely affect both the Council and the Health and Social Care Partnership. Councils frequently serve as a safety net for individuals facing crises, and the impact of cuts to other sector budgets is exacerbating the number of individuals reaching crisis points. Equally our decisions will undoubtedly impact on 3rd Sector organisations and other public sector organisations. This is in part mitigated by the Aberdeenshire Community Planning Partnership - collaborative endeavour among the public, private and voluntary sectors to enhance service delivery within the Aberdeenshire Council area. The partnership is comprised of entities such as Police Scotland, NHS Grampian, Scottish Fire and Rescue Service, Scottish Enterprise, Nestrans and Aberdeenshire Voluntary Action (AVA). The Local Outcomes Improvement Plan or LOIP provides a vision, based on agreed local priorities, to which partners work systematically and collaboratively to meet the needs and aspirations of local communities.

Capital

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

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

A review of the Capital Plan was undertaken during 2023/24 with a view to ensuring that the Plan was prudent, affordable, and sustainable in the current economic climate. The outcome of that review demonstrated that the Capital Plan was no longer affordable in its existing format and changes were required.

To maintain the continued affordability of borrowing, it is essential to contemplate a constraining element. A borrowing cap at 8.5% on the maximum borrowing (financing) cost, (excluding PFI/PPP/finance lease payments), as a percentage of our net revenue streams to 2038/39 was considered prudent and was approved by the Council in setting the budget and approving the MTFS in February 2024.

Transformation and Savings

As set out above, a pivotal component of our efforts to address the current and future budget gap is our comprehensive transformation programme. The Council approved the Transformation Strategy in November 2023 [Transformation Strategy - Nov 2023](#). The strategy sets out a rolling programme of transformation, driving improvements in customer service and the employee experience, delivering better outcomes and generating savings. The programme is multi-layered, with a twin-track approach supporting continuous improvement, service redesign and process re-engineering embedded as part of everyday working practices across all services.

Five transformation themes have been agreed and are in place, as follows:

- Big Data, Digital and Technology;
- Buildings and Estates;
- Transport;
- External Collaboration and Partnership; and
- Organisational Design and Operational Structure.

An [update](#) was provided to Full Council in June 2024 on the five transformation themes being progressed as well as other team transformation activity.

£37m has been identified to support the transformation programme, and this has come from the retrospective saving of £37.498m from service concession arrangements as explained in [Note 19](#). This is on the basis that the transformation projects must achieve savings which exceed the original investment, in order to cover future repayments and deliver additional savings to support the Council's MTFS, as well as providing demonstrable service improvements. Business Cases are being developed to support the Transformation Strategy, with the first in relation to the Big Data, Digital and Technology theme approved by Business Services Committee in June 2024.

Principal Risks and Uncertainties

The Council's [Risk Management Policy](#) was approved by Business Services Committee on 6 January 2022 (item 8). On 2 March 2023 Business Services Committee approved the Council's [Risk Appetite Statement](#).

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

There is also a Budget Risk Register, developed as part of the [Medium Term Financial Strategy and Budget Setting](#) report approved by Council on 22 February 2024 (item 3B), which identifies risks that may have an impact on the Council's financial sustainability over the Medium Term.

The Table below shows the Council wide risks considered to have a potentially large impact on the Council's financial sustainability in 2024/25 and the mitigations in place to reduce those risks.

Risk Type	Threat to achievement of objectives	Potential Consequences of Risk	Controls/Mitigations in place	Likelihood
Scottish Government Local Government Settlement	Reduction in Scottish Government funding to Local Authorities in real term.	Less funding from the Scottish Government will reduce resources available to deliver Council services and priorities.	Assumption of flat cash settlement for future years built into MTFS. Transformation and savings/ efficiencies to be identified across the Council to reduce any impact of future reductions in funding.	High
Achievement of Service and Procurement Savings	Inability to achieve budget savings due to service pressures.	Pressure on budgets in current and future years.	Proactive monitoring of savings by service, including allocated procurement savings, with any issues in achieving these being	High

Risk Type	Threat to achievement of objectives	Potential Consequences of Risk	Controls/Mitigations in place	Likelihood
			reported timeously through the relevant Policy Committee.	
Income Generation	Risk that income will not achieve budgeted levels due to price increases and/ or number of service users/ demand below anticipated.	Pressure on budgets in current and future years.	Active monitoring of income during the year to identify if the drivers are not the level assumed in the budget.	High
Reserves	Should budget risks materialise in 2024/25 and beyond, this may require further draw down from Reserves.	Depletion of Reserves will reduce the financial sustainability of the Council in future years unless these can be replenished.	Budget control and financial monitoring throughout the year.	High
Pay Award - Local Government and SNCT	Pay Awards being agreed in excess of those assumed in the budget.	The Pay Award Reserves created in 2023/24 have been fully exhausted. Any budget pressures will therefore require to be met through service savings and/ or efficiencies.	The base budget for 2024/25 has been increased to reflect the 2023/24 pay awards. Any additional award above the 3% assumed increase will need to be covered by transformation savings and efficiencies.	Medium (LG)/ High (SNCT)
Integration Joint Board (IJB)	Risk that the IJB will incur an overspend position during the year.	In the event of an overspend within the IJB that can not be recovered from the application of Reserves, the overspend will be required to be met from additional contributions from the Council and NHS.	Budget control and financial monitoring of the IJB throughout the year with overspends being reported timeously through Strategic Leadership Team and Communities Committee to ensure that action can be taken early.	Medium
Energy Prices	The impact of the conflict against Ukraine on rising gas and electricity prices	Budget pressure on energy budgets across the Council	Forward procurement pricing to be carried out along with regular monitoring by the Energy Management Team.	Medium
Inflation	Rising general inflation in the UK Economy	Increase in cost of supplies and services and capital programme. Particular risk for contracts linked to RPI	Financial Monitoring throughout the year to identify where spend is required to be reduced. Risk and Inflation Reserve in place to draw down against inflationary pressures.	Medium
Cost of Living	Impact of cost-of-living crisis on residents' behaviours and spending habits; Potential reduced numbers utilising LLA facilities; Residents struggling to pay for services.	Potential reduction to income for Council services due to less usage and/or increase in bad debts. Increase in demand for support services/crisis and welfare grants	Proactive monitoring of income throughout the year, with any issues in achieving the budgeted income being reported timeously through the relevant Policy Committee.	Medium
Weather	Risk of further storms and flooding	Additional revenue and capital costs associated with responses to these events	Bellwin Scheme is available for costs exceeding £1m threshold. Insurance in place and preventative measures taken by services and communities	Medium
Legislation	Proposed changes to Loans Fund Accounting: The Local Authority (Capital Finance and Accounting) (Scotland) Regulation 2016.	Changes to the methodology in calculating loans fund advances will impact on the affordability of the Capital Plan in the short and medium term. The proposed changes will create additional work and introduce complexities in the management of the loans fund calculations.	Budget control and financial monitoring throughout the year.	Medium
Insurance	Risk of events occurring which result in losses above the Council's insurance policy excess levels, resulting in increased costs to services.	Uninsured losses costs will be additional budget pressures for services.	Number and levels of claims and uninsured losses to be monitored and reported to services. Potential use of Insurance Reserve for any unforeseen material losses which are unable to be recovered from service budgets.	Low

Supplementary Information

Common Good Funds, Trust and Endowments

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs. Overall the Common Good Funds reported an in-year surplus on the Provision of Services of £22,000 (2022/23: £21,000 deficit), resulting in an accumulated surplus as at 31 March 2024 of £8.912 million (2022/23: £7.943 million). More details can be found on pages [132-133](#).

The Council administers 358 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet and a summary of the balances of the Trusts at 31 March 2024 can be found on pages [130-131](#). Overall, the Trusts and Endowments reported an in-year deficit of £208,000 (2022/23: £276,000), resulting in an accumulated surplus at 31 March 2024 of £7.213 million (2022/23: £7.056 million).

Group Accounts

The Council has a material interest in a number of other organisations and is therefore required to produce Group Accounts. The Group Accounts and notes are included on pages [134-141](#) which include further details of the associated entities that have been incorporated into the Annual Accounts. The effect of including the Group entities along with the Council Accounts is an increase in both Reserves and Net Assets of £12 million. This represents the Council's share of the net assets in these entities.

Where to Find More Information

If you would like more information, the Council website holds detailed information on the Council's strategies, plans and policies and our performance and spend.

Acknowledgements

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

The accounts were completed by 01 July 2024, thanks to all Council Officers who made this possible. Special thanks must go to all the employees within the Finance Team who successfully completed the year end processes and consolidation whilst operating with a significant number of vacancies within the team.

Councillor Gillian Owen

Jim Savege

Mary Beattie

Leader of the Council

Chief Executive

Head of Finance

On Behalf of the Councillors and Strategic Leadership Team
01 July 2024

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Signed on behalf of Aberdeenshire Council

Councillor Gillian Owen
Leader of the Council

The Head of Finance's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Code (in so far as it is compatible with legislation), except where stated in the policies and notes to the accounts.

The Head of Finance has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of Aberdeenshire Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2024.

Mary Beattie, FCCA
Head of Finance
01 July 2024

Annual Governance Statement

Scope of Responsibility

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

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

This assurance statement relates to the governance framework in place within the Council and its group entities for the year ended 31 March 2024 and up to the date of signature of the Council's Annual Accounts for 2023/24.

This Annual Governance Statement explains how the Council has complied with the Local Code and complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2023/24, which details the requirements for the Annual Governance Statement.

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

The Director of Business Services has responsibility to:

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

In terms of fulfilling these responsibilities the Director of Business Services is assured that the implementation of the [Local Code](#) has been done effectively for a number of reasons. Many of the practical, evidence-based ways the [Local Code](#) has been implemented are set out in Table 1. That sets out a range of officer and councillor activities, reinforces good practice in our ways of working and provides evidence of these through a variety of formal reporting arrangements. The 2023/24 Statement has built on solid foundations from previous years. Regular performance reporting is embedded across the organisation and further enhances the Council's scrutiny activity in particular - performance information and benchmarking data is becoming embedded in decision-making through Head of Service Business Plans.

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 and its group entities for the year ended 31 March 2024 and up to the date of approval of the annual accounts.

Identification of Key Governance Arrangements

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

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

Table 1:

Code of Corporate Governance Principle	How the Council demonstrates compliance
Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> • Councillors Code of Conduct • Counter Fraud Strategy • Corporate Integrity Group • Disclosure of Information (Whistleblowing) Policy • Fairer Scotland Duty • Financial and Legal Monitoring Officers • HR Policies and Procedures • Integrated Impact Assessments • One Aberdeenshire Principles • Scheme of Governance including the Financial Regulations
Principle 2: Ensuring openness and comprehensive stakeholder engagements	<ul style="list-style-type: none"> • Budget engagement 2023/24 • Council Plan • Employee surveys • Engage Aberdeenshire • Engagement & Participation Policy • Head of Service Business Plans • Live webcasting of public meetings • Local Outcome Improvement Plan • Minimising the number of exempt reports • Participatory Budgeting • Partnership Reviews and Reporting • Participation Requests
Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Carbon Budget • Climate Change Commitment • Community Benefits in Procurement • Council Plan • Digital Strategy • Performance Reporting • Procurement Strategy
Principle 4: Determining the interventions necessary to optimise the achievements of the intended outcomes	<ul style="list-style-type: none"> • Budget Setting Process • Capital Plan Monitoring • Carbon Budget • Directorate and Corporate Risk Registers • Financial Performance Reports • Integrated Impact Assessments including UNCRC • Legal and Financial Monitoring • Medium Term Financial Strategy • Performance Reporting • Policy Review • Route Map to 2030 and beyond

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

In 2016 the Council approved the [Scheme of Governance](#) to ensure that there were appropriate arrangements for the governance of the Council's resources. The Scheme of Governance is subject to regular ongoing review to ensure it remains fit for purpose and reactive to the environment the Council is operating in. An Annual Review of the Scheme of Governance was presented to Full Council on [18 January 2024](#) (item 9).

Aberdeenshire Councillors agreed a Council Plan 2022-2027 on [24 November 2022](#) (Item 5). At a meeting held on [24 November 2022](#) Full Council formally closed the Council Plan 2020-2022 and associated priorities. The Annual Performance Report was presented to Full Council on [28 September 2023](#) (item 4) presenting the performance information for 2022/23, which included the closing position for the Council Plan 2020-22 and the first report under the Council Plan 2022-27.

The plan is centred around three pillars People, Environment and Economy. Under those sit six strategic priorities and these are supported by Key Performance Measures. Head of Service Business plans provide detail around how outcomes will be delivered and focus on performance and improvement including performance measures, benchmarking and accountability for delivery, as well as workforce planning. A robust performance management framework was approved by Full Council on [24 June 2021](#) (Item 11). Performance has been consistently reported to Policy and Area Committees since the implementation of the performance management framework. Reporting on the Council Plan 2022-27 commenced in May 2023. Quarterly performance reporting to Strategic Leadership Team commenced in May 2022. The strategic framework has provided a robust foundation to ensure a smooth transition in performance reporting.

The Council's Medium Term Financial Strategy 2024-25 (MTFS) was agreed by Councillors on [22 February 2024](#) (Item 4). The MTFS is the financial embodiment of the Council Plan. It is a key part of the Council's budget setting framework which aims to ensure that all financial resources are directed towards the delivery of the Council Priorities.

In accordance with the governance framework the Council conforms with the following:

- The CIPFA Statement on the Role of the Chief Financial Officer in Local Government;
- The Code of Practice on Managing the Risk of Fraud and Corruption;
- The CIPFA Statement on the Role of the Head of Internal Audit; and
- Audit Committees: Practical Guidance for Local Authorities and Police.

Evaluation of the effectiveness of governance

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

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

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

As the Council embarks on its ambitious transformation programme, agreed by Full Council on [23 November 2023](#) (agenda item 5) it is important to reflect on the adaptability and agility of governance arrangements demonstrated during the Covid-19 pandemic. Governance arrangements were adapted swiftly to reflect the changing operating environment and to preserve the democratic decision-making process. Changes to governance arrangements were reported in the Annual Governance Statements for [2020/21](#), [2021/22](#) and [2022/23](#) (agenda item 10).

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

The self-assessment indicated the Local Code is being complied with. The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities, notwithstanding the increase in borrowing reported in the [MTFS](#). Full Council agreed at its budget meeting on 22 February 2024 that the cost of borrowing be capped at 8.5% of revenue. At the [same meeting](#) (agenda item 5), Council agreed recommendations from a special meeting of the Communities Committee held on [24 January 2024](#) ensuring sustainability of the Housing Revenue Account and capping rent increases at 5%.

The following main strengths and areas for improvement during 2024/25 have been identified through the self-assessment exercise against the Local Code:

Code of Corporate Governance Principle	Strengths	Weakness
Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> Trust between managers and staff 	
Principle 2: Ensuring openness and comprehensive stakeholder engagements	<ul style="list-style-type: none"> Regular team meetings, 1:1s and PPP (Personal Performance Plans) Team talks from Chief Executive and Directors and communication from Heads of Service, Area Managers are informative and reach wide audiences 	<ul style="list-style-type: none"> Greater clarity around our priorities – what are we focusing on?
Principle 2: Ensuring openness and comprehensive stakeholder engagements Principle 3: defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Business Plans and Team Plans set out clear expectations – clear Golden Thread Good policies, strategies and procedures in place, providing clarity for managers and staff 	<ul style="list-style-type: none"> Cluttered landscape of plans, policies and strategies with no clear linkages between those.
Principle 5: Developing the entity's capacity including the capability of its leadership and the individual within it	<ul style="list-style-type: none"> The move to digital, availability of digital tools and support to enhance the customer journey as well as supporting staff initiatives such as hybrid working Good policies, strategies and procedures in place, providing clarity for managers and staff Effective delegation Good opportunities for training through ALDO Trust between managers and staff Continuous improvement encouraged with initiatives across the organisation for staff suggested improvements Regular team meetings, 1:1s and PPP (Personal Performance Plans) Good HR Policies 	<ul style="list-style-type: none"> Good delegation but lack of understanding or awareness of impact on staff of increased expectations of managers and Councillors Cluttered landscape of plans, policies and strategies with no clear linkages between those Technical support and guidance are not always available to support use of digital technology and tools – we could make better use of digital technologies to improve productivity, increase efficiencies and achieve savings Organisational capacity – there is a need to understand what this is. We need to do more to attract young people to work for the Council and to retain staff Hybrid working is not possible across frontline services, is not applied consistently and has exacerbated silo working and duplication of work Use of 1:1s, team meetings and PPPs is not consistent Staff are not provided with skills or support to implement creative solutions – innovation and creativity are hampered by lack resources and bureaucracy Better induction, training and support for new managers and more focus on competencies

Code of Corporate Governance Principle	Strengths	Weakness
Principle 6: Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> Workforce plans are in place across Services and regularly updated through Head of Service Business Plans 	<ul style="list-style-type: none"> Overly bureaucratic and risk averse - need to be more agile and adaptable to change

The self-evaluation analysis has been used to develop the improvement plan set out below for progress during 2024/25.

Improvement action	Expected outcome	Start date	End date
Further development of workforce plans to align these to the Medium-Term Financial Strategy and reducing budgets	Greater clarity around workforce changes that are needed to ensure that gaps in the budget are addressed	1 May 2024	31 May 2025
Develop and implement performance indicators to measure the impact of the workforce strategy	Increased awareness of the impact of the workforce strategy and opportunity to monitor, scrutinise and amend where necessary to ensure that the strategy is fit for purpose and adapting to the changing needs of the organisation	1 August 2024	30 April 2025
Develop a shared understanding of organisational capacity, where skills and competencies are and how the organisation can respond to reducing budgets	Ensuring that the organisation retains the necessary skills and competencies to ensure we are fit for the future	1 May 2024	30 April 2025
Review the Council priorities ensuring that these provide greater clarity, direction and focus	New priorities providing greater clarity and focus around the things that are important and things we will stop doing	1 May 2024	30 June 2024
Develop and implement a comprehensive programme of work to upskill staff and provide them with digital skills needed to capitalise the digital tools we have and support the transition to become a digital organisation aligned to the Data, Digital & Technology Transformation Workstream	The workforce has appropriate skills be able to gain full benefit of the suite of digital tools available, increasing efficiencies across Services	1 May 2024	30 September 2025
Identify and leverage opportunities in new strategies (Transformation & Place) and reducing budgets to reduce bureaucracy and become more agile and adaptable to change	Become more focused on results, eliminate or reduce processes, increase initiative and creativity and empower staff.	1 May 2024	31 December 2024

Assurance

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

In 2024, the Chief Internal Auditor provided the Council with their annual statement on the adequacy and effectiveness of the Council's framework of Governance, Risk Management and Control for the year ending 31 March 2024. In the Chief Internal Auditor's opinion, Aberdeenshire Council had an adequate framework for Governance, Risk Management and Control, covering the period 1 April 2023 to 31 March 2024. The report provided details of the position relating to the audits contained within the 2023/24 audit plan, part of the wider 2023-26 audit plan, agreed by the Audit Committee in March 2023. The Chief Internal Auditor also advised that there had been no limitation to the scope of Internal Audit's work during 2023/24.

The Committee received a range of reports produced by Internal Audit during the year that enabled scrutiny and questioning of officers to take place. This helped the Committee to gain positive assurance over the adequacy of the control environment and further assurance about identified weaknesses and actions being taken to address them. Most recommendations made by Internal Audit during 2023/24 continued to relate to general improvements and enhancements to procedures. However, as in previous years, pockets of major risk had been identified throughout the year, specifically in reviews such as: Pupil Equity Funding, Burial Grounds, Pre-School Commissioned Places Payments, Carbon Budget Monitoring and HR Leavers. The majority of recommendations made by Internal Audit have however been agreed by services, which have committed to appropriate action to improve controls and compliance to address the identified risks. The outcome of these audits, along with others, and the scale of implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year, with management providing updates on implementation and explanation for any delays.

Risk and Resilience Planning

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

During 2023/24 Services completed the process of reviewing and updating their Service Risk Registers in accordance with the revised template. Service Risk Registers are now in a digital format on the Council's performance management system, which will enhance the risk management process for risk owners and will improve the visibility of risk for Service and Directorate Management Teams. Services are currently in the process of reviewing their digital risk registers and making any changes that are appropriate. The focus has now moved to the updating of the Directorate and Corporate Risk Registers in 2023/24.

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

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

The Emergency Planning and Resilience Framework Generic Emergency Plan, which was approved by Business Services Committee on [17 November 2022](#) (item 8), following consultation with Directorate Management Teams, Corporate Risk Management Steering Group, Strategic Leadership Team and Area and Policy Committees underpinned the Council's response to 10 major incidents in 2023. The Framework is supported with guidance, training and a programme of testing and exercising throughout the year and has been further enhanced in 2023/24. The Framework has resulted in improved incident response.

During 2023/24 a draft Community Resilience Framework has been developed in conjunction with a multi-agency working group and as a result of feedback from Community Resilience Groups, Community Councils, Area Teams and Elected Members. This Draft Framework is currently progressing through the consultation process set out in the Council's Scheme of Governance. The Council received £1 million of community resilience funding from SSEN and the governance arrangements around the allocation of this money were agreed by Communities Committee on [16 February 2023](#).

An Update Report on the work of the Risk and Resilience Team was considered by Audit Committee on [6 July 2023](#).

Best Value

Audit Scotland's Best Value Assurance Report on [Aberdeenshire Council](#) contained nine recommendations. An action plan was agreed by Full Council on [19 November 2020](#) and a progress report are considered 6 monthly at Full Council and quarterly at Audit Committee.

In 2023 Audit Scotland began a new approach to auditing Best Value in councils. The new approach continues to audit against the statutory duty but is now fully integrated with the annual audit at each council. It also includes detailed work each year, focusing on a theme across all of the councils, which will be collated into a national report. Grant Thornton's (the Council's external auditors) Best Value report 2023 was considered by Full Council on [23 November 2023](#) (item 4). An improvement plan was agreed and was reported to Full Council on [25 April 2024](#) (item 4). As at 7 March 2024, 5 of the 13 actions are complete and 8 are in progress.

Health & Social Care Integration

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

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

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

Aberdeenshire Council Budget

A Medium-Term Financial Strategy, together with associated risks, and 5-year revenue plans (1-year annual budget and further 4 indicative years budgets) and 15-year capital plan (5-year capital plan plus indicative high level spend and funding estimates for the further 10 years) based on Council priorities, is developed on an annual basis. This process is led by Strategic Leadership Team and presented for approval by Council prior to the end of March each year. Revenue and Capital Budget Monitoring reports are presented to the Policy Committees on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements, and areas for development.

Accountability and action plans

Progress on the actions identified in the 2022/23 action plan is as follows:

Issue	Improvement Action	Expected Outcome	Target Date	Status	Latest Update
Governance & financial management style	Review budget-setting process to include longer-term financial planning, more stakeholder engagement (including communities) and participatory budgeting	<p>Enhance budget setting processes</p> <p>Improve long term financial visibility</p> <p>Improve budget forecasting</p> <p>Greater community involvement in budget setting process</p> <p>Progress mainstreaming participatory budgeting</p>	31 March 2024	<p>In progress</p> <p>75% complete</p> <p>It is anticipated that this action will be complete by 30 November 2024</p>	<p>The 2024/25 budget setting process included the agreement of a Medium Term Financial Strategy to cover the next 5 years (2024/25 – 2028/29), including a detailed Capital Plan covering the same period, along with indicative high level spend and funding estimates that fall within the affordability limits set out with in the MTFS and Capital Plan for the period 2029/30 through to 2038/39. A budget engagement exercise was carried out between 4 October 2023 and 17 November 2023, with the outcome reported to the Council in November 2023. Further engagement took place in the period before the formal budget meeting in February 2024.</p> <p>Work is progressing to develop a Participatory Budgeting Strategy to align with the overall budget process for future years. Further work will also be done to explore with the Strategic Leadership Team how more longer-term financial planning can be developed during 2024/25 and we will continue to evolve and adapt our processes year on year based on past experience.</p>
Governance & Financial management style	Consider further ways to present performance data to ensure it is accessible and easily understood by a range of stakeholders	<p>Enhance performance reporting</p> <p>Provide greater linkages between performance information and improvement activity</p> <p>Evidence clear outcomes of improvement activity</p>	31 March 2024	Complete	<p>The performance strategic group agreed that performance information is to be one of the use cases for adoption of the data hub. This will not only enhance performance reporting making it more accessible and understandable for a range of audiences, but will also generate efficiencies, removing manual extraction and input of data from and to different systems. Data will be live, enhancing monitoring and scrutiny. Meantime, the team is working on extracting performance data from Pentana to Power BI, again to enhance accessibility and ease of understanding for greater transparency.</p>

Issue	Improvement Action	Expected Outcome	Target Date	Status	Latest Update
Risk Management	Embed an approach for governance of the risk strategy and risk registers	Greater scrutiny of risk	30 June 2024	Complete	The governance of risk is now well established with Risk Management and Business Continuity a standing item on the agenda of the Corporate Risk Management Steering Group. Service Risk Registers are currently subject to review and this will be complete by mid-June 2024. Work is ongoing to review and revise the Directorate and Corporate Risk Registers.
Risk Management	Review the approach to ensure it continues to meet our needs. Collective understanding of and approach around risk	Greater scrutiny of risk	30 June 2024	In Progress	The Service Registers are all complete and are currently being updated and reviewed by Services with a deadline of mid-June 2024. The Directorate Risk Register and Corporate Risk Register are currently being developed to reflect the emerging themes from the Service Risk Registers. The aim of the Council's approach to Risk Management is to create a culture of ongoing monitoring, updating and review with the intention that this iterative approach embeds risk management as a business as usual activity.
Leadership	Share information on transformation projects widely across the Council.	More opportunities for shared learning Reduce silo working on transformation projects Reduce the risk of unintended consequences of transformation projects	31 March 2024	Complete	A Sharepoint site has been created and a comms officer regularly provides updates through liaison with workstream leads. Team talks have taken place and these will be followed by individual workstream team talks. The Leadership Forum in June will showcase the work underway. Activity will be on-going.
Results	Explore data-sharing opportunities with partners	The ability to share data with partners will provide greater opportunities to identify need and direct resources appropriately Enhanced service delivery	31 March 2024	Complete	The data & analytics team within Strategy & Innovation continue to work with services and partners including Public Health, Police and other local authorities to explore data sharing opportunities. Conversations are ongoing and evolving with a willingness from all partners to share data and reduce barriers to sharing data. A workshop is being held in Autumn 2024 with CPP partners to explore further data sharing opportunities.

Issue	Improvement Action	Expected Outcome	Target Date	Status	Latest Update
Results	Demonstrate how we are using benchmarking to make service improvements.	Evidence provided of the impacts on residents and communities as a result of benchmarking activity	31 March 2024	Complete	All Services are required to report in their Business Plans how they have used benchmarking to make service improvements.

Conclusion

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

Jim Savege
Chief Executive

Councillor Gillian Owen
Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council
01 July 2024

Remuneration Report

Introduction

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

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

The term Senior Employee means any local authority employee:

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

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

Arrangements for Remuneration

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

Councillors, Senior Councillors, Council Leader and Provost

The remuneration of Senior Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2023 (SSI No. 2023/21). The regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Council Leader, Provost, Senior Councillors or Councillors. The Council Leader and Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations.

In accordance with the regulations Aberdeenshire Council may have up to 19 Senior Councillor posts. The regulations set out the maximum that the Council may pay as remuneration to its Senior Councillors. For 2023/24 the salary for the Leader of Aberdeenshire Council is £46,902 (2022/23 £45,669). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Council Leader.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits. The remuneration paid to Senior Councillors in 2023/24 totalled £596,224 (2022/23 £552,180) and is detailed in Table B of this report.

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

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

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

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

Aberdeenshire Council does not pay bonuses to senior officers or performance related pay. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally. Chief Officers are eligible to join the LGPS. The scheme is outlined on page [45](#) and the costs identified on page [43](#) 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:

2022/23 £'000	Type of Remuneration	2023/24 £'000
1,569	Salaries	1,621
29	Expenses	44
1,598	Totals	1,665

The annual return of Councillors' salaries and expenses for 2023/24 is available on the Council's [website](#).

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

Total Remuneration 2022/23 £	Pension Contributions 2022/23 £	Name	Salaries, Fees and Allowances 2023/24 £	Total Remuneration 2023/24 £	Pension Contributions 2023/24 £	Accrued Pension Benefits		
							As at 31 March 2024 £'000	Difference from 31 March 2023
33,057	6,380	Gillian Owen (2023-24 FYE Leader of Council £46,902, FYE Chair - Committee £35,179)	44,036	44,036	8,499	Pension	11	1
						Lump Sum	3	1
25,206	4,865	Isobel Davidson (2023-24 FYE £26,383)	26,383	26,383	5,092	Pension	9	-
						Lump Sum	2	-
28,924	-	Ron McKail (2023-24 FYE £30,780)	30,780	30,780	-	Pension	-	-
						Lump Sum	-	-
26,794	-	Wendy Agnew (2023-24 FYE £30,780)	21,099	21,099	-	Pension	-	-
						Lump Sum	-	-
42,139	8,133	Mark Findlater (2023-24 FYE Council Leader £46,902)	11,465	11,465	2,213	Pension	6	1
						Lump Sum	-	-
33,057	6,380	Ross Cassie (2023-24 FYE £35,179)	35,179	35,179	6,789	Pension	6	1
						Lump Sum	-	-
33,057	6,380	Anne Stirling (2023-24 FYE £35,179)	35,179	35,179	6,789	Pension	12	2
						Lump Sum	2	-
24,791	4,785	John Cox (2023-24 FYE £26,383)	26,383	26,383	5,092	Pension	6	1
						Lump Sum	-	-
27,957	5,396	Doreen Mair (2023-24 FYE £30,780)	30,780	30,780	5,941	Pension	4	1
						Lump Sum	-	-
25,689	826	Gwyneth Petrie (2023-24 FYE £26,383)	26,383	26,383	-	Pension	-	-2
						Lump Sum	-	-
32,228	6,220	Judy Whyte (2023-24 FYE £35,179)	35,179	35,179	6,789	Pension	4	1
						Lump Sum	-	-
22,305	4,305	Anne Simpson (2023-24 FYE £26,383)	26,383	26,383	5,092	Pension	3	1
						Lump Sum	-	-
24,476	4,724	Dianne Beagrie (2023-24 FYE £30,780)	30,780	30,780	5,941	Pension	3	1
						Lump Sum	-	-
379,680	58,394	CARRIED FORWARD	380,009	380,009	58,237		71	9

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

Total Remuneration 2022/23 £	Pension Contributions 2022/23 £	Name	Salaries, Fees and Allowances 2023/24 £	Total Remuneration 2023/24 £	Pension Contributions 2023/24 £	Accrued Pension Benefits		
							As at 31 March 2024 £'000	Difference from 31 March 2023
379,680	58,394	BROUGHT FORWARD	380,009	380,009	58,237		71	9
22,305	4,305	Hannah Powell (2023-24 FYE £26,383)	17,002	17,002	3,281	Pension	1	1
						Lump Sum	-	-
23,894	4,611	Iain Taylor (2023-24 FYE £30,780)	30,780	30,780	5,941	Pension	4	1
						Lump Sum	-	-
29,742	5,740	John Crawley (2023-24 FYE £35,179)	8,599	8,599	1,660	Pension	1	-
						Lump Sum	-	-
24,476	4,724	Marion Ewenson (2023-24 FYE £30,780)	30,780	30,780	5,941	Pension	3	1
						Lump Sum	-	-
25,056	4,836	Robert Withey (2023-24 FYE £30,780)	30,780	30,780	5,941	Pension	3	1
						Lump Sum	-	-
22,305	4,305	Stewart Adams (2023-24 FYE £26,383)	26,383	26,383	5,092	Pension	1	1
						Lump Sum	-	-
-	-	Alan Turner (2023-24 FYE £35,179)	26,580	26,580	5,130	Pension	1	1
						Lump Sum	-	-
-	-	David Keating (2023-24 FYE £35,179)	26,580	26,580	5,130	Pension	1	-
						Lump Sum	-	-
-	-	Sarah Brown (2023-24 FYE £26,383)	9,381	9,381	1,810	Pension	1	1
						Lump Sum	-	-
-	-	Sarah Dickinson (2023-24 FYE £30,780)	9,350	9,350	1,805	Pension	3	1
						Lump Sum	-	-
527,458	86,915	TOTALS	596,224	596,224	99,968		90	17

The above table has been subject to audit

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

Name	Post Title	Period in Office
Mark Findlater	Council Leader	From 19 May 2022 until 29 June 2023
Gillian Owen	Council Leader	From 29 June 2023
Mark Findlater	Chair – Business Services Committee	From 19 May 2022 until 29 June 2023
Gillian Owen	Chair – Business Services Committee	From 29 June 2023
Judy Whyte	Provost	From 19 May 2022
Gwyneth Petrie	Leader of the Main Opposition	From 08 April 2020
John Crawley	Chair – Infrastructure Services Committee	From 19 May 2022 until 29 June 2023
Alan Turner	Chair – Infrastructure Services Committee	From 29 June 2023
Anne Stirling	Chair – Communities Committee	From 18 May 2017
Ross Cassie	Chair – Audit Committee	From 18 May 2017
Gillian Owen	Chair – Education and Children's Services Committee	From 18 May 2017 until 29 June 2023
David Keating	Chair – Education and Children's Services Committee	From 29 June 2023
Dianne Beagrie	Chair - Buchan Area Committee	From 7 June 2022
Iain Taylor	Chair – Formartine Area Committee	From 14 June 2022
Marion Ewenson	Chair - Garioch Area Committee	From 7 June 2022

Name	Post Title	Period in Office
Anne Stirling	Deputy Council Leader	From 19 May 2022
John Cox	Vice Chair – Business Services Committee	From 19 May 2022
Ron McKail	Deputy Provost	From 18 May 2017
Isobel Davidson	Vice Chair – Infrastructure Services Committee	From 19 May 2022
Hannah Powell	Vice Chair – Communities Committee	From 19 May 2022 until 23 November 2023
Sarah Brown	Vice Chair – Communities Committee	From 23 November 2023
Stewart Adams	Vice Chair – Audit Committee	From 19 May 2022
Anne Simpson	Vice Chair – Education and Children's Services Committee	From 19 May 2022
Doreen Mair	Chair - Banff and Buchan Area Committee	From 15 December 2020
Robbie Withey	Chair - Marr Area Committee	From 31 May 2022
Wendy Agnew	Chair - Kincardine and Mearns Area Committee	From 13 June 2017 until 12 December 2023
Sarah Dickinson	Chair - Kincardine and Mearns Area Committee	From 12 December 2023

The above table has been subject to audit

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 year.

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

Note 4: For 2023/24 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.

Note 5: For councillors with less than 2 years service indicative figures have been provided for their Accrued Pension Benefits.

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

Total Remuneration 2022/23 £	Pension Contributions 2022/23 £	Name and Post Title	Salaries, Fees and Allowances 2023/24 £	Total Remuneration 2023/24 £	Pension Contributions 2023/24 £	Accrued Pension Benefits		
							As at 31 March 2024 £'000	Difference from 31 March 2023
164,213	29,282	Jim Savege: Chief Executive (2023-24 FYE £169,944) (Note 1)	169,944	169,944	29,998	Pension	31	5
						Lump Sum	-	-
133,594	25,445	Laurence Findlay: Director of Education and Children's Services (2023-24 FYE £139,817)	139,817	139,817	26,985	Pension	69	7
						Lump Sum	-	-
133,624	25,445	Ritchie Johnson: Director of Business Services (2023-24 FYE £139,817) (Note 2)	11,651	11,651	2,249	Pension	64	2
						Lump Sum	83	1
-	-	Robert Simpson: Director of Business Services (2023-24 FYE £139,817) (Note 2)	128,166	128,166	24,736	Pension	20	4
						Lump Sum	-	-
131,841	25,445	Alan Wood: Director of Environment and Infrastructure Services (2023-24 FYE £139,817)	139,817	139,817	26,985	Pension	63	6
						Lump Sum	93	5
97,641	18,809	Mary Beattie: Head of Service (Finance) (2023-24 FYE £103,354)	103,354	103,354	19,947	Pension	41	5
						Lump Sum	50	3
99,398	18,809	Karen Wiles: Head of Service (Legal and People) (2023-24 FYE £103,354)	103,354	103,354	19,947	Pension	28	4
						Lump Sum	-	-
97,458	18,809	Leigh Jolly: Chief Social Work Officer (2023-24 FYE £103,354)	103,354	103,354	19,947	Pension	34	4
						Lump Sum	28	2
857,769	162,044	TOTALS	899,457	899,457	170,794		604	48

The above table has been subject to audit

Notes to Table C:

Note 1: The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2024 did not include any costs received as the Returning Officer for Aberdeenshire as there were no elections in 2023/24.

Note 2: The Director of Business Services (Ritchie Johnson) left Aberdeenshire Council on 30 April 2023. The post was initially filled on an interim basis by Robert Simpson before being made permanent on 18 March 2024.

Note 3: For 2023/24 there was no payment for Bonuses, Taxable Expenses, and Non-Cash Benefits. Therefore, no information on these has been included in the table above.

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

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

No of Employees 2022/23	Remuneration Bands	No of Employees 2023/24
261	£50,000 - £54,999	1,009
194	£55,000 - £59,999	261
154	£60,000 - £64,999	140
51	£65,000 - £69,999	215
12	£70,000 - £74,999	86
8	£75,000 - £79,999	55
8	£80,000 - £84,999	20
3	£85,000 - £89,999	10
12	£90,000 - £94,999	5
4	£95,000 - £99,999	13
-	£100,000 - £104,999	9
-	£105,000 - £109,999	2
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
-	£125,000 - £129,999	-
3	£130,000 - £134,999	-
-	£135,000 - £139,999	3
-	£140,000 - £144,999	-
-	£145,000 - £149,999	-
-	£150,000 - £154,999	-
-	£155,000 - £159,999	-
1	£160,000 - £164,999	-
-	£165,000 - £169,999	1
711	TOTALS	1,829

The above table has been subject to audit

Note to Table D

The Pay Award for Teachers & Associated Professionals for 2022/23 wasn't agreed until 15 March 2023 and due to constraints with Aberdeenshire Council's Payroll system the backdated pay award for 2022/23 could not be paid to teaching staff until April 2023. This therefore has inflated the remuneration that teaching staff have received during 2023/24, as it includes the backdated pay award for 2022/23, and has increased the number of employees who have been paid more than £50,000.

Pension Benefits

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

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

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

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

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

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

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

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

A Scheme member's pension contribution depends on their actual pay. From 1 April 2009, employee contributions are based on tiered rates. Bandings for 2023/24 and 2022/23 are disclosed below.

Contribution Rates	Pensionable Pay 2023/24	Pensionable Pay 2022/23
5.50%	Earnings up to and including £25,300	Earnings up to and including £23,000
7.25%	On earnings above £25,301 and up to £31,000	On earnings above £23,001 and up to £28,100
8.50%	On earnings above £31,001 and up to £42,500	On earnings above £28,101 and up to £38,600
9.50%	On earnings above £42,501 and up to £56,600	On earnings above £38,601 and up to £51,400
12.00%	On earnings above £56,601	On earnings above £51,401

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

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

Termination Benefits

Table E: Exit Packages

	Compulsory Number	Compulsory Value £'000	Voluntary Number	Voluntary Value £'000
Bandings 2023/24				
Up to £19,999	1	2	30	342
£20,000 up to £39,999	-	-	10	253
£40,000 up to £59,999	-	-	8	408
£60,000 up to £79,999	-	-	9	634
£80,000 up to £99,999	-	-	4	335
£100,000 up to £149,999	-	-	3	357
£150,000 up to £199,999	-	-	-	-
	1	2	64	2,329
Total				2,331
Bandings 2022/23				
Up to £19,999	5	22	21	105
£20,000 up to £39,999	-	-	7	210
£40,000 up to £59,999	-	-	2	97
£60,000 up to £79,999	1	61	-	-
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	-	-
£150,000 up to £199,999	-	-	-	-
	6	83	30	412
Total				495

The above table has been subject to audit

Trade Union Facility Time

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

Table F: Trade union representatives and full-time equivalents

	Non-teaching	Teaching
Trade union representatives:	34	13
FTE trade union representatives:	23.98	11.09

Table G: Percentage of working hours spent on facility time

	All
0%	0
1-50%	41
51-99%	0
100%	6

Table H: Total pay bill and facility time costs

	Non-teaching	Teaching
Total pay bill:	£342,453,772	£200,977,012
Total cost of facility time:	£152,190	£103,891
Percentage of pay spent on facility time:	0.04%	0.05%

Table I: Paid trade union activities

	Non-teaching	Teaching
Hours spent on paid facility time:	7,240	2,303
Hours spent on paid trade union activities:	751	291
Percentage of total paid facility time hours spent on paid TU activities:	10.37%	12.64%

Councillor Gillian Owen
Leader of the Council

Jim Savege
Chief Executive

On behalf of the Councillors and Officers of Aberdeenshire Council

01 July 2024

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

Expenditure and Funding Analysis for year ended 31 March 2024

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

Net Expenditure Chargeable to the General Fund and HRA Balances 2022/23 £'000	Adjustments Between the Funding and Accounting Basis 2022/23 £'000	Net Expenditure in the CIES 2022/23 £'000		Net Expenditure Chargeable to the General Fund and HRA Balances Reported to Committee 2023/24 £'000	Adjustment to Net Expenditure Chargeable to the General Fund and HRA Balances 2023/24 £'000	Total Chargeable to the General Fund and HRA Balances 2023/24 £'000	Adjustments Between the Funding and Accounting Basis 2023/24 £'000	Net Expenditure in the CIES 2023/24 £'000	Notes Ref
			Aberdeenshire Services						
47,486	11,637	59,123	Business Services Committee	53,794	-	53,794	4,243	58,037	
168,018	16,920	184,938	Communities Committee	176,788	4,398	181,186	3,876	185,062	
388,963	(8,503)	380,460	Education and Children's Services Committee	422,677		422,677	(32,028)	390,649	
70,622	38,185	108,807	Infrastructure Services Committee	72,622		72,622	26,929	99,551	
			Service Concession Arrangements	(5,225)	(37,498)	(42,723)	42,723	-	
17	15,601	15,618	Housing Revenue Account	(300)		(300)	19,539	19,239	
(4,166)	-	(4,166)	Exceptional Items			-		-	
670,940	73,840	744,780	NET COST OF SERVICES	720,356	(33,100)	687,256	65,282	752,538	
(664,839)	(8,583)	(673,422)	Other (Income) and Expenditure	(701,079)	-	(701,079)	(9,666)	(710,745)	
6,101	65,257	71,358	(Surplus)/Deficit	19,277	(33,100)	(13,823)	55,616	41,793	5
(73,362)			Opening General Fund and HRA Balance at 1 April			(67,414)			
6,101			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year			(13,823)			
(153)			Transfers to/(from) Statutory Reserves			(1,681)			
(67,414)			Closing General Fund and HRA balance at 31 March			(82,918)			

Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to Arrive at CIES Amounts 2023/24	Adjustments for Capital Purpose £'000	Net Change for the Pension Adjustments £'000	Other Statutory Differences £'000	Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Total Adjustments £'000
Business Services Committee	3,796	413	(3)	4,206	164	(127)	4,243
Communities Committee	3,597	(1,791)	(33)	1,773	3,119	(1,016)	3,876
Education and Children's Services Committee	(6,810)	(4,345)	(44)	(11,199)	18,214	(39,043)	(32,028)
Infrastructure Services Committee	26,596	(1,123)	(5)	25,468	1,313	148	26,929
Service Concession Arrangements	42,723	-	-	42,723	-	-	42,723
Housing Revenue Account	28,347	(316)	74	28,105	5,574	(14,140)	19,539
Net Cost of Services	98,249	(7,162)	(11)	91,076	28,384	(54,178)	65,282
Other (Income) and Expenditure	(64,018)	1,162	(988)	(63,844)	-	54,178	(9,666)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	34,231	(6,000)	(999)	27,232	28,384	-	55,616

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

Note to the Expenditure and Funding Analysis (continued)

Explanations of Adjustment Columns Above:

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

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

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

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- [Note 33](#) provides further explanations of IAS 19 entries.

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

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

Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2024

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

Gross Expenditure 2022/23 £'000	Income 2022/23 £'000	Net Expenditure 2022/23 £'000	Aberdeenshire Services	Gross Expenditure 2023/24 £'000	Income 2023/24 £'000	Net Expenditure 2023/24 £'000	Notes Ref
94,927	(35,804)	59,123	Business Services Committee	94,222	(36,185)	58,037	
466,635	(281,697)	184,938	Communities Committee	479,557	(294,495)	185,062	
433,340	(52,880)	380,460	Education and Children's Services Committee	442,281	(51,632)	390,649	
134,963	(26,156)	108,807	Infrastructure Services Committee	126,156	(26,605)	99,551	
79,675	(64,057)	15,618	Housing Revenue Account	87,009	(67,770)	19,239	
1,020	(5,186)	(4,166)	Exceptional Items	-	-	-	
1,210,560	(465,780)	744,780	COST OF SERVICES	1,229,225	(476,687)	752,538	EFA
-	(450)	(450)	(Gains)/Losses on the Disposal of Non Current Assets and AHfS	-	(88)	(88)	5
-	(450)	(450)	Other Operating (Income)/Expenditure	-	(88)	(88)	
32,851	-	32,851	Interest payable and similar charges	40,424	-	40,424	20
5,148	-	5,148	Net interest on net defined benefit liability (asset)	1,162	-	1,162	33
448	-	448	Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	15
-	(778)	(778)	Interest Receivable and Similar Income	-	(2,568)	(2,568)	20
844	-	844	Increase/(Decrease) in Provision for Bad Debts	808	-	808	
39,291	(778)	38,513	Financing and Investment Income and Expenditure	42,394	(2,568)	39,826	
		(711,485)	Taxation and Non-Specific Grant Income			(750,483)	8
		71,358	Deficit on Provision of Services			41,793	5
		(57,554)	Surplus on revaluation of Non Current assets and AHfS			(163,170)	
		(192,654)	Actuarial (gains)/losses on pension assets/liabilities			(131,328)	28,33
		(250,208)	Other Comprehensive (Income) and Expenditure			(294,498)	
		(178,850)	Total Comprehensive (Income) and Expenditure			(252,705)	

Balance Sheet as at 31 March 2024

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".

2022/23 £000		2023/24 £000	Note Ref
2,433,332	Property, Plant and Equipment	2,644,179	13
2,492	Heritage Assets	2,482	14
660	Investment Properties	660	15
-	Pension Assets	142,619	33
825	Intangible Assets	635	16
77	Long Term Investments	77	20
9,439	Long Term Debtors	6,330	20, 23
2,446,825	Long Term Assets	2,796,982	
96	Assets Held for Sale	1,997	17
7,752	Inventories	9,156	22
78,240	Short Term Debtors	80,291	23
10,989	Cash and Cash Equivalents	13,815	20, 24
97,077	Current Assets	105,259	
(89,635)	Short Term Borrowing	(93,784)	20
(140,859)	Short Term Creditors	(119,532)	25
(274)	Provisions	(117)	26
(242)	Revenue Grants Receipts in Advance	(2,758)	27
(231,010)	Current Liabilities	(216,191)	
(810,501)	Long Term Borrowing	(929,298)	20
(29,566)	Pension Liabilities	(34,857)	33
(2,248)	Long Term Creditors	(2,246)	25
(7,031)	Provisions	(6,656)	26
(2,774)	Finance Leases	(2,644)	
(87,742)	PFI and PPP Liabilities	(81,192)	19
(17,568)	Capital Grants Receipts in Advance	(20,990)	27
(957,430)	Long Term Liabilities	(1,077,883)	
1,355,462	Net Assets	1,608,167	
(84,846)	Usable Reserves	(97,599)	MIRS
(1,270,616)	Unusable Reserves	(1,510,568)	28
(1,355,462)	Total Reserves	(1,608,167)	

The unaudited accounts were issued on 01 July 2024

Mary Beattie, FCCA
Head of Finance
01 July 2024

Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2024

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	Notes Ref
Balance as at 31 March 2022 Carried Forward	(71,362)	(2,000)	(1,300)	(1,211)	(12,390)	(88,263)	(1,088,349)	(1,176,612)	
Movement in Reserves During 2022/23									
Total Comprehensive Income and Expenditure	63,476	7,882	-	-	-	71,358	(250,208)	(178,850)	
Depreciation Charged to Revaluation Reserve	(21,141)	(5,279)	-	-	-	(26,420)	26,420	-	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(36,820)	(2,017)	-	-	(2,684)	(41,521)	41,521	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	5,515	586	-	-	(2,684)	3,417	(182,267)	(178,850)	
Transfers to/(from) Statutory Reserves	433	(586)	-	-	153	-	-	-	
Balance as at 31 March 2023	(65,414)	(2,000)	(1,300)	(1,211)	(14,921)	(84,846)	(1,270,616)	(1,355,462)	
Movement in Reserves During 2023/24									
Total Comprehensive Income and Expenditure	34,520	7,273	-	-	-	41,793	(294,498)	(252,705)	
Depreciation Charged to Revaluation Reserve	(22,809)	(5,575)	-	-	-	(28,384)	28,384	-	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(26,204)	(1,028)	-	-	1,070	(26,162)	26,162	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	(14,493)	670	-	-	1,070	(12,753)	(239,952)	(252,705)	
Transfers to/(from) Statutory Reserves	(711)	(970)	1,300	380	1	-	-	-	
Balance as at 31 March 2024 Carried Forward	(80,618)	(2,300)	-	(831)	(13,850)	(97,599)	(1,510,568)	(1,608,167)	
Notes Ref	7						28		

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

Cash Flow Statement for the Year Ended 31 March 2024

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.

2022/23 £'000		2023/24 £'000	Notes Ref
(71,358)	Net deficit on the provision of services	(41,793)	
158,608	Adjust net deficit on the provision of services for non cash movements	72,940	
(56,497)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53,368)	
30,753	Net Cash Flows from Operating Activities	(22,221)	35
	Investing Activities:		
(146,620)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(149,149)	
-	Purchase of Short and Long Term Investments	(2,300)	
1,873	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,488	
55,578	Other Receipts from Investment Activities	57,368	
(89,169)	Net Cash Flows from Investing Activities	(91,593)	
	Financing Activities:		
179,909	Cash Receipts of Short Term and Long Term Borrowing	259,700	
(5,648)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(6,346)	
(145,199)	Repayments of Short Term and Long Term Borrowing	(136,714)	
29,062	Net Cash Flows from Financing Activities	116,640	
(29,354)	Net (Decrease)/Increase in cash and cash equivalents	2,826	24
40,343	Cash and cash equivalents at 1 April	10,989	24
10,989	Cash and cash equivalents at 31 March	13,815	

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Note 1 – Significant Accounting Policies

1.1 General Principles

The Annual Accounts summarise transactions of the Council and its Group for the 2023/24 financial year and its position at the year end of 31 March 2024. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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, in accordance with performance obligations of the contract, 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, in accordance with the performance obligations in the contract, 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;
- 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; and
- where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

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

Note 1 – Significant Accounting Policies (continued)**1.4 Charges to Revenue for Non-Current Assets**

Services and support services are charged 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 fund these items. However, it is required to make an annual loan fund principal repayment from revenue to reduce the overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by loans fund principal by way of an adjusting transaction between the General Fund and the Capital Adjustment Account within the MIRS.

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

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

An accrual is made for the value of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year in which the employee takes the benefit and is charged to the Surplus or Deficit on the Provision of Services. Such accruals are required, under statute, to be reversed out of the General Fund Balance by a credit to the Accumulating Compensating Absence Account in the MIRS.

(ii) Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year...

(iii) Retirement Benefits

The Council participates in two pension schemes, the Scottish Teachers' Pension Scheme, administered by the Scottish Government; and the Local Government Pension Scheme, the North East Scotland Pension Fund, administered by Aberdeen City Council. Liabilities for the teachers' scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as a defined contributions scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education and Childrens Service line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

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

Changes in the pension assets and liabilities during the year are recognised in the CIES and analysed into the following components:

Note 1 – Significant Accounting Policies (continued)

Service Costs:

- Current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the CIES to the services for which the employees worked.
- Past service cost (including curtailments) – the increase in liabilities as a result of changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by the employees in previous years. These costs are charged to the Surplus or Deficit on the Provision of Services in the CIES.
- Net interest of the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the CIES, calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements:

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

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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement or pension enhancement termination benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Liabilities are included in the Balance Sheet on an actuarial basis using the 'projected unit credit method' i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees. Assets/ liabilities are discounted to their value at current prices, using a discount (currently 4.9%) based on an average of high quality corporate bonds.

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

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

Note 1 – Significant Accounting Policies (continued)

1.6 Events after the Balance Sheet Date

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

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

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

1.7 Fair Value Measurement

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

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

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

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

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

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

1.8 Financial Instruments

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

(i) Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of a financial liability. Financial liabilities are initially measured at fair value and subsequently carried at amortised cost.

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

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

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

Note 1 – Significant Accounting Policies (continued)

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

Financial assets can be classified into two types:

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

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

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest reflected in Debtors) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. Under the expected credit loss model, impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations.

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

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

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

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

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

1.9 Foreign Currency Translation

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

1.10 Government Grants and Contributions and Donated Assets

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

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

Note 1 – Significant Accounting Policies (continued)

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

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants 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 the interest is considered immaterial. The Council has a material interest in a number of entities with its interest in the Integrated Joint Board included in the Council's Group Accounts. A Group Cash Flow Statement has not been prepared on the basis that it would, effectively, be the same as the single entity Cash Flow Statement.

1.12 Heritage Assets

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

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

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

Heritage Assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see Note 1.19.

1.13 Intangible Assets

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

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

Note 1 – Significant Accounting Policies (continued)

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 greater than £10,000) the Capital Grants Unapplied Account.

1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

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

Note 1 – Significant Accounting Policies (continued)

Operating Leases

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

(ii) The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General

Fund balance to the Capital Receipts Reserve in the MIRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to an earmarked part of the Capital Receipt Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the debtor.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the MIRS.

Operating Leases

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

1.17 Overheads and Support Services

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

1.18 Prior Year Adjustments

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

1.19 Property, Plant and Equipment

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

Note 1 – Significant Accounting Policies (continued)

(i) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

(ii) Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In exceptional cases, gains will be credited to the CIES where they arise from the reversal of a revaluation loss charged previously to a service.

Note 1 – Significant Accounting Policies (continued)

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

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

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

(iii) Impairment

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

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

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

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

(iv) Disposals

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

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

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Note 1 – Significant Accounting Policies (continued)

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

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

(v) Depreciation

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

Depreciation is calculated on the following bases:

- Council Dwellings and Other Buildings - straight-line allocation over the useful life of the property (between 20 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 5 and 60 years) as advised by a suitably qualified officer;
- Community Assets – straight-line allocation over the useful life of the asset (between 10 and 60 years) as advised by a suitably qualified officer; and
- Where a specific component has a demonstrable different useful life, consider and adopt this time period.

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

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

(vi) Componentisation

Components of an item of Property, Plant and Equipment are recognised separately for depreciation purposes where it is considered that the cost of the component is significant in relation to the total cost of the asset. Assets with a carrying value of £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.

Note 1 – Significant Accounting Policies (continued)

(vii) Derecognition of Infrastructure Assets

The Council has determined, in accordance with Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities, that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be, and accounted for, as a nil amount. In accordance with the circular the Council is not required to make subsequent adjustments to the carrying amount of the asset with respect to that part.

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, charged to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the four PFI and similar contracts held by Aberdeenshire Council are as follows:
 - Robertson Education (Aberdeenshire) Limited 8.69%
 - Elgin Education (Aberdeenshire2) Limited 5.18%
 - Hub North Scotland (Alford) Limited 7.59%
 - Hub North Scotland (Inverurie) Limited 5.98%
- contingent rent – increases in the amount to be paid for the property arising during the contract, charged 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 recognised in the Balance Sheet as a prepayment and then re-allocated as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.21 Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

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

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be

Note 1 – Significant Accounting Policies (continued)

required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

(ii) Contingent Liabilities

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

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

(iii) Contingent Assets

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

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

1.22 Reserves

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

Usable Reserves

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

Unusable Reserves

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

1.23 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the costs of this expenditure by borrowing, a transfer in the MIRS from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.24 VAT

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

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

The following Accounting Standards will be adopted by the Code in 2024/25. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

- IFRS 16 Leases issued in January 2016.
This means that for leases previously accounted for as operating leases, a right of use asset and a lease liability will be reported in the Balance Sheet.

The Council will adopt IFRS 16 Leases from 1 April 2024. The impact on the Annual Accounts is likely to be material. Work is progressing to develop a complete and accurate picture of all leases to allow a reliable estimate to be made however, at this stage, a reliable estimate of the impact cannot be made.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
 - Specify that an entity's right to defer settlement must exist at the end of the reporting period;
 - Clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
 - Clarify how lending conditions affect classification, and
 - Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - A temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - Targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
 - Assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - Understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in [Note 1](#), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made, this is referred to in the relevant note in the financial statements. The critical judgements deemed to have the most significant effect on amounts included in the annual accounts are:

Private Finance Initiative

In considering IFRIC12, Service Concession Arrangements, the Council is deemed to control the services provided under the agreement for the provision of educational establishments, and the assets will transfer to Council ownership at the end of the lease period. The Council is committed to four PFI and similar contracts, in respect of Education & Leisure facilities. Accounting policies for PFI schemes and similar arrangements have been applied and the assets under the contracts are included within Property, Plant and Equipment on the Council's Balance Sheet, valued at £210.336m. Movements in the asset values over the year are detailed in the analysis of the movement on the Property, Plant and Equipment (PPE) balance in [Note 13](#). [Note 19](#) and the associated [Annex](#) provides further details on PFI and similar Contracts.

Provisions and Contingent Assets & Liabilities

Aberdeenshire Council has a number of legal cases outstanding at the moment and has considered its exposure to future benefits and losses. Provision has been made where it is probable that an outflow of resources will be required and can be measured reliably. Detail of judgments considered are included in [Note 26 Provisions](#), [Note 30 Contingent Liabilities](#) and [Note 31 Contingent Assets](#).

Council Acting as Principal or Agent.

If the Council has no discretion over utilisation of funding it receives it is deemed to be acting as an Agent. During 2023/24 the Council has acted as an Agent for the Scottish and UK Governments, and other External Agencies. Details can be found in [Note 10](#) Agency Services. If the Council was deemed not to be acting as an Agent, the income and expenditure would be recorded in the CIES.

Group Accounts

The Council has considered all entities it has an interest in for consolidation in Group Accounts, subject to materiality. Taking into consideration both materiality and control, the following criteria is established for determining requirements for incorporation into Group Accounts by each particular entity: Minimum of 1% of Aberdeenshire Council's Net Assets, Expenditure or Income being met, and Council to have minimum of 50% control over the entity. The business combination for the Group Accounts includes Subsidiaries – Trust and Common Good Funds 100% and Create Homes Aberdeenshire LLP 99.999%. Included as Joint Venture is the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian. Details are included in the [Group Accounts Note](#).

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

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

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions	
Property, Plant and Equipment – Useful Economic Lives	Property Assets including Dwellings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The value of assets, excluding Vehicles Plant and Equipment and Infrastructure, is measured by an internal valuer in accordance with the policies set out in Note 1.19 (ii) and the impact recorded in the accounts. The Council is currently in the third year of a 10 year programme of maintenance spend on existing assets. Vehicles, Plant, and Equipment are allocated useful lives based on estimates provided by services at the time of acquisition.	If the useful life of PPE 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 assets would increase by £5.854m if useful lives were to be reduced by one year, and increase by £13.634m if they were to reduce by 2 years. Current asset value is £2.644m.	
		Change to useful lives assumptions	Impact on Depreciation Charge
		Reduce 1 year	£5.854m
		Reduce 2 years	£13.634m
Property Asset Values	Operational property assets are valued on a rolling 5-year basis. Intervening changes in market conditions, including rising building costs, could mean that the carrying value of these assets is materially different from their true value based on market conditions or updated replacement cost value. A materiality threshold of £18m, per asset group, has been set in order to determine if the value of assets (with a valuation date other than 31 March 2024) was materially different from their carrying value as at 31 March 2024.	A proportion of the Council's property assets were valued as at 31 March 2024, as part of the Council's 5-year rolling valuation programme and the % change in the values of those assets was calculated. Of this group, the assets valued on a Depreciated Replacement Cost (DRC) basis showed an increase of 13%, all of which were revalued in 2023/24. The remainder of the operational property assets, valued on a non-DRC basis, showed a reduction in value of 2.9%. When applied to the value of non-DRC assets which had not been valued in 2023/24 this indicated that the closing value of this asset group may have been £2.6m lower than their reported value, if they had been revalued in 2023/24. The difference between carrying value and indicative valuation movement is lower than the materiality threshold of £18m which has been set, it is therefore considered that the closing asset values are not materially different from their true values.	

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

Item	Uncertainties	Effect if actual result differs from assumptions	
Council Dwellings	<p>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 an Adjustment Factor which is a measure of the difference between private market rent and socially rented property within the Aberdeenshire Council area. The Adjustment Factor incorporates an element of uncertainty and can change due to movements in private and public sector rents.</p> <p>Council dwellings are valued using a combination of the Beacon Method and the investment approach. The Beacon Method aggregates the vacant possession values of each housing unit, while the investment approach capitalises the gross rental income using an appropriate investment yield. The Beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology accounts for regional variations in capital values, stock condition, rent arrears, and voids. The investment yield applied is 7.5%. The Council dwellings valuation process for 2024/25 is not yet complete. This will be completed and disclosures updated within the Audited Annual Accounts. Upon conclusion the impact of a movement on the investment yield will be reported.</p>	It is estimated that the Council Dwellings with value of £584m would fall in value if the adjustment factor was to increase from current rate of 58% as follows.	
		Change to adjustment Factor	Impact on Dwellings Value
		Increase by 1%	£13.894m
		Increase by 2%	£27.788m
Arrears – Sundry Debtors	<p>At 31 March 2024, Sundry Debtor balances totalled £10.030m. A review of significant balances suggested that an allowance for doubtful debts of 30.1% (£3.023m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	If collection rates were to deteriorate, the following potential impairment losses would require an additional amount to be set aside as an allowance.	
		10% increase	£1.003m
		20% increase	£2.006m
Arrears – Council Tax Debtors	<p>The Council maintain a provision in the balance sheet to allow for a level of irrecoverable income in relation to Council Tax debt. At 31 March 2024 this is £15.327m. However, in the current economic climate it is not certain that such an allowance would be sufficient. The following methodology has been applied in 2023/24.</p>		If collection rates were to deteriorate, the following potential impairment losses would require an additional amount to be set aside as an allowance.
	Years Applied	Basis of Provision	Impact of Change to Assumed rate
	1993/94 - 2011/12	100% of Outstanding Debtor	No change as fully provided
	2012/13 - 2018/19	Provision of 0.75% of Debt Raised based on historical collection rates	If provision updated to be 100% of Outstanding Debtor an additional allowance of £3.326m would be required.
	2019/20 - 2023/24	Provision of 0.50% of Debt Raised based on recent write-off levels	If provision updated to be 0.75% of Debt Raised, an additional allowance of £1.938m would be required

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

Item	Uncertainties	Effect if actual result differs from assumptions
Pension Liability	The Council participates in two post employment schemes, the Nort East Scotland Pension Fund (NESPF), administered by Aberdeen City Council and the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government through the Scottish Public Pensions Agency. The estimation of the defined benefit obligations is sensitive to various actuarial assumptions including the discount rate used, the rate at which salaries are anticipated to increase, changes to retirement ages, mortality rates and returns on Pension Fund assets. The pension scheme has been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Fund have been based on the latest full valuation of the scheme as at 31 March 2023, with the next triennial valuation taking place at 31 March 2026.	Note 33 provides more information on the Council's pension liability of £1.512m, and sensitivity analysis around any potential movements in actuarial assumptions.
PPP/PFI Liability	Aberdeenshire Council is deemed to control the Services provided under the agreement for the provision of educational establishments. The accounting policies for PFI schemes and similar have been applied and the assets under the contract are included on the Council's Balance Sheet. RPI indices are used to calculate the uplift in Unitary charge payments, and these may fluctuate.	Any increase in these indices above that which are set in the funding model will require the Council to identify and allocate additional funding to the scheme. For instance a 0.5% increase in the unitary rate used in the model would result in an increase of £0.514m in unitary charge payments over the remaining term of the arrangement. Detail on PFI and similar contracts can be found in Note 19 .

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the years beyond the forthcoming financial year are as follows:

Provision – Asset Decommissioning	<p>The Council has made a provision of £6.656m for asset decommissioning costs relating to a number of assets owned by Aberdeenshire Council. Asset decommissioning costs were recognised at the end of financial year 2015/16 for the first time.</p> <p>The provision is an estimate of costs to dismantle, remove items and to restore the related sites for 15 HWRC sites; 6 waste transfer sites; 5 landfill sites and 2 quarries, and as decommissioning would occur at an uncertain future date, actual costs at that time may vary from the estimate.</p>	<p>While the associated decommissioning costs were not settled in 2023/24 the obligation exists to settle these costs in the future and the Council must capitalise these costs and fund from borrowing in accordance with LASAAC accounting guidance issued in September 2014.</p> <p>Detail on the Decommissioning Provision can be found in Note 26.</p>
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Note 5 – Expenditure and Income Analysed by Nature

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

Total 2022/23 £'000		Total 2023/24 £'000
538,344	Employee Expenses	531,119
569,473	Other Service Expenses	589,304
3,003	Support Service Recharges	3,257
100,584	Depreciation, Amortisation & Impairment	106,353
37,999	Interest Payments	41,586
448	Loss on Investments	-
1,249,851	Total Expenditure	1,271,619
(330,689)	Fees, Charges & Other Service Income	(346,416)
(778)	Interest & Investment Income	(2,568)
(297,501)	Income from Council Tax and Business Rates	(304,252)
(549,075)	Government Grants & Contributions	(576,502)
(450)	Gain on Disposal of Non- Current Assets & Ahfs	(88)
(1,178,493)	Total Income	(1,229,826)
71,358	Deficit on the Provision of Services	41,793

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

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

2023/24	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	(40,785)	(36,922)	-	(77,707)	77,707
Revaluation losses on PPE and AHfS	9,194	-	-	9,194	(9,194)
Amortisation of intangible assets	(248)	(14)	-	(262)	262
Grants and contributions used to fund capital expenditure	26,341	21,571	-	47,912	(47,912)
Revenue expenditure funded by Capital under Statute	(4,962)	-	-	(4,962)	4,962
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(1,802)	(599)	-	(2,401)	2,401
Temporary Statutory Accounting Flexibility - Use of Capital Grant to Fund Capital Investment in the Housing Capital Programme	(5,515)	5,515	-	-	-
Statutory Flexibility for Service Concession Arrangements	(42,723)	-	-	(42,723)	42,723
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	19,396	2,312	-	21,708	(21,708)
Capital expenditure charged against the General Fund and HRA balances	3,275	6,277	-	9,552	(9,552)
Adjustment involving the Capital Grants Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	2,968	-	(2,968)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	4,038	4,038	(4,038)
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,958	532	-	2,490	(2,490)
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	988	(19)	-	969	(969)
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)	(45,458)	(2,270)	-	(47,728)	47,728
Employer's pensions contributions and direct payments to pensioners payable in the year	51,084	2,644	-	53,728	(53,728)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	85	(55)	-	30	(30)
Total Adjustments	(26,204)	(1,028)	1,070	(26,162)	26,162

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

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

Note 7 – Usable Reserves and Earmarked Balances

The table below details the amounts transferred between the General Fund Working Balance and Earmarked Reserves to finance expenditure during 2023/24:

	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance at 31 March 2024 £'000
Earmarked Balances:							
Affordable Housing - LTE and Second Homes Council Tax	(6,615)	548	(1,801)	(7,868)	970	(2,024)	(8,922)
Earmarked Grants	(6,108)	782	(6,970)	(12,296)	2,462	(5,111)	(14,945)
Total Earmarked Balances	(12,723)	1,330	(8,771)	(20,164)	3,432	(7,135)	(23,867)
Other Commitments:							
Devolved School Management (DSM)	(5,017)	5,004	(3,232)	(3,245)	3,245	(1,567)	(1,567)
Pupil Equity Funding	(2,181)	2,181	(1,405)	(1,405)	1,405	(294)	(294)
Regeneration Reserve	(2,561)	454	-	(2,107)	148	-	(1,959)
Supporting Council Priorities	(700)	700	-	-	-	-	-
Additional Scottish Government Funding	(6,714)	4,187	-	(2,527)	2,276	(34)	(285)
Resilience and Recovery Fund	(14,345)	5,993	-	(8,352)	8,352	-	-
Infrastructure Fund	(700)	700	(752)	(752)	1,549	(797)	-
Tackling Poverty and Inequalities Reserve	(3,500)	53	-	(3,447)	504	-	(2,943)
Roads Maintenance Fund	(3,087)	-	-	(3,087)	3,087	-	-
Repairs and Maintenance Fund	(500)	-	-	(500)	-	-	(500)
ECS Holiday Recovery Programme Reserve	(1,649)	670	-	(979)	979	-	-
Pay Award Reserve	(5,628)	1,163	-	(4,465)	4,465	-	-
2022/23 Funding Allocations (Council 6/21)	(780)	780	-	-	-	-	-
Digital Strategy Reserve	(1,948)	455	-	(1,493)	545	-	(948)
Local Authority Covid Economic Recovery Fund (LACER)	-	2,674	(4,365)	(1,691)	838	-	(853)
Devolved School Management Projects	-	-	(2,221)	(2,221)	1,058	(150)	(1,313)
Health & Social Care Partnership Risk Reserve	-	-	-	-	-	(3,991)	(3,991)
Risk & Inflation Reserve	-	-	-	-	5,449	(8,217)	(2,768)
Transformation Reserve	-	-	-	-	1,702	(37,498)	(35,796)
Other Commitments (each less than £500,000)	(717)	369	(360)	(708)	213	(119)	(614)
Total	(50,027)	25,383	(12,335)	(36,979)	35,815	(52,667)	(53,831)
Total Commitments	(62,750)			(57,143)			(77,698)
General Fund Working Balance	(8,612)			(8,271)			(2,920)
Total General Fund Balance	(71,362)			(65,414)			(80,618)

Explanatory Note of Reserves:

- General Fund Balance** – The General Fund Balance increased by £15.204m in 2023/24 giving a balance at the end of the year of £80.618m. Once the commitments of £77.698m shown above are set against this, a working balance of £2.920m remains at 31 March 2024. It is expected that this balance will increase once the final partner contribution to the HSCP has been agreed, as discussed further within the management commentary on page 13. Should the Council agree to the additional funding requested, it is likely that the £3.991m within the Health and Social Care Partnership Risk Reserve will be fully utilised and transferred to the General Fund Balance. The level of balances held within the General Fund is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.

Note 7 – Usable Reserves and Earmarked Balances (continued)

- **Affordable Housing – Long Term Empty (LTE) & Second Homes Council Tax** – Scottish Government legislation requires that a proportion of income collected from Council Tax on second homes and long term empty properties is utilised to fund Affordable Housing. This reserve represents the balance of funds collected compared to those used.
- **Earmarked Grants** – The balance held relates to situations where the paying agency allows retention of unspent grant. In order to recognise that the grant is ring-fenced, the element of the balance relating to the unspent grant has been earmarked.
- **Devolved School Management (DSM)** – Amounts carried forward by schools permitted under DSM Scheme.
- **Pupil Equity Funding (PEF)** – Scottish Government Funding to improve attainment in schools. Monies drawn down when spent in schools.
- **Regeneration Reserve** – This reserve was created to focus on economic regeneration of Fraserburgh, Peterhead, Banff and Macduff as part of a 5 year strategy.
- **Additional Scottish Government Funding** – This reserve comprises Scottish Government Covid Recovery funding to fund ongoing costs.
- **Resilience and Recovery Fund** – Funds set aside to support and aid the recovery from the Covid-19 pandemic and other future financial risks. These funds were transferred to the Risk and Inflation Reserve during 2023/24 as agreed as part of the MTFS.
- **Infrastructure Fund** – Reserve to fund the borrowing costs associated with the Infrastructure 2 Fund.
- **Tackling Poverty and Inequalities Reserve** – Reserve to provide continued support to families and individuals impacted by Covid-19.
- **Roads Maintenance Fund** – Reserve to provide for any unexpected pressures on the Roads Maintenance budgets. This has been used in full during 2023/24 so support budget pressures.
- **Repairs and Maintenance Fund** – Reserve to provide for any unexpected pressures on the Repairs and Maintenance budgets.
- **ECS Holiday Recovery Programme Reserve** – Reserve to provide activities for young people during the school holidays to help them re-connect following lockdown. These have been used in full during 2023/24.
- **Pay Award Reserve** – Reserve to cover any pay award that is agreed over and above the amount budgeted for. This has been used in full during 2023/24 to support the 2023/24 pay award.
- **Digital Strategy Reserve** – Reserve aimed at improving efficiencies, making council services accessible to customers, removing barriers which impact on ability to transform service delivery, building digital confidence through the workforce and supporting capacity building/strengthening resilience and recovery from Covid in the long term.
- **Local Authority Covid Economic Recovery Fund (LACER)** – The Council received £3.665m LACER funding from Scottish Government and at its meeting on 30 June 2022 agreed to supplement this with £0.700m Discretionary Business Funding to support specific projects.
- **Devolved School Management Projects** – Ring-fencing of amounts carried forward by schools for specific projects.
- **Health & Social Care Partnership Risk Reserve** – Reserve to mitigate against potential budget risks within Health and Social Care which may result in a request for additional funding from the Council. As noted above, this is expected to be utilised in full to fund overspends within the partnership in 2023/24.
- **Risk & Inflation Reserve** – Reserve mitigate against Risks, Inflation and Pay Awards within the General Fund.
- **Transformation Reserve** – Reserve created due to a change in accounting for service concession arrangement, to be utilised to fund Transformation Projects over the next 1-5 years.
- **Other Commitments** – Number of minor commitments with balances less than £500,000 each.

The above Roads Maintenance and Repairs and Maintenance reserves were set up and agreed as part of the budget setting process for 2021/22. These are separate from the Repairs and Renewals Fund held and reflected in the Movement in Reserves Statement. The Council held that Repairs and Renewals Fund solely for Winter Maintenance. During 2023/24 that reserve was fully drawn down.

Note 8 – Taxation and Non-Specific Grant Income

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

2022/23 £'000		2023/24 £'000
(158,715)	Council Tax Income	(168,980)
(138,786)	Business Rates	(135,272)
(360,475)	Non-Ring-Fenced Government Grants	(395,351)
(53,509)	Non-Specific Grant Income – Capital	(50,880)
(711,485)	Total	(750,483)

Note 9 – Prior Years Adjustments

There have been no material Prior Period Adjustments identified in the Unaudited Annual Accounts as at 31 March 2024. Where adjustments have been made to comparative figures within disclosures, these have been done to aid comparison and explanations have been provided within the relevant note.

Note 10 – Agency Services

The Council is the billing authority for Non-Domestic Rates (NDR) in Aberdeenshire and, in this role, acts as an agent of the Scottish Government. During 2023/24, the Council billed £129.7million (2022/23 £126.1 million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the Council contributed £126.4 million to the National Non-Domestic Rates Pool (2022/23 £124.3 million) and received back from the pool £135.3 million in income (2022/23 £138.8 million).

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water from households within the authority. During 2023/24 the Council collected £45.750 million (2022/23 £43.458 million) on behalf of Scottish Water. During 2023/24 the Council received £842,000 for providing this service (2022/23 £682,000).

Business Improvement District Levies (BIDS) are collected by the Council on behalf of the BIDS projects within Aberdeenshire. One BIDS project was active during 2023/24 (Inverurie) as Peterhead ended in November 2022. During 2023/24 the Council collected £96,000 (2022/23 £130,000) on behalf of the BIDS project. The Council received a fee associated with BIDS collections at a rate of £5 per property up until 31/07/22 and after this date at a rate of 3% of the total Levy charged. The Council received £5,000 for these fees in 2023/24 (2022/23 £2,000).

During 2023/24 the Council acted as an agent for the UK government to distribute grants for the Energy Bills Support Scheme and the Alternative Fuel Payment. These grants are to provide support to households not eligible for the automatic Energy Bills Support Scheme. The council received £1.302m in funding in 2022/23 to pay out these grants over 2 years (2022/23 and 2023/24). No additional Funding was received in 2023/24. During 2023/24 the Council paid out £689,000 (2022/23 £168,000) in grants. The Council repaid £446,000 of the funding to the UK government in 2023/24 (2022/23 £0). During 2023/24 the Council received £56,000 to cover administrative costs of distributing the grants (2022/23 £0).

Through the Aberdeen City Region Deal, Aberdeenshire Council, Aberdeen City Council and regional partners, together with the UK and Scottish Governments are committed to jointly investing £826 million to secure the Regions economic vision. More information on the deal can be found in the latest annual report [Aberdeen City Region Deal Annual Report April 2022 - March 2023](#).

Aberdeenshire Council acts as the Accountable Body for the Aberdeen City Region Deal Joint Committee which includes the role of providing a bank account, processing grant claims for relevant expenditure, and transferring funds received from Scottish Government to third party partners. A total of £17.059 million was transferred to third parties in 2023/24 (2022/23 £28.566 million) on behalf of the Scottish Government.

During 2023/24 the Council acted as an agent for the Scottish Government to distribute Community Recovery Flood Grants and Business Recovery Flood Grants. These were to help with recovery following Storm Babet. The council received £98,000 funding in 2023/24 (2022/23 £0) and paid out £98,000 (2022/23 £0) in grants. During 2023/24 the Council received £10,000 to cover administrative costs of distributing the grants (2022/23 £0).

Note 11 – External Audit Costs

The Council incurred fees of £502,000 (2022/23 £471,000) for the statutory audit of the Annual Accounts by Grant Thornton. These fees include £13,000 (2022/23 £7,000) in relation to audit requirements for the charities' accounts of Local Authorities.

Note 12 – Capital Expenditure and Capital Financing

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

2022/23 £'000		2023/24 £'000
1,049,347	Opening Capital Financing Requirement	1,118,186
	Capital Investment	
147,373	Property, Plant and Equipment	148,866
342	Intangible Assets	72
4,829	Revenue Expenditure Funded by Capital under Statute	4,962
	Sources of Finance	
(1,873)	Capital Receipts	(2,489)
(50,824)	Government Grants and Other Contributions	(51,950)
	Sums Set Aside from Revenue:	
(12,173)	Capital Financed from Current Revenue	(9,552)
(18,835)	Loans Fund Principal Repayments	(21,708)
-	Service Concession Arrangements	42,723
1,118,186	Closing Capital Financing Requirement	1,229,110
	Explanation of movements in year	
68,839	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	68,202
-	Service Concession Arrangements	42,723
68,839	Increase in Capital Financing Requirement	110,925

Note 13 – Property, Plant and Equipment (PPE)

Movements in 2023/24	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 2023	572,404	1,318,262	169,927		1,258	135,301	12,974	2,210,126	210,995
Additions	39,811	13,713	19,610	29,134	148	46,421	29	148,866	2,042
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve	-	145,228	-	-	-	-	(1,495)	143,733	(5,646)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	-	9,666	-	-	-	-	(472)	9,194	2,945
Derecognition – Disposals	-	(706)	(6,648)	-	-	-	(2,637)	(9,991)	-
Assets Reclassified (to)/from AHfS	-	-	-	-	-	-	(2,029)	(2,029)	-
Transfers or Reclassifications of Assets	26,593	78,556	(727)	-	-	(108,131)	3,709	-	-
At 31 March 2024	638,808	1,564,719	182,162		1,406	73,591	10,079	2,499,899	210,336
Accumulated Depreciation and Impairment									
At 1 April 2023	(137)	(4,445)	(91,340)		(16)	(16,446)	(1,930)	(114,314)	-
Depreciation Charge	(15,371)	(36,673)	(15,643)	(15,729)	-	-	(126)	(83,542)	(5,646)
Accumulated Depreciation & Impairment written out	-	38,529	-	-	-	-	126	38,655	5,646
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(7,367)	(250)	-	-	-	(14,934)	-	(22,551)	-
Impairment Losses recognised in the RR	(16,814)	(2,393)	-	-	-	-	-	(19,207)	-
Derecognition - Disposals	-	96	6,611	-	-	-	978	7,685	-
Assets Reclassified to/(from) AHfS	-	-	-	-	-	-	33	33	-
Other Movements in Depreciation & Impairment	(15,591)	123	711	-	-	15,591	(834)	-	-
At 31 March 2024	(55,280)	(5,013)	(99,661)		(16)	(15,789)	(1,753)	(193,241)	-
Net Book Value at 31 March 2024	583,528	1,559,706	82,501	350,926	1,390	57,802	8,326	2,644,179	210,336

Infrastructure asset values are disclosed in accordance with the Scottish Government's Finance Circular 9/2022 Statutory Override - Accounting for Infrastructure Assets. The Net Book Value of these assets as at 31 March 2024 is **£350.926m** (2022/23 £337.520m), and is included in the total disclosed for Property, Plant and Equipment total in the Balance Sheet.
The Council has applied both statutory overrides.

• For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets. • For the accounting periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part. The approach is set out in [Note 1](#), Significant Accounting Policies.

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

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

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

At 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2023/24 and future years. The major commitments amounting to £90.493m are listed below. Similar commitments at 31 March 2023 were £93.669m.

Project Title	£'000
Levelling Up - Peterhead Cultural Quarter	20,410
Mintlaw - Netheraden - New Build Housing	13,269
Chapelton Primary School	10,061
Ellon - New Office	6,945
Fraserburgh - Kirkton Phase 1 - New Build Housing	6,792
Levelling Up - Macduff Aquarium	5,494
North Area - All Housing Projects - HIP Framework	5,164
Energy from Waste	4,461
North East Scotland & Northern Isles Integrated Mortuary	3,930
East Area - All Housing Projects - HIP Framework	2,096
Central Area - All Housing Projects - HIP Framework	2,096
Blackdog Strabathie New Build Housing	1,752
Inverurie - Don House Boiler & Inverurie - Kinkell House - Sprinklers & Fire Alarms	968
Stonehaven Leisure Centre - Extension & Development	824
Fraserburgh Academy Annexe - Conversion to 16 Flats	672
Mackie Academy - Boiler & Controls Replacement	567
Sir Arthur Grant Outdoor Centre - Upgrade Works	557
Kemnay Academy - Bus Park	539
Commitments on Projects < £500K	3,896
Total	90,493

Revaluations

The Council carries out a rolling valuation programme, undertaken by Royal Institution of Chartered Surveyors (RICS) qualified in-house and external valuers, that ensures all PPE required to be measured at fair value is revalued at least every five years. 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. Council dwelling valuations have not been completed yet, but changes will be reflected in the Audited Accounts.

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

	Council Dwellings £'000	Other Land & Buildings £'000	Other PPE £'000	Total £'000
Carried at Historical Cost	-	7,404	286,747	294,151
Valued at fair value as at:				
31 March 2024	-	1,471,673	1,158	1,472,831
31 March 2023	638,808	56,705	7,347	702,860
31 March 2022	-	19,506	-	19,506
1 April 2022	-	5,803	-	5,803
1 April 2017	-	3,628	1,120	4,748
Total Cost or Valuation	638,808	1,564,719	296,372	2,499,899

Note 14 – Heritage Assets

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

	Human History £'000	Archaeology £'000	Fine Art £'000	Total Assets £'000
Cost or Valuation at 31 March 2023	1,504	320	668	2,492
Revaluations	(10)	-	-	(10)
Cost or Valuation at 31 March 2024	1,494	320	668	2,482

Human History

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

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

- Hareshowe Farm, Aden Country Park which was valued at £170,000 in 2023/24 and is valued every 5 years; and
- Kindrochit Castle, Braemar, is included at £214,000, being the historical cost of the improvements carried out in 2014/15 and 2015/16; and
- 18 Neolithic carved stone balls are included at a value of £360,000. These have been revalued in 2016/17 and the value is based on similar items that have been sold at auction in recent years. The value of £20,000 per stone ball is a median value.

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

Archaeology

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

Further Information on Museums Collections is shown in the Annex.

Fine Art

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

Note 15 – Investment Properties

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

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

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

2022/23 £'000		2023/24 £'000
1,124	Balance at 1 April	660
(448)	Net Gains from Fair Value Adjustments	-
(16)	Reclassified as Property, Plant and Equipment	-
660	Balance at 31 March	660

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) 2022/23 £'000		Other Significant Observable Inputs (Level 2) 2023/24 £'000
	Recurring fair value measurements using:	
7	Residential (Market Rental) Property	7
540	Residential Development Land	540
108	Commercial Development Land	108
5	Agricultural Land	5
660	Balance at 31 March	660

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

Valuation Process for Investment Properties

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

Note 16 – Intangible Assets

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

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

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

2022/23 £'000		2023/24 £'000
	Balance at 1 April:	
9,807	Gross carrying amounts	7,156
(9,094)	Accumulated amortisation	(6,331)
713	Net Carrying amount at 1 April	825
342	Additions - Purchases	72
-	Disposals	(2,488)
(230)	Amortisation for the year	(262)
-	Other Changes - Accumulated Amortisation Written Out	2,488
825	Net carrying amount at 31 March	635
	Comprising:	
10,149	Gross carrying amounts	4,740
(9,324)	Accumulated amortisation	(4,105)
825	Net carrying amount at 31 March	635

Note 17 – Assets Held for Sale (AHfS)

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

2022/23 £'000		2023/24 £'000
296	Balance Outstanding at 1 April	96
	Assets Newly Classified as Held for Sale:	
641	Property, Plant and Equipment	2,029
	Assets Declassified as Held for Sale:	
(454)	Property, Plant and Equipment	-
(641)	Assets Sold	(95)
254	Change of Plan to Sell - Transfers from Non-Current to Current	-
-	Other Movements - Accumulated Depreciation Written Out	(33)
96	Balance Outstanding at 31 March	1,997

Note 18 - Leases
The Council as Lessee - Finance Leases

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

2022/23 £'000		2023/24 £'000
2,774	Other Land and Buildings	2,515
2,774	Total	2,515

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

2022/23 £'000		2023/24 £'000
	Finance lease creditor (net present value of minimum lease payments):	
8	Current	8
59	Non-current	50
17	Unearned finance income	14
84	Gross investment in the lease	72

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

Minimum Lease payments 2022/23 £'000	Finance Lease Liabilities 2022/23 £'000		Minimum Lease Payments 2023/24 £'000	Finance Lease Liabilities 2023/24 £'000
12	8	Not later than one year	12	8
48	36	Later than one year and not later than five years	48	39
24	22	Later than five years	12	11
84	66	Total	72	58

The total expenditure during the year in relation to these leases was £19,000 (2022/23: £19,000) which comprised Minimum Lease Payments of £12,000 (2022/23: £12,000) and Contingent Rentals of £7,000 (2022/23: £7,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council as Lessee - Operating Leases

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

2022/23 £'000		2023/24 £'000
920	Not later than one year	1,103
2,459	Later than one year and not later than five years	3,263
6,425	Later than five years	5,964
9,804	Minimum Lease Payments	10,330

The total expenditure during the year in relation to these leases was £272,000 (2022/23: £265,000) which comprised Minimum Lease Payments of £242,000 (2022/23: £234,000) and Contingent Rentals of £30,000 (2022/23: £31,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 18 – Leases (continued)
The Council as Lessor - Finance Leases

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

2022/23 £'000		2023/24 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1	Current	1
422	Non-current	421
3,115	Unearned finance income	3,059
3,538	Gross investment in the lease	3,481

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

Minimum Lease Payments 2022/23 £'000	Finance Lease Liabilities 2022/23 £'000		Minimum Lease Payments 2023/24 £'000	Finance Lease Liabilities 2023/24 £'000
56	23	Not later than one year	56	23
225	92	Later than one year and not later than five years	225	92
3,257	1,729	Later than five years	3,200	1,705
3,538	1,844	Total	3,481	1,820

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

In 2023/24, £14,000 contingent rents were receivable by the Council (2022/23: £14,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council as Lessor - 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:

2022/23 £'000		2023/24 £'000
3,273	Not later than one year	3,310
8,939	Later than one year and not later than five years	8,378
20,036	Later than five years	21,542
32,248	Minimum Lease Payments	33,230

In 2023/24, £362,000 contingent rents were receivable by the Council (2022/23: £271,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

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

Education PFI Schemes

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

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contracts at 31 March 2024 (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
2024/25	5,955	5,452	3,164	6,550	2,175	23,296
Between 2025/26 and 2028/29	21,275	17,191	14,906	26,764	4,931	85,067
Between 2029/30 and 2033/34	11,335	14,531	4,884	17,481	6,364	54,595
Between 2034/35 and 2038/39	6,334	9,480	(430)	17,023	8,111	40,518
Between 2039/40 and 2043/44	5,054	3,903	(775)	16,468	7,873	32,523
Between 2044/45 and 2047/48	903	207	(126)	3,456	1,388	5,828

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

Total Liability 2022/23 £'000		Total Liability 2023/24 £'000
(99,475)	Balance Outstanding at 1 April	(93,958)
5,517	Payments During the Year	6,216
(93,958)	Balance Outstanding at 31 March	(87,742)

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

2022/23 £'000		2023/24 £'000
(6,216)	Short Term Creditors	(6,550)
(87,742)	Long Term Liabilities	(81,192)
(93,958)	Balance Outstanding at 31 March	(87,742)

Service Concession Arrangements

In 2022 the Scottish Government issued Finance Circular 10/2022, which detailed temporary flexibilities available to Local Authorities in how they account for Service Concession Arrangements entered into prior to April 2022. It allows Councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the Council and ongoing annual savings for a period.

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

The Council has applied this permitted flexibility in 2023/24 on an annuity basis over 50 years. This approach best represents the consumption of the assets over their useful lives. The annuity method is considered a prudent approach as it reflects the time value of money (the impact of inflation) as well as providing a charge that is better matched to how the benefits of the asset are consumed over its useful life – it reflects the fact that an asset's deterioration is slower in the early years of life and accelerates towards the latter years. The period used is 50 years, which is consistent with the useful life of similar assets on the Council's balance sheet.

The current unitary charge repayments to contractors will continue until the end of each contract, however, the use of this flexibility results in a one-off credit to the General Fund and ongoing savings for a period of time. At the end of each contract, the unitary charge is no longer paid but reprofiled debt calculations continued to be charged to the General Fund until the debt liability has been extinguished.

The calculation using the asset life is then compared to the charges over the contract life and a retrospective saving of £37.498m will be achieved. This is detailed in the table below:

	Current Repayment £'000	Revised Repayment £'000	(Reduction)/Cost £'000
Pre 2023/24	46,251	8,753	(37,498)
Paid in 2023/24	6,217	992	(5,225)
Payable in 2024/25	6,551	1,053	(5,498)
Payable between 2025/26 and 2028/29	26,764	4,917	(21,847)
Payable between 2029/30 and 2033/34	17,481	8,112	(9,369)
Payable between 2034/35 and 2038/39	17,022	11,073	(5,949)
Payable between 2039/40 and 2043/44	16,468	15,188	(1,280)
Payable between 2044/45 and 2048/49	3,456	20,937	17,481
Payable between 2049/50 and 2053/54	-	22,295	22,295
Payable between 2054/55 and 2058/59	-	13,711	13,711
Payable between 2059/60 and 2063/64	-	15,504	15,504
Payable between 2064/65 and 2068/69	-	14,555	14,555
Payable between 2069/70 and 2071/72	-	3,120	3,120
	140,210	140,210	-

In addition to the on-off retrospective element, an in year saving also occurs. The amount in 2023/24 is £5.225m. There will then be a reduction in the annual charges for a further 17 years and then the statutory charges will continue until the end of the reprofiled debt repayment period. Over the full asset life the total repayment for the debt liability remains the same.

The reprofiling of the debt liability repayments increases the Capital Financing Requirement (CFR) by £37.498m as at 1 April 2023. This increase in the CFR will continue to be reduced by the revised payments after each contract has expired until the end of the revised period. Being a cumulative statutory adjustment there is no prior year restatement.

The statutory adjustment up to 31 March 2024 has the following impact on the 2023-24 Balance Sheet (Capital Adjustment Account) and the Movement in Reserves Statement.

Impact on Balance Sheet and Movement in Reserves Statement	Pre 2023/24 £'000	2023-24 £'000	Total £'000
Capital Adjustment Account	37,498	5,225	42,723
Movement in Reserves Statement	(37,498)	(5,225)	(42,723)

Note 20 – Financial Instruments
Table 1: Categories of Financial Instruments

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

Long Term 2022/23 £'000	Current 2022/23 £'000	Balance Sheet Category		Long Term 2023/24 £'000	Current 2023/24 £'000
			Financial Assets		
77	-	Investments	Financial Assets at amortised cost	77	-
9,439	21,590	Debtors	Financial Assets at amortised cost	6,330	31,800
-	10,989	Cash and Cash Equivalents	Financial Assets at amortised cost	-	13,815
9,516	32,579		Total Financial Assets	6,407	45,615
			Financial Liabilities		
(810,501)	(89,635)	Borrowing	Financial liabilities at amortised cost	(929,298)	(93,784)
(2,774)	-	Finance Leases	PFI and finance lease liabilities	(2,644)	-
(87,742)	-	PFI and PPP Liabilities	PFI and finance lease liabilities	(81,192)	-
-	(6,216)	Creditors	PFI and finance lease liabilities	-	(6,550)
(2,248)	(107,013)	Creditors	Financial liabilities at amortised cost	(2,246)	(85,174) *
(903,265)	(202,864)		Total Financial Liabilities	(1,015,380)	(185,508)

*At 31 March 2024 accrued interest of £11.130m (£6.737m at 31 March 2023) on borrowing is included in the current creditors figure at 31 March 2024 of £85.174m.

The current creditors figure has been adjusted to exclude £27.809m (£33.117m at 31 March 2023) of statutory contractual items.

The current debtors figure has been adjusted to exclude £48.491m (£56.650m at 31 March 2023) of statutory contractual items.

Material Soft Loans Made by the Council

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

Valuation assumptions – The interest rate at which the fair value of this soft loan has been made is arrived at by taking the Council's prevailing cost of borrowing at the point of recognition (5.25%) and adding an allowance for the risk that the loan might not be repaid by Osprey Housing, in this case a zero rate. The debt is amortised over the loan period and the fair value will rise until the repayment of the loan commences in 2026. The fair value of the loan is £2.948m (2022/23 £2.801m) hence the increase in the discounted amount during the year was £0.148m (2022/23 £0.140m).

Note 20 – Financial Instruments (continued)
Table 2: Income, Expense, Gains and Losses

	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
31 March 2024			
Interest Expense	(40,206)	-	(40,206)
Gains	-	(8)	(8)
Fee Expense	(218)	-	(218)
Total Expense in Surplus or Deficit on the Provision of Services	(40,424)	(8)	(40,432)
Interest Income	-	2,568	2,568
Total Income in Surplus or Deficit on the Provision of Services	-	2,568	2,568
Net Gain/(Loss) for the Year	(40,424)	2,560	(37,864)
Comparative Figures 31 March 2023			
Interest Expense	(32,617)	-	(32,617)
Gains	-	284	284
Fee Expense	(234)	-	(234)
Total Expense in Surplus or Deficit on the Provision of Services	(32,851)	284	(32,567)
Interest Income	-	778	778
Total Income in Surplus or Deficit on the Provision of Services	-	778	778
Net Gain/(Loss) for the Year	(32,851)	1,062	(31,789)

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by current and long term debtors and creditors are carried in the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2024 of 4.60% to 5.36% for loans from the PWLB and 4.91% to 5.33% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

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

Note 20 – Financial Instruments (continued)

The value of liabilities is as follows:

- Premature repayment rates fair value is £858.505m (2022/23 £831.556m) and the carrying amount is £979.377m (2022/23 £905.669m).
- New loan rates fair value is £764.310m (2022/23 £731.730m) and the carrying amount is £979.377m (2022/23 £905.669m).

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

- Premature repayment rates fair value of £763.998m
- New loan rates fair value is £690.206m

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders above current market rates.

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

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

- complying with the requirements of the CIPFA Treasury Management Code of Practice;
- the adoption of a Treasury Management Strategy which includes the Council's Investment Strategy, and compliance with the treasury section within the Financial Regulations as part of the Council's Scheme of Governance;
- [Treasury Management Strategy 2023/24](#);
- approving annually in advance prudential and treasury management indicators for the following three years and reporting on performance twice a year.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions unless they meet minimum credit ratings with two major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested in any one financial institution and restricts the countries in which these institutions are located.

The Council has a policy of not lending more than £25,000,000 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 £30,000,000. The Council currently has its banking services with Virgin Money. Recent results have shown that Virgin Money Group has returned to profitability with rating agencies upgrading their outlook. As with other UK banks, their long and short-term outlooks moved from a negative to stable outlook.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £11,750,000 (2022/23 £8,500,000), detailed in the following table, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

31 March 2023 £'000		31 March 2024 £'000
8,500	Call Accounts	11,750
-	Fixed Term Deposits	-
-	Money Market Funds	-
8,500	Total	11,750

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

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

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

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

	Debtors as at 31 March 2024 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2024 %	Estimated maximum exposure to default and collectability at 31 March 2024 £'000	Estimated maximum exposure at 31 March 2023 £'000
	A	B	C	(A X C)	
Customers	14,587	20.72%	20.72%	3,023	3,010
Housing Rents	3,007	77.02%	77.02%	2,316	2,221
	17,594			5,339	5,231

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

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

31 March 2023 £'000		31 March 2024 £'000
3,950	Less than Three Months	6,078
355	Three to Six Months	469
708	Six Months to One Year	147
1,123	More than One Year	1,036
6,136	Total	7,730

Liquidity Risk

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

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

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

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

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

	31 March 2023 £'000	31 March 2024 £'000
Less than one year	(89,635)	(93,784)
Between one and two years	(27,231)	(24,468)
Between two and five years	(72,656)	(105,256)
Between five and ten years	(120,477)	(171,467)
Between ten and twenty years	(10,005)	(58,315)
More than 20 Years	(580,132)	(569,792)
Total	(900,136)	(1,023,082)

Market Risk – Interest Rate Risk

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

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair values of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

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

	31 March 2024 £'000
Increase in interest receivable on variable rate investments	269
Impact on Surplus or Deficit on the Provision of Services	441
Share of overall impact debited to the HRA	77

Price Risk

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

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

Foreign Exchange Risk

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

Note 22 – Inventories

	Consumable Stores/ Finished Goods 2023/24 £'000	Maintenance Materials/ Raw Materials 2023/24 £'000	Client Services/ Work in Progress 2023/24 £'000	Total 2023/24 £'000
Balance at 1 April	4,664	2,081	1,007	7,752
Purchases	4,161	4,054	3,644	11,859
Recognised as an Expense in Year	(4,001)	(3,975)	(1,443)	(9,419)
Written off balances	(703)	(139)	(194)	(1,036)
Balance at 31 March	4,121	2,021	3,014	9,156

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

Note 23 – Debtors

Balance at 31 March 2023 £'000	Cumulative Soft Loan Adjustment at 31 March 2023 £'000	Fair Value Amortised Costs at 31 March 2023 £'000	Long Term Debtors at 31 March	Balance at 31 March 2024 £'000	Cumulative Soft Loan Adjustment at 31 March 2024 £'000	Fair Value Amortised Costs at 31 March 2024 £'000
3,743	(943)	2,800	Osprey Housing	3,743	(795)	2,948
5,417	-	5,417	Create Homes Aberdeenshire LLP	2,300		2,300
423	-	423	Leasing	422		422
878	(19)	859	Other Long Term Debtors (each less than £500,000)	797	(36)	761
10,461	(962)	9,499		7,262	(831)	6,431
		(60)	Repayments due within one year			(101)
		9,439	Balance at 31 March			6,330

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.

2022/23 £'000	Short Term Debtors	2023/24 £'000
24,328	Central Government Bodies	20,062
3,827	Other Local Authorities	4,420
11,255	NHS Bodies	12,726
612	Public Corporations and Trading Funds	432
38,218	Other Entities and Individuals	42,651
78,240	Total Short-Term Debtors	80,291

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

2022/23 £'000		2023/24 £'000
15,272	Council Tax Debtors	19,138
7,818	NDR Debtors	6,699
7,767	Trade Debtors	8,872
1,974	Prepayments	1,687
1,079	Rent Arrears HRA and Temporary Accommodation	901
793	Developer Obligations	293
555	IJB – Adult Care Services	2,748
2,960	Other Debtors	2,313
38,218	Other Entities and Individuals	42,651

Note 23 – Debtors (continued)
Impairment Losses

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

- General Debtors - provides for possible losses on debts and loans which the Council considers may not be settled in full;
- Revenues - provides for possible losses on the collection of Council Tax; and
- Housing Rents - Provides for possible losses on housing tenants' rents. At 31 March 2024, the total rent arrears was £3.077m for HRA tenants (2022/23 £3.006m) and £0.520m for Temporary Accommodation tenants (2022/23 £0.612m).

	Balance at 31 March 2023 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2024 £'000
Debtors Provision			
General Debtors	(3,010)	(13)	(3,023)
Revenues	(17,546)	1,218	(16,328)
Housing Rents	(2,807)	5	(2,802)
Total	(23,363)	1,210	(22,153)

Council Tax Debtors

Council Tax debtors represent the total amount of Council Tax uncollected, reduced by amounts impaired. The total amount outstanding at 31 March 2024 is £35.419m (31 March 2023 £32.817m). The outstanding amounts have been impaired for doubtful debts of £16.328m 31 March 2024, (£17.546m 31 March 2022).

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

	31 March 2023 £'000	31 March 2024 £'000
Current year outstanding – up to 1 year old	3,482	5,738
Previous year outstanding – More than one year	11,790	13,353
	15,272	19,091

Note 24 – Cash and Cash Equivalents

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

2022/23 £'000		2023/24 £'000
25	Cash held by the Council	22
10,964	Bank Current Accounts	13,793
10,989	Total Cash and Cash Equivalents	13,815

Note 25 – Creditors

2022/23 £'000	Short Term Creditors - due within one year	2023/24 £'000
(29,620)	Central Government Bodies	(33,467)
(14,047)	Other Local Authorities	(3,882)
(1,705)	NHS Bodies	(806)
(372)	Public Corporations and Trading Funds	(755)
	Other Entities and Individuals	
(36,021)	Trade Creditors	(37,325)
(12,798)	Employee Benefits	(12,696)
(3,542)	Receipts in Advance	(5,506)
(1,204)	Interest Payable	(1,151)
(2,548)	Bonds	(2,605)
(6,222)	PFI	(6,550)
(32,780)	Other Creditors	(14,789)
(140,859)	Total Short Term Creditors	(119,532)

2022/23 £'000	Long Term Creditors – due in more than one year	2023/24 £'000
(2,248)	Other Entities	(2,246)
-	Central Government Bodies	-
(2,248)	Total Long-Term Creditors	(2,246)

Note 26 – Provisions

The provisions below are for liabilities which exist at 31 March 2024 but are likely to be incurred in financial years 2024/25 and beyond. In estimating the amount in each provision required, the most up to date information available is used to determine a reasonable figure.

	Balance at 31 March 2023 £'000	Provision Made in Year £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2024 £'000
Asset Decommissioning	(6,656)				(6,656)
Other Provisions (each less than £500,000)	(649)		210	322	(117)
Total Provisions	(7,305)	-	210	322	(6,773)

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

Total Provisions are reflected in the Balance Sheet as follows:

2022/23 £'000		2023/24 £'000
(274)	Current Provisions (To be utilised in 12 months)	(117)
(7,031)	Long Term Provisions	(6,656)
(7,305)	Balance Outstanding at 31 March	(6,773)

Note 27 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

31 March 2023 £'000		31 March 2024 £'000
	Credited to Taxation and Non Specific Grant Income	
	Revenue Grant Income	
(360,475)	Revenue Support Grant	(395,351)
(138,786)	NDR Receipts from Pool	(135,272)
	Capital Grant Income	
(25,729)	Scottish Government General Capital Grant	(15,973)
(1,345)	Education – Primary Replacement & Enhancement	(541)
(15,177)	Housing Revenue Account	(21,571)
(925)	Roads and Transport Services – Network and Traffic Management	(3,167)
(1,585)	REFCUS Grant (City Region Deal/Place Based Investment/Community Led Local Development)	(955)
(1,853)	Waste - 3 Weekly Waste Strategy	(1,835)
(1,333)	Cycling & Walking - CWSR Grant	(2,194)
(1,893)	Free School Meals	(65)
(1,241)	Levelling Up Fund	(1,061)
	Friends of Tarlair	(1,458)
(2,428)	Other Capital Grants (each less than £500,000)	(2,060)
(552,770)	Total	(581,503)
	Credited to Services	
(1,883)	Scottish Government - Alford Campus	(3,194)
(4,482)	Scottish Government - Inverurie Academy	(3,171)
(607)	Active Schools	(649)
(2,778)	Foundation Apprenticeships	(2,668)
(3,670)	Scottish Attainment Fund	(4,263)
(27,893)	Scottish Government - Early Years Expansion	(26,958)
(1,677)	Scottish Government - Teachers Pay Award	-
(740)	Scottish Government - Scottish Milk and Healthy Snack Scheme Funding	(553)
(382)	Creative Scotland - Youth Music Initiative	(572)
(1,220)	Community Mental Health and Wellbeing Funding	(809)
(3,480)	Scottish Government - Criminal Justice Services Grant	(3,511)
(13,384)	NHS - Social Care Funding	(13,384)
(549)	NHS - Integrated Care Fund	(549)
(13,287)	NHS - Resource Transfer	(13,287)
(1,009)	NHS - Delayed Discharge	(1,009)
(1,031)	NHS - Alcohol and Drugs Partnership Funding	(2,202)
(4,936)	NHS - COVID Funding	(352)
(845)	NHS - Contribution for Joint Store Service	(1,010)
(1,679)	NHS - Grampian Contrasts	(2,096)
-	Additional share of funding from NHSG - IJB Balance	(4,882)
(2,244)	NHS - Inter Partner Fund Transfer	(2,537)
-	NHS - Funding for Stonehaven Dental Practice at Forestview	(800)
(3,983)	Scottish Government - Home Energy Efficiency Programme for Scotland	(1,720)
(26,222)	Housing Benefits	(25,195)
(1,050)	Private Sector Housing Grant	(979)
(1,443)	Nestrans	(1,609)
(583)	Scottish Government - Young Persons Guarantee Scheme	-
(669)	Scottish Government - Scottish Crown Estate	-
(1,231)	Scottish Government - No One Left Behind (NOLB)	(2,575)
-	Scottish Government - Rural Community Led Local Development	(513)
(596)	Ukraine Education Support	(170)
(4,161)	Ukraine Refugee Support	(1,891)
(541)	Unaccompanied Asylum seeking children	(959)
(7,415)	Other Grants (each less than £500,000)	(6,204)
(135,670)	Total	(130,271)
(688,440)	Total Grant Income	(711,774)

Note 27 – Grant Income (continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to giver. The balances at the year end are as follows:

31 March 2023 £'000		31 March 2024 £'000
-	UK Shared Prosperity Fund	(2,477)
(242)	Other grants (each less than £500,000)	(281)
(242)	Total	(2,758)

31 March 2023 £'000	Long Term Liabilities – Capital Grants Receipts in Advance	31 March 2024 £'000
(17,568)	Developer Obligations	(20,990)
(17,568)	Total	(20,990)

Note 28 – Unusable Reserves

The Unusable Reserves can be analysed as follows:

2022/23 £'000		2023/24 £'000
(961,483)	Revaluation Reserve	(1,094,472)
(357,742)	Capital Adjustment Account	(326,379)
6,725	Financial Instruments Adjustment Account	5,756
29,566	Pensions Reserve	(107,762)
12,318	Employee Statutory Adjustment Account	12,289
(1,270,616)	Total	(1,510,568)
2022/23 £'000		2023/24 £'000
(961,483)	Revaluation Reserve	(1,094,472)
(357,742)	Capital Adjustment Account	(326,379)
6,725	Financial Instruments Adjustment Account	5,756
29,566	Pensions Reserve	(107,762)
12,318	Employee Statutory Adjustment Account	12,289
(1,270,616)	Total	(1,510,568)

Revaluation Reserve

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

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

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

Note 28 – Unusable Reserves (continued)

2022/23 £'000	Revaluation Reserve	2023/24 £'000
(930,949)	Balance at 1 April	(961,483)
(75,199)	Upward Revaluation of Assets	(182,376)
17,644	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	19,208
(57,555)	Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services	(163,168)
26,420	Difference Between Fair Value Depreciation and Historical Cost Depreciation	28,384
601	Accumulated Gains on Assets Sold or Scrapped	1,795
(961,483)	Balance at 31 March	(1,094,472)

Capital Adjustment Account

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

2022/23 £'000	Capital Adjustment Account	2023/24 £'000
(351,548)	Balance at 1 April	(357,742)
	Reversal of items relating to Capital Expenditure debited or credited to the CIES:	
73,934	Charges for Depreciation and Impairment of Non-Current Assets	77,707
(2,754)	Revaluation losses on PPE and AHfS	(9,194)
230	Amortisation of Intangible Assets	262
4,829	Revenue Expenditure Funded by Capital Under Statute	4,962
1,424	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	2,401
(601)	Adjusting amounts written out of the Revaluation Reserve	(1,795)
77,062		74,343
	Capital Financing Applied in the Year:	
(1,873)	Use of Capital Receipts to finance new Capital Expenditure	(2,489)
(47,288)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(47,912)
(3,536)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(4,038)
(18,834)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(21,712)
-	Service Concession Arrangements	42,723
(12,173)	Capital Expenditure charged against the General Fund and HRA Balances	(9,552)
(83,704)		(42,980)
448	Movements in the Market Value of Investment Properties debited or credited to the CIES	
(357,742)	Balance at 31 March	(326,379)

Note 28 – Unusable Reserves (continued)
Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2024 will be charged to the General Fund over the next 33 years.

2022/23 £'000	Financial Instruments Adjustment Account	2023/24 £'000
7,787	Balance at 1 April	6,725
(782)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(784)
(280)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(185)
6,725	Balance at 31 March	5,756

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 credit balance on the Pensions Reserve therefore shows a substantial surplus 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 surplus is covered either through reduced contributions in the future or refunds from the plan.

2022/23 £'000	Pensions Reserve	2023/24 £'000
174,612	Balance at 1 April	29,566
(192,654)	Actuarial (gains) or losses on pensions assets and liabilities	(131,328)
95,032	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	47,728
(47,424)	Employer's pensions contributions and direct payments to pensioners payable in the year	(53,728)
29,566	Balance at 31 March	(107,762)

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.

2022/23 £'000	Employee Statutory Adjustment Account	2023/24 £'000
11,749	Balance at 1 April	12,318
(11,749)	Settlement or cancellation of accrual made at the end of the preceding year	(12,318)
12,318	Amounts accrued at the end of the current year	12,289
569	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	(29)
12,318	Balance at 31 March	12,289

Note 29 – Events after the Balance Sheet Date

The unaudited accounts were issued on 01 July 2024 by Mary Beattie, FCCA, Head of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973.

There have been no material events since the date of the balance sheet which necessitate the revision of the figures in the Annual Accounts or notes.

Note 30 – Contingent Liabilities

Guarantor in relation to North East Scotland Pension Fund (NESPF)

Aberdeenshire Council act as guarantor to NESPF for admission agreements with, Outdoor Access Trust (formerly Cairngorms Outdoor Access Trust), Robertson's Facility Management (Aberdeenshire) and Community Integrated Care (formally Inspire). Xerox UK (Ltd) have terminated from the NESPF with effect from 31 March 2024. The staff were TUPE'd to the new provider on 1 April 2024 but they have all opted to take redundancy and as a result there was no requirement to enter into an admission agreement with the new provider to ensure that the members had continuous service within the Pension Fund. As a result of the termination Aberdeenshire Council will subsume the fully funded liabilities going forward.

Guaranteed Minimum Pension (GMP) Equalisation

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

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

Energy from Waste - Ness Facility

This is a three-authority project between Aberdeenshire Council, Aberdeen City as lead partner, and Moray Council. There are currently several adjudications regarding performance, delivery and delay of the energy from waste project and sums due under the contract as a result. Until these adjudications progress it is not possible to determine the potential liability.

Stonehaven Flood Protection Scheme – Homeowner Compensation Payments

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

Note 31 – Contingent Assets

Defects Claim

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

Truck Cartel Claim

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

Stonehaven Flood Protection

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

Note 32 – Pension Schemes Accounted for as Defined Contribution Pension Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an executive agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2023/24 the Council paid £34.314m in respect of teacher's retirement benefits representing 23% of pensionable pay. (£28.774m and 23% in 2022/23). Contributions remaining payable at the year end were of £3.956m (£3.372m in 2022/23).

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers pensions' use a notional fund as the basis for calculating the employers' contribution paid by local authorities. However, it is not possible for the Council to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside the terms of the teachers scheme. For 2023/24 these amounted to £17,069 or 0.01% of pensionable pay (£12,509 and 0.01% in 2022/23).

Note 33 – Defined Benefit Pension Schemes**Participation in Pension Schemes**

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

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

North East Scotland Pension Fund (NESPF)

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

Scottish Teachers' Pension Scheme

This scheme meets the definition of a defined benefit scheme, but it is accounted for on the same basis as a defined contribution scheme as described in [note 32](#).

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

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

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

Discretionary Post-Retirement Benefits

Discretionary Post Retirement Benefits on early retirement are an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

In relation to the Local Government Pension Scheme the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out in the General Fund via the Movement in Reserves Statement.

At the most recent valuation of the Fund as at 31 March 2023, the Fund's assets were sufficient to cover 126% of its liabilities. This is known as the funding level. The funding objective is to achieve and maintain a funding level of 100% of liabilities. In line with the Funding Strategy Statement (which can be found at www.nespf.org.uk).

The valuation looks at the normal cost of benefits that will be built up over the year after the valuation date, using a set of assumptions. This is used to calculate a Primary Contribution Rate, which is 20.2% for the Fund. The actuaries have updated the average employer contribution rate payable at the valuation date to 14% of pensionable pay, which implies a secondary contribution of 6.2% of projected pensionable pay at the valuation date.

Each employer's position is assessed separately and individual rates set for each employer over the three year period to 31 March 2027. The Council's contribution rate will be 16% over the three year period. With the Primary Contribution Rate set at 20.3%, this implies a deficit recovery contribution of 4.3% of projected pensionable pay at the valuation date.

Note 33 – Defined Benefit Pension Schemes (continued)

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

In the event that the Council withdraws from the scheme, the Council's share of the deficit will be calculated at that point in time. At 31 March 2024, the Council makes up 43.98% (2022/23: 44.07%) of the total membership of the scheme.

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

NESPF 2022/23 £'000	Teachers Additional Unfunded Pensions 2022/23	Total 2022/23 £'000		NESPF 2023/24 £'000	Teachers Additional Unfunded Pensions 2023/24 £'000	Total 2023/24 £'000
			Cost of Services:			
89,720	-	89,720	Current Service Cost	44,652	-	44,652
-	-	-	Past Service Costs	-	-	-
164	-	164	Loss from Curtailments	1,914	-	1,914
-	-	-	Loss from Settlements	-	-	-
		-	Financing and Investment Income and Expenditure:			-
3,724	500	4,224	Net Interest Expense	(494)	637	143
924	-	924	Administration Expenses	1,019	-	1,019
94,532	500	95,032	Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	47,091	637	47,728
			Other Post Employment Benefit charged to the CIES			
(514,936)	(4,198)	(519,134)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	(155,547)	(108)	(155,655)
326,480	-	326,480	Adjustment for IFRIC14 Net asset reduction	24,327	-	24,327
(93,924)	(3,698)	(97,622)	Total Post Employment Benefit charged to the CIES	(84,129)	529	(83,600)
			Movement in Reserves Statement			
(94,532)	(500)	(95,032)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code	(47,091)	(637)	(47,728)
			Actual amount charged against the General Fund Balance for pensions in the year:			
46,303		46,303	Employers' Contributions Payable to the Scheme	52,533		52,533
	1,121	1,121	Retirement Benefits Payable to Pensioners		1,195	1,195

Note 33 – Defined Benefit Pension Schemes (continued)
Assets and Liabilities Recognised in the Balance Sheet

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

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

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

Net interest on the net defined benefit liability: The change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on the assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

Re-measurements : Comprising the return on plan assets (excluding amounts included in Net interest on the Net Defined Benefit Liability) which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and Actuarial Gains and Losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

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

Contributions paid to the North East Scotland Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Assets and Liabilities recognised in the Balance Sheet

NESPF		Teachers			NESPF		Teachers	
Funded Benefits 2022/23 £'000	Unfunded Benefits 2022/23 £'000	Additional Unfunded Pensions 2022/23 £'000	Total 2022/23 £'000		Funded Benefits 2023/24 £'000	Unfunded Benefits 2023/24 £'000	Additional Unfunded Pensions 2023/24 £'000	Total 2023/24 £'000
(1,471,602)	(15,970)	(13,596)	(1,501,168)	Present value of the defined benefit obligation	(1,477,559)	(21,927)	(12,930)	(1,512,416)
1,798,082	-	-	1,798,082	Fair value of plan assets	1,986,656		-	1,986,656
(326,480)	-	-	(326,480)	Net asset reduction applied	(366,478)			(366,478)
-	(15,970)	(13,596)	(29,566)	Net asset/(liability) arising from defined benefit obligations	142,619	(21,927)	(12,930)	107,762

IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The actuaries have calculated the limit on surplus in the Council's Local Government Pension Scheme based on the present value of the accounting accrual cost less the present value of certified contributions and concluded that the asset ceiling is £143m. An adjustment to the defined benefit plan asset has been made in accordance with IAS19 and IFRIC 14. Unfunded benefit obligations have been excluded from the asset ceiling calculations as IAS19 treats them as termination benefits and the Council does not have a right to set them off against a pension asset.

Note 33 – Defined Benefit Pension Schemes (continued)

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

NESPF		Teachers			NESPF		Teachers	
Funded Benefits 2022/23 £'000	Unfunded Benefits 2022/23 £'000	Additional Unfunded Pensions 2022/23 £'000	Total 2022/23 £'000		Funded Benefits 2023/24 £'000	Unfunded Benefits 2023/24 £'000	Additional Unfunded Pensions 2023/24 £'000	Total 2023/24 £'000
(2,002,081)	(21,072)	(18,415)	(2,041,568)	Opening Balance at 1 April	(1,471,602)	(15,970)	(13,596)	(1,501,168)
(89,720)	-	-	(89,720)	Current Service Cost	(44,652)	-	-	(44,652)
(55,639)	(569)	(500)	(56,708)	Interest Cost	(69,756)	(732)	(637)	(71,125)
(13,932)	-	-	(13,932)	Contributions from Scheme Participants	(15,173)	-	-	(15,173)
				Remeasurement (gains) and losses:				
(143,136)	(1,248)	(392)	(144,776)	Actuarial experience (gains)/losses	32,618	(7,182)	(81)	25,355
745,436	5,045	4,138	754,619	Actuarial (gains)/losses arising from changes in financial assumptions	23,997	214	-	24,211
43,779	431	452	44,662	Actuarial (gains)/losses arising from changes in demographic assumptions	17,023	301	189	17,513
43,855	1,443	1,121	46,419	Benefits Paid	51,900	1,442	1,195	54,537
-	-	-	-	Past Service Cost	-	-	-	-
(164)	-	-	(164)	Losses on Curtailments	(1,914)	-	-	(1,914)
-	-	-	-	Losses on Settlements	-	-	-	-
(1,471,602)	(15,970)	(13,596)	(1,501,168)	Closing Balance at 31 March	(1,477,559)	(21,927)	(12,930)	(1,512,416)

Note 33 – Defined Benefit Pension Schemes (continued)

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

NESPF		Teachers			NESPF		Teachers	
Funded Benefits 2022/23 £'000	Unfunded Benefits 2022/23 £'000	Additional Unfunded Pensions 2022/23 £'000	Total		Funded Benefits 2023/24 £'000	Unfunded Benefits 2023/24 £'000	Additional Unfunded Pensions 2023/24 £'000	Total 2023/24 £'000
1,866,956	-	-	1,866,956	Opening fair value scheme assets at 1 April	1,798,082	-	-	1,798,082
52,484	-	-	52,484	Interest Income	86,653	-	-	86,653
(135,371)	-	-	(135,371)	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	88,576	-	-	88,576
(924)	-	-	(924)	Administration expenses	(1,019)	-	-	(1,019)
44,860	1,443	1,121	47,424	Contributions from employer	51,091	1,442	1,195	53,728
13,932	-	-	13,932	Contributions from employees into the scheme	15,173	-	-	15,173
-	-	-	-	Loss on Settlements	-	-	-	-
(43,855)	(1,443)	(1,121)	(46,419)	Benefits paid	(51,900)	(1,442)	(1,195)	(54,537)
1,798,082	-	-	1,798,082	Closing fair value of scheme assets at 31 March	1,986,656	-	-	1,986,656

North East Pension Scheme Assets Comprised:

Asset category	Sub-category	31 March 2023 £'000	31 March 2024 £'000
Equities:	Quoted	676,080	791,683
	Pooled	339,837	354,816
Bonds:	Government fixed	-	-
	Government indexed	115,077	117,610
	Other	-	-
	Corporate	-	-
Property:	UK Direct	125,866	126,947
Alternatives:	Private Equity	131,260	137,477
	Private Debt	52,144	47,680
	Private Equity Infrastructure	48,548	105,491
	Infrastructure Pooled Funds	39,558	31,786
	Private Equity Real Estate	32,365	29,999
	Multi Asset Credit Fund	151,039	168,071
	Diversified Growth Funds	-	-
Cash:	Cash instruments	86,308	75,096
Total		1,798,082	1,986,656
	Effect of Asset Ceiling	(326,480)	(366,478)
Total		1,471,602	1,620,178

Note 33 – Defined Benefit Pension Schemes (continued)
Basis for Estimating Assets and Liabilities

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

The Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2023. The next triennial valuation will be based on the Fund as at 31 March 2026.

The significant assumptions used by the actuary have been:

NESPF		Teachers Additional Unfunded Pensions 2022/23		NESPF		Teachers Additional Unfunded Pensions 2023/24
Funded Benefits 2022/23	Unfunded Benefits 2022/23			Funded Benefits 2023/24	Unfunded Benefits 2023/24	
			Mortality Assumptions:			
			Longevity at 65 for Current Pensioners:			
21	21	21	Men	20.7	20.7	20.7
23.4	23.4	23.4	Women	23	23	23
			Longevity at 65 for Future Pensioners:			
22.4	-	-	Men	22	-	-
25.4	-	-	Women	24.8	-	-
2.70%	2.70%	2.70%	Rate of Inflation	2.70%	2.70%	2.70%
4.20%	-	-	Rate of Increase in Salaries	4.20%	-	-
2.80%	2.80%	2.80%	Rate of Increase in Pensions	2.80%	2.80%	2.80%
4.80%	4.80%	4.90%	Rate for Discounting Scheme Liabilities	4.90%	4.90%	4.90%
-	-	-	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	-	-	-

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis below has 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.

	Increase in Assumption £'000	Decrease in Assumption £'000
Impact on the Defined Benefit Obligation in the scheme		
Longevity (increase or decrease in 1 year)	34,594	(34,594)
Rate of inflation (increase or decrease by 0.25%)	59,602	(59,602)
Rate of increase in salaries (increase or decrease by 0.25%)	7,843	(7,843)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(112,456)	112,456

Note 33 – Defined Benefit Pension Schemes (continued)
Funding Strategy Statement

The Pension Committee's long term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2023 and the results indicate that overall the assets represented 124% of projected accrued liabilities at the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment returns is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However, the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment returns from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The asset proportions of the Fund at 31 March 2024 were: equities, including alternatives 83.9% (2022/23: 81.8%), bonds 5.9% (2022/23: 6.4%), property 6.4% (2022/23: 7.0%) and cash 3.8% (2022/23: 5.0%).

Impact on the Council's Cash Flows

The next triennial valuation is due to be completed on 31 March 2026.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £42.216m. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2023 valuation is 16 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:

Restated Total 2022/23 £'000	Restated Aberdeenshire Share 2022/23 £'000		Total 2023/24 £'000	Aberdeenshire Share 2023/24 £'000
(130)	(58)	Grampian Valuation Joint Board	(304)	(136)

The 2022/23 figures have been amended to reflect the updated pension liability in the audited accounts for Moray Council.

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

Note 34 – Related Parties

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

Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from the Scottish Government are set out in the subjective analysis in [Note 5](#) on Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2024 are shown in [Note 27](#).

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of Councillors' allowances paid in 2023/24 is shown in the Remuneration Report. During 2023/24 Councillors have been involved with 332 outside bodies, 108 of which are in a decision-making role and 224 in an observational role. During 2023/24, works and services to the value of £30.586m were commissioned from organisations in which 50 Councillors had an interest (2023/24 £35.190m and 69 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £258,904 were awarded to organisations in which 8 Councillors had positions on the governing body (2022/23 £776,076 and 20 Councillors). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Councillors did not take part in any discussion or decision relating to the grants. Details of all the declarations of interest are recorded in the Register of Councillors' Interest, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.

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

Officers – Key Management Personnel

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report. These officers have responsibility for planning, directing and controlling the activities of the Council. Their scope of influence is determined by the Scheme of Delegation and Financial Regulations. During 2023/24 there were no material amounts commissioned from companies in which Chief Officials and their family members had an interest and no grant payments of material value. On this basis the Council is satisfied that appropriate controls are in place to manage and monitor the influence of the Council's Key Management Personnel. Details of Chief Officers declarations of interest are recorded in the Register of Interests for Chief Officers which is available on the Council's website.

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

Note 34 – Related Parties (continued)
Joint Ventures and Other Entities Controlled or significantly Influenced by the Authority
Grampian Valuation Joint Board

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Non-Domestic Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council and are Councillors. For the year ended 31 March 2024, the total comprehensive income and expenditure statement shows a deficit of £91,000 (2022/23 restated surplus £387,000) and net assets of £1,060,000 (2022/23 restated net assets £1,151,000). The Board is funded by requisitions from the three Councils.

The 2022/23 figures have been amended to reflect the updated pension liability in the audited accounts for Moray Council.

The nature of transactions included within the Council's financial statements are shown in the following table:

2022/23 Expenditure £'000	2022/23 Income £'000	2022/23 Debtors £'000	Nature of transaction	2023/24 Expenditure £'000	2023/24 Income £'000	2023/24 Debtors £'000
1,901	(120)	120	Requisition Payments and Debtor/Income adjustment for expected rebate based on unaudited GVJB accounts	2,130	(206)	206

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 2024, the total comprehensive income and expenditure statement was a surplus of £0.021m (2022/23 surplus £2.457m) and the net assets were £3.609m (2022/23 net assets £4.148m). The two Councils fund the Partnership. The nature of transactions included within the Council's financial statements are shown in the following table:

2022/23 Expenditure £'000	2022/23 Debtors £'000	Nature of transaction	2023/24 Expenditure £'000	2023/24 Debtors £'000
1,591	2,604	Expenditure - Requisition Payment and Capital Funding Debtors balance held - Owed to Council	1,979	2,850

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 358 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 2024, the net assets were £7.213m (2022/23 £7.056m) for Trusts and £8.912m (2022/23 7.943m) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages [131-133](#). The Trusts and Common Good Funds had £4.232m (2022/23 £4.324m) invested in the Council's loans fund at 31 March 2024. A full analysis of the individual Trusts and Common Good Funds can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Note 34 – Related Parties (continued)
Aberdeenshire Integration Joint Board

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

For the year end 31 March 2024, the total comprehensive income and expenditure statement shows a deficit of £16.926m (2022/23 £27.933 deficit). £8.263m was drawn down from the general fund balance in Reserves and £8.662m was drawn down from Earmarked Reserves. There are no net assets (2022/23 £16.928m).

The Board is funded by the Council and NHS Grampian.

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

2022/23 £'000	Nature of Transactions	2023/24 £'000
148,601	Contribution Made to Aberdeenshire Integration Joint Board	154,264
-	Additional Funding Requirement (to be agreed)	4,398
30,674	Resource Transfer	30,967
21,202	Service Income	14,527
9,050	Additional NHS Transfer	9,101
-	IJB Reserves Drawdown (From Creditor Balance)	5,422
(246)	Less Running Costs	(278)
209,281	Total	218,401
207,590	Services Commissioned from Aberdeenshire Council	218,401
1,691	Balance Owed to IJB (IJB Reserve held as Creditor)	-

2022/23 £'000	IJB Reserve held as Creditor	2023/24 £'000
3,731	Opening Balance	5,422
1,691	Increase/(Decrease) in Year	(5,422)
5,422	Closing Balance	-

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

Note 34 – Related Parties (continued)
SEEMIS Group LLP

SEEMIS Group LLP provides a standard management information system for Scottish education. SEEMIS Group LLP is a limited liability partnership owned by all 32 Scottish local authorities including Aberdeenshire Council. For the most recent available accounts, the year ended 31 March 2023, the loss for the year was £50,819 (2021/22 loss of £644,334), the total comprehensive income for the year was £192,340 (2021/22 £2,196,875) and net assets were £1,561,008 (2021/22 £1,419,487). During 2023/24 £318,336 was paid by the Council to SEEMIS Group LLP for providing a management information system for education and for membership fees and charges (2022/23 £319,740).

Create Homes Aberdeenshire LLP

Create Homes Aberdeenshire is a joint venture between Create Homes Aberdeenshire Limited and Aberdeenshire Council. It is supported by the Scottish Government and aims to provide high quality accommodation whilst keeping the rent at a reasonable and affordable cost. The draft accounts are indicative as the deadline for submission is 31 December 2024. For the year ended 31 March 2024, the profit and loss account shows an indicative profit of £3,206,000 (2022/23 £100,000) and the net assets as an indicative £3,429,000 (2022/23 £223,000).

The nature of the Council's transactions in the year and balances at the year relating to Create Homes Aberdeenshire LLP are in the table below:

2022/23 Income £'000	2022/23 Debtors £'000	Nature of transaction	2023/24 Income £'000	2023/24 Debtors £'000
(263)	5,417	Income - Loan Interest, Management, Maintenance and Insurance Debtors - Long Term Loan and adjustment for outstanding Management and Insurance Income	(251)	2,348

During 2023/24, and as a result in a change to the partnership arrangements in place, Scottish Ministers provided consent for Aberdeenshire Council to borrow £2.315m to on-lend to a repurposed Create Homes LLP. This was agreed on the basis that the original loan of £5.417m was settled in full prior to refinancing. More information on this can be found in the Group Accounts from page [134](#) onwards.

Note 35 – Cash Flow Statement – Operating Activities

2022/23 £'000		2023/24 £'000
(71,358)	Net Deficit on the Provision of Services	(41,793)
	Adjust net surplus or deficit on the provision of services for non cash movements	
100,354	Depreciation and Impairment	106,091
(2,754)	Downward / (Upward) Revaluations	(9,194)
230	Amortisation	262
(8)	Soft Loans (non subsidiary) - Interest adjustment credited to CIES during year	(6)
(46)	Adjustments for Effective Interest Rates	(48)
1,324	Increase/(Decrease) in Interest Creditors	4,393
22,059	Increase/(Decrease) in Creditors	(23,328)
(80)	(Increase)/Decrease in Interest and Dividend Debtors	65
(9,845)	(Increase)/Decrease in Debtors	233
(1,677)	(Increase)/Decrease in Inventories	(1,404)
47,614	Movement in Pension Asset / Liability	(5,993)
(435)	Contributions to/ (from) Provisions	(532)
1,424	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,401
448	Movement in Investment Property Values	0
158,608		72,940
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(53,509)	Capital Grants credited to surplus or deficit on the provision of services	
-	Net Adjustment from the Sale of Short and Long Term Investments	(50,880)
(1,873)	Proceeds from the sale of property plant and equipment and intangible assets	(2,488)
(1,115)	Capital Receipts for Transformation Projects	-
(56,497)		(53,368)
30,753	Net Cash Flows from Operating Activities	(22,221)

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
601	Interest Received	2,627
(31,573)	Interest Paid	(36,079)

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.

2022/23 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2023/24 £'000	Notes Ref
	Expenditure		
21,787	Repairs and Maintenance	23,896	
10,148	Supervision and Management	8,454	
36,293	Depreciation, Amortisation and Impairment of Non-Current Assets	42,511	
11,447	Other Expenditure	12,148	
79,675	Total Expenditure	87,009	
	Income		
(58,456)	Dwelling Rents	(60,450)	
(1,151)	Non-dwelling Rents	(1,205)	
(4,450)	Other Income	(6,115)	
(64,057)	Total Income	(67,770)	
15,618	Net Cost of HRA Services as Included in the CIES	19,239	
223	HRA Services' Share of Corporate and Democratic Core	244	
3	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	46	
15,844	Net Expenditure for HRA Services	19,529	
	HRA Share of the Operating Income and Expenditure Included in the CIES		
(210)	(Gain)/Loss on Sale of HRA Non Current Assets	67	
7,036	Interest Payable and Similar Charges	10,228	
(354)	Interest and Investment Income	(1,345)	
241	Net Interest on Net Defined Benefit Liability (Asset)	27	
(15,177)	Non-specific Grant Income	(21,571)	
502	Movement in Allowance for Bad Debts	338	
7,882	(Surplus)/Deficit for the Year on HRA Services	7,273	
HRA Notes			2-5

2022/23 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2023/24 £'000	Notes Ref
(2,000)	Balance on the HRA at 1 April	(2,000)	
7,882	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	7,273	
(5,279)	Depreciation charged to the Revaluation Reserve	(5,575)	
(2,017)	Adjustments Between Accounting Basis and Funding Basis Under Statute	(1,028)	6~
586	Net Decrease/(Increase) before transfers to/from reserves	670	
(586)	Transfer (from)/to reserves	(970)	1
-	Movement in Year on the HRA	(300)	
(2,000)	Balance on the HRA at 31 March	(2,300)	

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

Housing Revenue Account (continued)

HRA Note 1 – Transfer to (from) Reserves

2022/23 £'000		2023/24 £'000
(548)	Transfer from General Fund	(970)
(21)	Transfer from Insurance Fund	-
(17)	Transfer from Capital	-
(586)	Total	(970)

HRA Note 2 – Housing Stock

The Council's housing stock at 31 March 2024 was 13,347 (13,207 at 31 March 2023) in the following categories:

2022/23	Types of dwellings:	2023/24
1,504	- Sheltered Housing	1,502
95	- 1 apartment	85
3,835	- 2 apartment	3,890
5,111	- 3 apartment	5,140
2,496	- 4 apartment	2,552
166	- 5 + apartment	178
13,207	Total Housing Stock as at 31 March	13,347

The Council's housing stock includes 3 properties (2022/23:16 properties) that are not in the ownership of the Council.

HRA Note 3 – Rent Arrears

Rent arrears at 31 March 2024 were £3.077m (£3.006m at 31 March 2023).

HRA Note 4 – Impairment of Debtors

In 2023/24 an impairment of £2.316m has been provided in the Balance Sheet for irrecoverable rents, an increase of £95,000 from the provision in 2022/23.

HRA Note 5 – Void Properties

The loss on void properties in 2023/24 was £2,134,000 compared to a loss on void properties of £2.030m in 2022/23.

Council Tax Income Account

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

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

The statement below also includes any residual Community Charges collected.

2022/23 £'000		2023/24 £'000	Notes Ref
(187,572)	Gross Council Tax Levied and Contributions in Lieu	(196,948)	
	Less:		
9,154	Council Tax Reduction Scheme	9,588	
20,082	Other Discounts and Reductions	21,064	
1,715	Write Off of Uncollectable Debts and Allowance for Impairment	853	
30,951		31,505	
(293)	Adjustments to Previous Years'	(1,512)	
(1,801)	Second Homes Council Tax – In Year	(2,025)	
(158,715)	Transfer to CIES	(168,980)	
Council Tax Income Account notes			1, 2

CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	2022/23 Proportion of Band D	2022/23 Council Tax	2023/24 Proportion of Band D	2023/24 Council Tax
A	Up to £27,000	0.6667	£893.22	0.6667	£928.95
B	£27,001 – £35,000	0.7778	£1,042.09	0.7778	£1,083.77
C	£35,001 – £45,000	0.8889	£1,190.96	0.8889	£1,238.60
D	£45,001 - £58,000	1.0000	£1,339.83	1.0000	£1,393.42
E	£58,001 - £80,000	1.3139	£1,760.39	1.3139	£1,830.80
F	£80,001 - £106,000	1.6250	£2,177.22	1.6250	£2,264.31
G	£106,001 - £212,000	1.9583	£2,623.83	1.9583	£2,728.78
H	Above £212,000	2.4500	£3,282.58	2.4500	£3,413.88

CT Note 2 – Calculation of Council Tax Base 2023/24

BAND	Band A*	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Properties	20,545	16,365	14,728	18,760	22,777	17,648	11,514	638	122,975
Less:									
Exemptions	1,469	758	565	506	414	203	130	10	4,055
Discount - 25%	2,717	1,856	1,416	1,526	1,345	756	374	16	10,006
Discount - 50%	398	263	228	243	214	127	94	15	1,582
Number of chargeable dwellings subject to disabled reduction	(47)	(53)	(13)	(99)	59	50	98	5	-
Number of adjusted chargeable dwellings	16,008	13,541	12,532	16,584	20,745	16,512	10,818	592	107,332
Ratio to Band D	0.6667	0.7778	0.8889	1.0000	1.3139	1.6250	1.9583	2.4500	
Number of Band D equivalents for RSG purposes	10,667	10,532	11,140	16,584	27,257	26,832	21,185	1,450	125,647
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2023/24									7
Less: Adjustment to base for Council Tax Reduction Scheme									7,156
COUNCIL TAX BASE 2023/24									118,498

COUNCIL TAX BASE 2022/23

117,595

* Of the 10,667 Band A properties, 51 receive a discount in the ratio 5/9 relating to disabled relief.

Non-Domestic Rate Income Account

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

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

In 2023/24 the rate poundage was 49.8p (49.8p in 2022/23). Properties with a rateable value of over £100,000 (£95,000 in 22/23) attract a Higher Property Rate (formerly Large Business Supplement) of 2.6p on top of the poundage (2.6p in 2022/23). Properties with a rateable value of between £51,000 and £100,000 (£51,000 and £95,000 in 2022/23) attract an Intermediate Property Rate of 1.3p on top of the standard poundage (1.3p 2022/23).

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

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

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business rates income and encourage new business start-up. The Scottish Government set a target for each Council and the Council retains 50% of any additional income above the target. This scheme was temporarily suspended for 2020/21, 2021/22 and 2022/23. In April 2023 the scheme was reintroduced as the Non Domestic Rates Incentivisation Scheme (NDRIS).

2022/23 £'000		2023/24 £'000	Notes Ref
(154,596)	Gross Rates Levied and Contributions in Lieu	(156,806)	
	Less:		
28,341	Reliefs and Other Deductions	26,948	
-	Payment of Interest	-	
154	Write Off of Uncollectable Debts and Allowance for Impairment	205	
(126,101)	Net Non-Domestic Rate Income	(129,653)	
1,777	Adjustments to Previous Year's Non-Domestic Rates	2,791	
(124,324)	Total Non-Domestic Rate Income (before Council Retentions)	(126,862)	
-	Non Domestic Rates Incentivisation Scheme Retained by the Council (NDRIS previously BRIS)	433	
(124,324)	Contribution to National Non-Domestic Rate Pool	(126,429)	
(138,786)	Sum due from Central Rates Pool	(134,839)	
-	Non Domestic Rates Incentivisation Scheme Retained by the Council (NDRIS previously BRIS)	(433)	
-	Adjustments for prior years – reliefs	-	
(138,786)	Income Credited to Comprehensive Income and Expenditure Statement	(135,272)	
	Non-Domestic Rates Income Account Note		1

Non-Domestic Rate Disclosures

NDR Note 1 – Rateable Values and Number of Entries at 1 April 2023

As at 1/4/22 Number of Entries	As at 1/4/22 Rateable Value £'000		As at 1/4/23 Number of Entries	As at 1/4/23 Rateable Value £'000
2,000	40,245	Shops	2,001	40,893
101	2,671	Public Houses	97	2,094
1,519	39,982	Offices (Including Banks)	1,478	32,842
207	7,428	Hotel, Boarding Houses etc.	198	6,700
3,537	114,322	Industrial and Freight Transport Subjects	3,557	115,642
1,382	10,880	Leisure, Entertainment, Caravans and Holiday Sites	1,368	12,792
387	4,062	Garage and Petrol Stations	382	4,280
57	746	Cultural	57	783
2,248	1,798	Sporting Subjects	2,262	2,322
261	21,222	Education and Training	258	22,326
742	13,492	Public Services Subjects	749	15,013
45	5,199	Communications (Non Formula)	42	5,960
220	1,298	Quarries, Mines etc.	220	1,560
15	15,452	Petrochemical	15	18,033
441	2,077	Religious	436	2,609
140	3,591	Health Medical	141	3,674
1,108	1,687	Other	1,098	2,110
121	4,635	Care Facilities	117	4,747
15	56	Advertising	15	50
45	8,361	Undertaking	46	9,911
14,591	299,204	Total	14,537	304,341

Note: The Revaluation Roll came into force on 1 April 2017 and contains revised rateable values. National revaluations previously took place every five years, this changed to every three years from 1 April 2023.

Trusts and Endowments

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

The Council administers 358 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 2024 and details of how these balances were invested at that date are shown below.

Income and Expenditure Account for the Year Ended 31 March 2024

All Trusts 2022/23 £'000	Charitable Trusts 2022/23 £'000		All Trusts 2023/24 £'000	Charitable Trusts 2023/24 £'000	Notes Ref
		Expenditure			
57	57	Administrative Costs	68	63	2
468	456	Donations, Grants etc.	485	471	
2	-	Other Costs	4	-	
527	513	Total Expenditure	557	534	
		Income			
(174)	(133)	Investment Income	(261)	(180)	
(77)	(72)	Other Income	(88)	(81)	2
(251)	(205)	Total Income	(349)	(261)	
276	308	(Surplus)/Deficit for the year	208	273	

Balance Sheet as at 31 March 2024

All Trusts 2022/23 £'000	Charitable Trusts 2022/23 £'000		All Trusts 2023/24 £'000	Charitable Trusts 2023/24 £'000	Notes Ref
		Current Assets			
19	19	Other	3	-	
4,386	3,260	Investments	4,752	3,438	
2,893	1,574	Loans Fund Balance	2,715	1,333	
7,298	4,853	Total Current Assets	7,470	4,771	
		Current Liabilities			
(242)	(240)	Creditors	(257)	(253)	
7,056	4,613	Net Current Assets	7,213	4,518	
7,056	4,613	Total Net Assets	7,213	4,518	
		Financed by:			
(5,876)	(4,285)	Capital	(5,965)	(4,186)	
(1,180)	(328)	Revenue Balance	(1,248)	(332)	
(7,056)	(4,613)	Reserves	(7,213)	(4,518)	
		Trusts & Endowments Notes			1

The unaudited accounts were issued on 01 July 2024

Mary Beattie, FCCA
Head of Finance
01 July 2024

Trusts and Endowments (Continued)**Summary of Funds as at 31 March 2024**

Total Funds 2022/23 £'000	Charitable Trusts 2022/23 £'000		Total Funds 2023/24 £'000	Charitable Trusts 2023/24 £'000	Notes Ref
		Education Trusts			
4,070	4,070	Aberdeenshire Educational Trust	3,973	3,973	
		Other Trusts			
1,855	448	General	2,054	445	
169	95	Libraries	180	100	
		Endowment Funds			
527	-	Educational Endowments	547	-	
435	-	Social Work Endowments	459	-	
7,056	4,613	Total	7,213	4,518	

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 2024 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. During 2023/24 work has been carried out to modernise the Aberdeenshire Education Trust and to reorganise the other trusts. The cost of this is a charge against the Trusts and Endowments.

TF Note 3 – Further Details

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

Common Good Funds

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

Income and Expenditure Account for the Year Ended 31 March 2024

Net Expenditure 2022/23 £'000	Services	Net Expenditure 2023/24 £'000	Notes Ref
8	Donations, Grants etc.	13	
62	Depreciation	64	
266	Repairs to Assets	40	
336	Expenditure	117	
(20)	Rental Income	(20)	
(31)	Interest Receivable and Similar Income	(79)	
(263)	Grants Receivable	(40)	
(1)	Other Income	-	
(315)	Income	(139)	
21	(Surplus)/Deficit on the Provision of Services	(22)	
(61)	Transfer from Revaluation Reserve	(63)	
(40)	Decrease/(Increase) in the Year	(85)	
Common Good Fund Notes			1

Balance Sheet as at 31 March 2024

2022/23 £'000		2023/24 £'000	Notes Ref
6,496	Property, Plant and Equipment	7,379	
6,496	Long Term Assets	7,379	
16	Short Term Investments	16	
1,475	Cash and Cash Equivalents	1,529	
1,491	Current Assets	1,545	
(44)	Creditors	(12)	
(44)	Current Liabilities	(12)	
7,943	Net Assets	8,912	
	Usable Reserves:		
(1,315)	Revenue	(1,216)	
(380)	Capital	(379)	
	Unusable Reserves:	(7,317)	
(6,248)	Revaluation Reserve		
(7,943)	Total Reserves	(8,912)	
Common Good Fund Notes			2

The unaudited accounts were issued on 01 July 2024

Mary Beattie, FCCA
Head of Finance
01 July 2024

Common Good Fund Disclosures

CG Note 1 – Accounting Policies

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

CG Note 2 – Summary of Balances

The balances in the Common Good Funds are as follows:

Total Funds 2022/23 £'000		Total Funds 2023/24 £'000
1,341	Macduff	1,344
3,852	Banff	3,792
4	Rosehearty	4
5	Portsoy	5
4	Aberchirder	4
67	Fraserburgh	70
474	Peterhead	496
129	Turriff	110
5	Oldmeldrum	5
1,660	Inverurie	2,587
25	Kintore	27
107	Stonehaven	112
58	Inverbervie	61
38	Laurencekirk	112
137	Huntly	144
37	Banchory	39
-	Ballater	-
7,943	Total	8,912

Group Accounts

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

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

Group Comprehensive Income and Expenditure Statement

Group Accounts Net Expenditure 2022/23 £'000	Aberdeenshire Services	Group Accounts Net Expenditure 2023/24 £'000	Notes Ref
59,123	Business Services	58,037	
184,938	Communities	185,062	
380,460	Education and Childrens Services	390,649	
108,807	Infrastructure Services	99,551	
15,719	Housing Revenue Account	19,352	
(4,166)	Exceptional Items	-	
744,881	SERVICE TOTALS	752,651	
148	Charitable Trusts and Endowments	30	
(168)	Common Good Fund	(31)	
(222)	Create Homes - Subsidiary	(160)	
744,639	COST OF SERVICES	752,490	
(450)	(Gains)/Losses on the Disposal of Non Current Assets and AHfS	(88)	
(450)	Other Operating (Income)/Expenditure	(88)	
32,851	Interest payable and similar charges	40,424	
5,148	Net interest on net defined benefit liability (asset)	1,162	
448	Income and expenditure in relation to investment properties and changes in their fair value	-	
(601)	Interest Receivable and Similar Income	(2,414)	
844	Increase/(Decrease) in Provision for Bad Debts	808	
-	Investment losses	-	
362	Investment Losses/(Gains) on Charitable Trusts and Endowments	(365)	
(300)	Investment Losses/(Gains) on Common Good Fund	(884)	
13,967	Share of Integration Joint Board Deficit / (Surplus)	8,465	
52,719	Financing and Investment Income and Expenditure	47,196	
(711,485)	Taxation and Non-Specific Grant Income	(750,483)	
85,423	Deficit on Provision of Services	49,115	
(57,554)	Surplus on revaluation of Non Current assets and AHfS	(163,170)	
(192,654)	Actuarial (gains)/losses on pension assets/liabilities	(131,328)	
(250,208)	Other Comprehensive (Income) and Expenditure	(294,498)	
(164,785)	Total Comprehensive (Income) and Expenditure	(245,383)	

Balance Sheet as at 31 March 2024

Group Accounts 2022/23 £000		Group Accounts 2023/24 £000	Note Ref
2,445,210	Property, Plant and Equipment	2,656,758	5
-	Pension Assets	142,619	
2,492	Heritage Assets	2,482	
660	Investment Properties	660	
825	Intangible Assets	635	
77	Long Term Investments	77	
4,022	Long Term Debtors	4,047	6
2,453,286	Long Term Assets	2,807,278	
4,421	Short Term Investments	4,771	7
96	Assets Held for Sale	1,997	
7,752	Inventories	9,156	
78,251	Short Term Debtors	80,225	6
8,465	Investment in Joint Venture	-	
11,337	Cash and Cash Equivalents	14,399	8
110,322	Current Assets	110,548	
(89,635)	Short Term Borrowing	(93,784)	
(141,060)	Short Term Creditors	(119,777)	9
(274)	Provisions	(117)	
(242)	Revenue Grants Receipts in Advance	(2,758)	
(231,211)	Current Liabilities	(216,436)	
(810,501)	Long Term Borrowing	(929,298)	
(2,248)	Long Term Creditors	(5,403)	9
(7,031)	Provisions	(6,656)	
(29,566)	Pension Liabilities	(34,857)	
(2,774)	Finance Leases	(2,644)	
(87,742)	PFI and PPP Liabilities	(81,192)	
(17,568)	Capital Grants Receipts in Advance	(20,990)	
(957,430)	Long Term Liabilities	(1,081,040)	
1,374,967	Net Assets	1,620,350	
(84,846)	Usable Reserves	(97,599)	10
(12,915)	Share of Usable Reserves of Subsidiary and Joint Venture	(4,524)	10
(1,270,616)	Unusable Reserves	(1,510,568)	10
(6,590)	Share of Unusable Reserves of Subsidiary and Joint Venture	(7,659)	10
(1,374,967)	Total Reserves	(1,620,350)	

The unaudited accounts were issued on 01 July 2024

Mary Beattie, FCCA
Head of Finance
01 July 2024

Group Movement in Reserves Statement 31 March 2024

	Authority Usable Reserves £'000	Authority Unusable Reserves £'000	Total Authority Reserves £'000	Group Usable Reserves £'000	Group Unusable Reserves £'000	Total Group Reserves £'000
Balance as at 31 March 2022 Carried Forward	(88,263)	(1,088,349)	(1,176,612)	(115,540)	(1,094,642)	(1,210,182)
Movement in Reserves During 2022/23						
Total Comprehensive Income and Expenditure	71,358	(250,208)	(178,850)	85,720	(250,505)	(164,785)
Depreciation Charged to Revaluation Reserve	(26,420)	26,420	-	(26,420)	26,420	-
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(41,521)	41,521	-	(41,521)	41,521	-
Decrease/(Increase) before Transfers to Statutory Reserves	3,417	(182,267)	(178,850)	17,779	(182,564)	(164,785)
Transfers to/(from) Statutory Reserves	-	-	-	-	-	-
Balance as at 31 March 2023	(84,846)	(1,270,616)	(1,355,462)	(97,761)	(1,277,206)	(1,374,967)
Movement in Reserves During 2023/24						
Total Comprehensive Income and Expenditure	41,793	(294,498)	(252,705)	50,184	(295,567)	(245,383)
Depreciation Charged to Revaluation Reserve	(28,384)	28,384	-	(28,384)	28,384	-
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(26,162)	26,162	-	(26,162)	26,162	-
Decrease/(Increase) before Transfers to Statutory Reserves	(12,753)	(239,952)	(252,705)	(4,362)	(241,021)	(245,383)
Transfers to/(from) Statutory Reserves	-	-	-	-	-	-
Balance as at 31 March 2024 Carried Forward	(97,599)	(1,510,568)	(1,608,167)	(102,123)	(1,518,227)	(1,620,350)

Group Cash Flow Statement for the Year Ended 31 March 2024

2022/23 £'000		2023/24 £'000
(71,554)	Net deficit on the provision of services	(41,587)
155,980	Adjust net deficit on the provision of services for non cash movements	72,931
(56,497)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53,368)
30,765	Net Cash Flows from Operating Activities	(22,024)
	Investing Activities:	
(146,620)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(149,149)
-	Purchase of Short and Long Term Investments	(2,300)
1,873	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,488
55,578	Other Receipts from Investment Activities	57,368
(89,169)	Net Cash Flows from Investing Activities	(88,436)
	Financing Activities:	
179,909	Cash Receipts of Short Term and Long Term Borrowing	259,700
(5,648)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(6,346)
(145,199)	Repayments of Short Term and Long Term Borrowing	(136,714)
29,062	Net Cash Flows from Financing Activities	113,523
(29,342)	Net (Decrease)/Increase in cash and cash equivalents	3,063
40,679	Cash and cash equivalents at 1 April	11,337
11,337	Cash and cash equivalents at 31 March	14,399

Notes to the Group Accounts**Note 1 – Group – Nature of Consolidation and Aligning Accounting Policies**

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line-by-line basis.

Joint Ventures have been incorporated using the gross equity method. The accounting periods for all entities are from 1 April 2023 to 31 March 2024.

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

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity.

The accounting policies of all group members are materially the same as those of the single entity, except with regards to Create Homes Aberdeenshire LLP and Common Good Funds. Aberdeenshire Council revalue its assets at least once every 5, whilst Create Homes hold them at historic cost, net of depreciation. As at 31 March 2023 the assets of Create Homes were revalued and a consolidated adjustment of the £342,000 increase to the value of the Create Homes fixed assets was included within the Group Accounts. The Accounts of the Common Good Funds have been prepared using the same accounting policies as the Council's Accounts. The only exception to this is in relation to accounting adjustments as there is no statutory mitigation for the Common Good Funds. However, depreciation relating to the revalued portion of non-current assets is offset against the Revaluation Reserve.

Note 2 – Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries and joint ventures.

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

The business combination for the Group Accounts includes Subsidiaries – Trust and Common Good Funds 100% and Create Homes Aberdeenshire LLP 99.999%. Included as Joint Venture is the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

Subsidiaries**Trust Funds**

The Council is responsible for the administration of various trusts for which it is the sole trustee. The trusts have been created by bequest or evolved through history and are utilised for a variety of benefits such as education, social work, health, recreation and other charitable purposes. The money earned from the investments of the Trusts is used to assist those in need. This may be done by the provision of grants, prizes and dux medals for school children and requisitions for clients in Social Work homes.

Common Good Funds

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs.

Create Homes Aberdeenshire LLP

Create Homes Aberdeenshire LLP is a limited liability partnership, originally constituted between Aberdeenshire Council and the Scottish Futures Trust (SFT), supported by the Scottish Government as guarantor, to deliver Mid-Market rent properties within the local authority area. The original governance documents for Create Homes always envisaged an exit by SFT and during 2023/24 this exit was implemented. This involved the re-financing of existing borrowing by Create Homes. As a LLP, corporate law requires a minimum of 2 members therefore, it was agreed that the rights and obligations held by SFT would be transferred to a new company, Create Homes Aberdeenshire MMR Limited, ultimately controlled by the Council.

Joint Ventures**Aberdeenshire Integration Joint Board (IJB)**

Aberdeenshire Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Aberdeenshire Council and NHS Grampian. The contribution provided by Aberdeenshire Council to the IJB in 2023/24 was £158.662m (2022/23 £148.601m). The IJB Board comprises ten voting members with five (50%) made up of Aberdeenshire Council Elected Members.

Note 3 – Financial Impact of Consolidation

The effect of inclusion of the subsidiaries and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £12 million (2022/23, increase of £20 million).

Note 4 – Entities Not Consolidated

On the grounds of materiality, the North East Transport Partnership (NESTRANS), Grampian Valuation Joint Board, Create Homes Aberdeenshire MMR Limited and Scotland Excel have been excluded from the foregoing Group Accounts.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2023/24, Aberdeenshire Council contributed £145,000 (2022/23, £92,000) towards the core costs of the organisation. The unaudited accounts for 2023/24 show a surplus of £21,000 (2022/23, £1.897 million surplus) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance. The accounts for 2023/24 are in the process of being audited.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2023/24, Aberdeenshire Council contributed £178,000 (2022/23, £173,000) towards the cost of these services. This represents Aberdeenshire Council's share at 4.50%.

Create Homes Aberdeenshire MMR Ltd is a limited company, established in 2023/24 to preserve the LLP status of Create Homes Aberdeenshire LLP. Whilst it would be classed as a subsidiary, there is no expectation of it holding any assets, or incurring any income or expenditure.

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Non-Domestic Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council and are Councillors. For the year ended 31 March 2024, the total comprehensive income and expenditure statement shows a deficit of £91,000 (2022/23 surplus £387,000) and net assets of £1.060m (2022/23 net assets £1.151m). The Board is funded by requisitions from the three Councils.

Note 5 - Property, Plant and Equipment

The Group Balance held within Property, Plant and Equipment is made up of the following:

2022/23 £'000		2023/24 £'000
2,433,332	Council Property, Plant and Equipment	2,644,179
6,496	Common Good Fund	7,379
5,382	Create Homes	5,200
2,445,210	Total	2,656,758

Create Homes PPE Value as shown in the Group Balance Sheet is made up of the following:

2022/23				2023/24		
Property £'000	Furniture and White Goods £'000	Total £'000		Property £'000	Furniture and White Goods £'000	Total £'000
5,107	260	5,367	Cost	5,107	260	5,367
-	(145)	(145)	Opening Depreciation	(156)	(171)	(327)
(156)	(26)	(182)	Depreciation Charge for the Year	(156)	(26)	(182)
4,951	89	5,040	Net Book Value per Create Homes Accounts	4,795	63	4,858
342	-	342	Revaluation	342	-	342
5,293	89	5,382	Group Accounts Net Book Value	5,137	63	5,200

Note 6 – Debtors

Short Term 2022/23 £'000	Long Term 2022/23 £'000		Short Term 2023/24 £'000	Long Term 2023/24 £'000
78,240	9,439	Council Debtors	80,291	6,330
-	-	Aberdeenshire Trusts	-	-
11	(5,417)	Create Homes Debtors	(66)	(2,283)
78,251	4,022	Total	80,225	4,047

Note 7 – Short Term Investments

2022/23 £'000		2023/24 £'000
16	Common Good Funds	16
4,405	Trust Funds	4,755
4,421	Total	4,771

Note 8 – Cash and Cash Equivalents

2022/23 £'000		2023/24 £'000
10,989	Council	13,815
348	Create Homes	584
11,337	Total	14,399

Note 9 – Creditors

Short Term 2022/23 £'000	Long Term 2022/23 £'000		Short Term 2023/24 £'000	Long Term 2023/24 £'000
(140,859)	(2,248)	Council Creditors	(119,532)	(2,246)
(242)	-	Aberdeenshire Trusts	(257)	-
(44)	-	Common Good Fund	(12)	-
85	-	Create Homes	24	(3,157)
(141,060)	(2,248)	Total	(119,777)	(5,403)

Note 10 – Usable and Unusable Reserves

Usable 2022/23 £'000	Unusable 2022/23 £'000		Usable 2023/24 £'000	Unusable 2023/24 £'000
(84,846)	(1,270,616)	Council	(97,599)	(1,510,568)
(4,163)	-	Aberdeenshire Trusts	(4,498)	-
(220)	(6,248)	Common Good Fund	(66)	(7,317)
(67)	(342)	Create Homes	40	(342)
(8,465)	-	IJB	-	-
(97,761)	(1,277,206)	Total	(102,123)	(1,518,227)

Glossary

- 1. Accruals:** The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
- 2. Administration Costs:** Includes telephone, printing, stationery, advertising and postage.
- 3. Allocations and Charges to Other Accounts:** For services provided by one service to another.
- 4. Amortisation:** The writing off of the expenditure on an asset or the income from a grant over a fixed period.
- 5. Assets Held for Sale:** Usually restricted to property or disposal groups that are expected to be sold within 12 months.
- 6. Non-Domestic Rates:** A charge levied on commercial properties and collected by the Council. The rate is set by the Scottish Government.
- 7. Capital Expenditure:** This is expenditure incurred in creating or acquiring a non-current asset, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Capital expenditure is normally financed by borrowing over a period of years or by utilising the income from the sale of existing assets.
- 8. Cash and Cash Equivalents:** Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- 9. Community Assets:** Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal, for example, parks and historic buildings.
- 10. Compensated Absences:** Periods during which an employee does not provide services to the employer, but employee benefits continue to be paid. Typical employee benefits include annual leave, sick leave, maternity leave, jury service, military service.
- 11. Consistency:** The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 12. Corporate & Democratic Core & Non-Distributed Costs:** Corporate & Democratic Core relates to those activities in which the Council engages, over and above the provision of any single service. This includes, for example, meetings of the Council, members' expenses and External Audit fees. Non-Distributed Costs are overheads for which no user benefits and are not apportioned to services. For example, excess pension costs and long term unused but unrealisable assets.
- 13. Defined Contribution Scheme:** A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- 14. Defined Benefit Scheme:** A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
- 15. Depreciation:** The measure of wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

- 16. Expected Rate of Return on Pensions Assets:** For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
- 17. Fair Value:** The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.
- 18. Fees and Charges:** Income received for services provided.
- 19. Financial Instruments:** A contract between parties that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- 20. Government Grants:** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.
- 21. Heritage Assets:** A tangible heritage asset has historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset has cultural, environmental or historical significance which are intangible.
- 22. Intangible Assets:** Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights e.g. software licences.
- 23. Interest Cost (Pensions):** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
- 24. International Financial Reporting Standards (IFRS):** The accounting standards adopted by the Council in the preparation of its accounts.
- 25. Investments (Pensions Fund):** The investments of the Pensions Fund will be accounted for in the statements of that Fund. However the Council is also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
- 26. Investment Properties:** Interest in land and/or buildings: a) in respect of which construction work and development have been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.
- 27. Net Book Value:** The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
- 28. Net Realisable Value:** The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
- 29. Non-Current Assets:** Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
- 30. Non-Specific Grant Income:** All the grants and contributions receivable that cannot be identified to particular service expenditure.
- 31. Past Service Cost:** For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

32. Premises Costs: Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, metered water charges, etc.

33. Prior Period Adjustments: Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to undermine the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

34. Payments to Agencies and Others: Payments made to Government Agencies and similar bodies.

35. Post-Employment Benefits: All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

36. Public Works Loans Board (PWLb): A Government Agency which provides long term loans to the Council.

37. Remuneration: All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

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

39. Revenue Support Grant: A block grant received from Government to help finance the cost of the Council's services.

40. Staff Costs: Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.

41. Supplies and Services: Includes the cost of purchasing materials, spare parts, food and protective clothing as well as payments to contractors and others for the provision of services.

42. Transport and Plant Costs: Includes the cost of providing and maintaining all vehicles and plant including fuel, tyres, repairs, road tax, insurance, etc.

43. Unusable Reserves: Those reserves that an authority is not able to utilise to provide service.

44. Usable Reserves: Those reserves that contain resources that an authority can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on the exact application of those resources.

Annex – MIRS – Analysis of Capital Reserves

The table below provides an analysis of the capital reserves:

	Capital Receipts Deferred £'000	Capital Fund £'000	Capital Grants Unapplied Account £'000	Total Capital Reserves £'000
Balance at 31 March 2022 Carried Forward	(424)	-	(11,966)	(12,390)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants & Receipts Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(6,220)	(6,220)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	3,536	3,536
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account	-	-	-	-
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	-	-	(2,684)	(2,684)
Transfers to/(from) Statutory Reserves	(1,115)		1,268	153
(Increase)/Decrease in 2022/23	(1,115)	-	(1,416)	(2,531)
Balance at 31 March 2023 Carried Forward	(1,539)	-	(13,382)	(14,921)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants & Receipts Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(2,968)	(2,968)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	4,038	4,038
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account	-	-	-	-
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	-	-	1,070	1,070
Transfers to/(from) Statutory Reserves	1			1
(Increase)/Decrease in 2023/24	1	-	1,070	1,071
Balance at 31 March 2024 Carried Forward	(1,538)	-	(12,312)	(13,850)

Annex – Note 14 – Heritage Assets**Further Information on Museums Collections**

Live Life Aberdeenshire Museums Service collections are managed in accordance with policies that are approved by the Sub-Committee of Live Life Aberdeenshire. Further information is provided in the [Museum Service's Collections Development Policy 2020-2025](#) which was presented to Communities Committee on 3 June 2021 (item 13).

As explained in this document, items in the collection are only disposed of when, in the opinion of the Museums Development Co-ordinator/Curator and with the approval of the governing body, an item does not contribute to the interest and diversity of the Museum Service's collection. The Museum Service maintains a database of items in the collections. The Adlib collections management system records all accessioned items and will ultimately be the Museum Service's final register for the collections. As of 31 March 2023, Live Life Aberdeenshire Museums Service has approximately 24,000 objects recorded in the Adlib database.

In addition to collections held in museums, the following are also regarded as Heritage Assets:

(i) Aikey Brae Stone Circle, Mintlaw

The remains of a recumbent stone circle dating to the Neolithic period (circa 2500BC), is an example of a type of monument unique to the North East of Scotland. There are five erect stones, including the recumbent, still standing which are set on a bank of small stones. The monument is set within a larger fenced area on the edge of a tree plantation. The land is owned by Aberdeenshire Council and is nationally protected as a Scheduled Ancient Monument.

(ii) Rhynie Man, Woodhill House, Aberdeen

A Class I symbol stone dating to the Early Medieval (Pictish) period (circa 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, is now on public display in the Woodhill House reception area.

(iii) Vertical Aerial Photograph Collection

This collection consists of three sets of vertical aerial imagery:

- 1977 BKS B&W Image Collection (circa 6000 images)
- 1988 JASair B&W Image Collection (circa 2500 images) and
- 1946 RAF B&W Image Collection (estimate 3000 images)

These image sets are used to assess landscape change, identify new cropmark archaeological sites, and other research activities undertaken by external bodies. The public and other organisations can arrange access to the collections under supervision. The 1977 and 1988 collections were inherited from the former Grampian Regional Council, while the 1946 RAF collection was gifted to the Archaeology Service by the Royal Commission Ancient Historical Monuments Scotland (RCAHMS).

The BKS Images can be replaced at an average cost of £30 per image from Fugro-BKS Ltd, making the collection value an estimated £180,000. The JASair images can be replaced at an average cost of £20 per image from RCAHMS, making the collection value an estimated £50,000. The RAF collection can be replaced at an average cost of £30 per image from RCAHMS, making the collection value and estimated £90,000. The total value of the collection is £320,000.

(iv) Photograph and Slide Collection

The slide collection consists of an estimated 23,000 images of archaeological sites taken either on the ground or via the former aerial photography programme undertaken by the Archaeology Service over the years since 1975. The collection is currently undergoing a digitisation programme to allow greater public access to it, and to provide backup as part of the disaster management plan.

To produce physical reproductions of the images would average £0.63 per image, making the collection value an estimated £14,000. However the content of collection would be impossible to replicate given the nature of how it was formed.

Annex - Note 19 – Private Finance Initiatives (PFI) and Similar Contracts**Education PFI Schemes**

The Council is committed to four PFI and Similar Contracts. The first contract, which was entered into in 2001, is with Robertson Education (Aberdeenshire) Limited (REAL), a consortium formed by the Robertson Group (Scotland) Limited, to design and construct three schools and an extension to another school in Aberdeenshire and the provision of Educational services to the Council on three of those sites until 17 February 2027 under a Private Finance Initiative (PFI) contract.

The contract involves:

- Design, construction and service provision of a new academy at Oldmeldrum.
- Design, refurbishment and service provision of Banff Primary.
- Design, extension and service provision of Meldrum Primary.
- Design and construction of a Support for Learners Unit at Banff Academy.

The effective date of service commencement for Banff Primary and Meldrum Primary was 18 February 2002, and the contract will run for 25 years. The effective date of service commencement for the academy at Oldmeldrum was 1 August 2002, and the contract will also terminate on 17 February 2027.

In respect of the PFI contract, the Council has leased Banff Primary School, Meldrum Primary School and the Meldrum Academy Site to REAL at a nominal rent.

The second contract, which was entered into in 2004, is with Robertson Education (Aberdeenshire 2) Limited (REAL2) to provide Education services on six sites in Aberdeenshire until 2 October 2030. The contract involves the construction or substantial refurbishment and service provision by the Contractor of educational assets, including primary and secondary schools across six different sites. The contract covers the replacement of Kintore, Rosehearty, Longside and Rothienorman Primary Schools and the building of two new schools; Portlethen Academy and a new Primary School at Banchory.

The effective date of service commencement for Longside Primary and Rosehearty Primary was 6 October 2005, for Rothienorman Primary it was 12 December 2005, for Kintore Primary 23 January 2006, Hill of Banchory Primary 26 January 2006, and Portlethen Academy 24 July 2006. The contract will terminate on 2 October 2030.

The third contract, which was entered into in June 2014, is for the design, build and maintenance of a primary school, secondary school and community facility within the Alford Community Campus. The contract is with Galliford Try and the service commencement date was 9 October 2016. The contract will end on 1 October 2040.

The fourth contract, which was entered into in April 2018, is with Hub North Scotland Limited (DBFM Co) to design, build and provide maintenance services to a new Inverurie Community Campus which includes a secondary school, replacement special school facility, community swimming pool, and dry leisure facilities. The service commencement date was 29 February 2020, and the contract will end on 28 February 2045.

The Council has certain exclusive use rights for the use of the schools during school terms. The contracts specify minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or refurbish the schools and maintain them in a minimum acceptable condition. The buildings and any plant and equipment installed in them at the end of the contracts will be transferred to the Council for nil consideration. The Council only has rights to terminate the contracts if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contracts or as a result of breach of contracts.

Commonly Used Abbreviations

Abbreviation	Expansion
AHfS	Assets Held for Sale
NDR	Non-Domestic Rates
BRIS	Business Rates Incentivisation Scheme
CG	Common Good Funds
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
CT	Council Tax
EFA	Expenditure Funding Analysis
HIP	Housing Improvement Plan
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IJB	Integration Joint Board
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
LLP	Limited Liability Partnership
MIRS	Movement in Reserves Statement
NESPF	North East Scotland Pension Fund
NHS	National Health Service
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
PWLB	Public Works Loan Board
REAL	Robertson Education (Aberdeenshire) Ltd
RR	Revaluation Reserve
SLT	Strategic Leadership Team
TF	Trust Funds
The Code	Code of Practice on Local Authority Accounting in the UK 2022/23
VAT	Value Added Tax