



From mountain to sea

# **Annual Accounts 2019/20**

For the Year to 31 March 2020





## From mountain to sea

### ANNUAL ACCOUNTS 2019/20 – CONTENTS

	Page
Management Commentary.....	1
Statement of Responsibilities for the Annual Accounts.....	23
Annual Governance Statement.....	24
Independent Auditor's Report.....	31
Expenditure and Funding Analysis.....	34
Comprehensive Income and Expenditure Statement.....	37
Balance Sheet.....	38
Movement in Reserves Statement .....	39
Cash Flow Statement.....	40
Remuneration Report.....	41
Notes to the Financial Statements.....	52
Housing Revenue Account Income and Expenditure Statement.....	112
Council Tax Income Account.....	114
Business Rates Income Account.....	116
Trusts and Endowments Income and Expenditure Statement.....	118
Common Good Funds Income and Expenditure Account.....	121
Glossary.....	123
Annex.....	126



## Introduction

This Management Commentary is an opportunity for readers to gain an understanding of Aberdeenshire Council - the environment in which it operates and the community it serves. It also assists in the interpretation and understanding of the Statement of Accounts themselves.

It highlights the complex financial operations that are involved in the running of the Council – revenue expenditure which is supported predominantly by grant funding, council tax and fees and charges, capital expenditure which is supported by a treasury management operation for loans and investments and the operation of the Housing Revenue Account.

As the financial year was drawing to a close in March 2020, the global COVID-19 pandemic resulted in an extensive range of restrictions being brought in at very short notice by the UK and Scottish Governments and which for the Council resulted in the shutdown of schools, leisure facilities, closure of construction sites, the stand down of all but essential frontline services and the majority of staff being required to work from home. These measures took effect from 23 March, the key services that were impacted were Catering and Live Life Aberdeenshire who lost a weeks income, it also impacted on some of the capital projects, further details are shown in the Capital Investment and Expenditure Section of this Commentary. During the national lockdown period the Council mobilised staff, partners and supported community groups to continue to provide critical services for the residents of Aberdeenshire and to protect the most vulnerable residents. The [Grampian Assistance Hub](#) was formed to signpost residents to health and wellbeing advice, financial assistance, support for Communities and support for Businesses.

As a direct result of the current pandemic situation it is even more important to communicate the complex nature of public finances effectively. This includes three aspects of business:

- **Current year's financial position**  
Councillors have been provided with regular updates on the Council's financial position from April, initially on a weekly basis and then monthly. Quarterly updates are provided to each Policy Committee and to Full Council. This is a significant enhancement to the frequency of reporting in any previous year.
- **Looking ahead to the following financial year**  
On the 25 June 2020, Aberdeenshire Council agreed to revise its current Medium Term Financial Strategy and move to develop budgets covering the remainder of this financial year and through to the end of March 2022. This is a progressive step which recognises the need for the Council to adapt to changing circumstances whilst giving as much certainty as possible to service delivery.
- **Financial sustainability of the Council**  
This is a critical point of discussion particularly as the Council has acknowledged that this is a period of financial crisis. The revision to the Medium Term Financial Strategy, the pursuance of cost control being exercised by Directors together with strong political direction driven by the new Council Priorities will be the vehicle to ensure that a sustainable financial plan is produced and presented to Council setting out the proposed scope and standards of service delivery to ensure a financially sustainable business model for the Council.

## Key facts about Aberdeenshire

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

- Educating over 35,000 children across 87 nurseries, 151 primary schools, 17 secondary schools and 4 special schools,
- Operating 39 community centres, 9 sports centres, 14 swimming pools, 11 museums and 36 libraries
- Social landlord of 13,073 council homes
- Weekly waste collection for over 119,000 residential properties
- Maintaining 229 burial grounds, 446 play parks and 113 car parks
- Maintaining 3,500 miles of roads, around 46,134 streetlights, 1,350 bridges and the maintenance and management of 7 harbours.
- Supporting and caring for vulnerable adults and children and helping older people retain their independence through the running of 10 family resource centres, 3 children's homes, 8 older people care homes, 33-day centres and over 1,500 sheltered houses.

Aberdeenshire is the fourth largest geographic council area in Scotland, and sixth largest in terms of population. It is predominantly rural, with 16 towns and 147 settlements. Peterhead, the largest fishing port in Europe, is our largest settlement with over 19,000 residents.

Aberdeenshire's population is 261,210 (June 2019) across 119,000 households of which 28% are home to at least one child and approximately 13% are occupied by a single person over 65.

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

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

## Strategic Direction

The [Council Plan 2017-2022](#) agreed in November 2017 set out how the Council serve the residents of Aberdeenshire through its 11 key priorities and core outcomes. The achievement of these priorities are demonstrated in the performance information included in this commentary.

In [July 2020](#) this plan was formally closed down and new priorities agreed with a new plan set to be agreed at Council in October 2020.

Three pillars support the new priorities



Underpinning the Priorities are a number of key principles, which provide the framework by which the Council will operate:-

- Right people, right places, right time.
- Responsible finances.
- Climate and sustainability.
- Community Planning Partnership Local Outcome Improvement Plans.
- Human rights and public protection.
- Tackling poverty and inequalities.
- Digital infrastructure and economy.

The Council's priorities determine the services delivered and help shape the spending allocations through the Medium-Term Financial Strategy, and the annual budgetary allocations within the funding available. These annual accounts are the financial representation of the cost of delivering the Council's priorities.

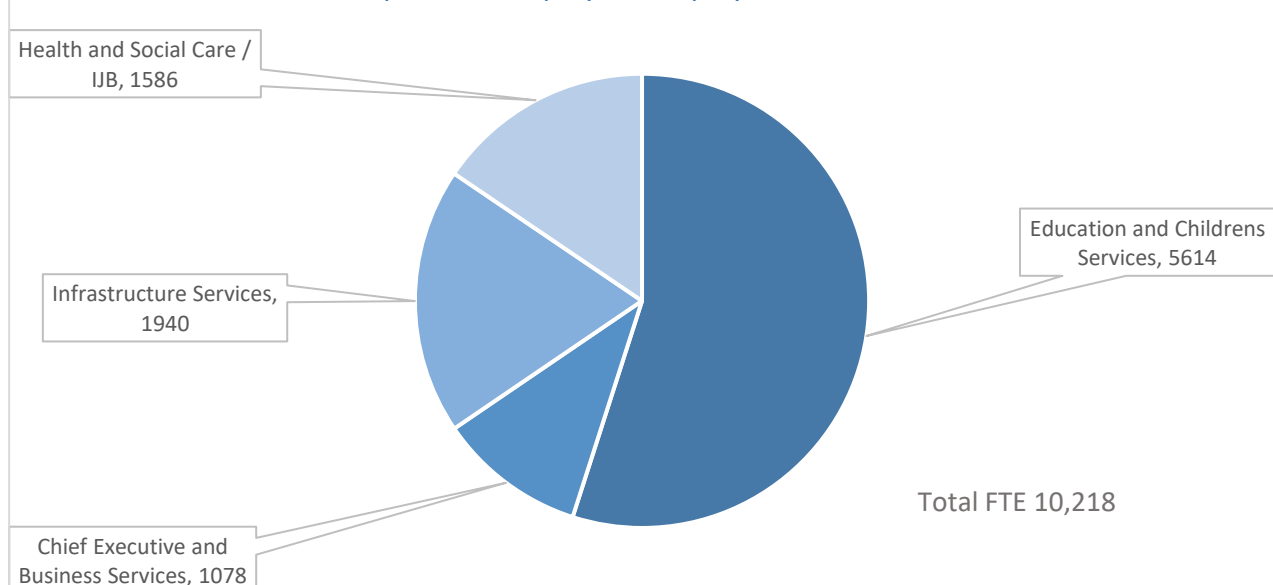
## Aberdeenshire Council

The Council as a decision-making body is made up of 70 Councillors supported by Policy Committees an Audit Committee and the Integration Joint Board (IJB).

Supporting the Council is the Strategic Leadership Team and Council Officers (Employees)



### Full Time Equivalent Employees employed as at 31 March 2020



## Financial Accounting

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

The Annual Accounts comprise of four core statements:

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

Other accounting activities are reported within these annual accounts, such as Charitable Trusts and Common Good movements administered by the Council. As part of the Accounts for 2019/20, Group Accounts have been prepared to reflect the Council's significant interest in the Aberdeenshire Integration Joint Board and the Trusts and Endowments for which the Council is the sole trustee.

## Areas of note in the accounts this year

### Property Valuations

In accordance with the Code of Practice on Local Authority Accounting in the UK 2019/20 there was a revaluation of certain properties this year. Each property that the Council owns is valued once every 5 years. This year's valuations as at 31 March 2020 resulted in a net increase in property values of around £170m which represents 8% of £2,159m (The total PPE NBV at 31 March 2020). The main areas of change were: -

- Education establishments - £97m  
We changed the underlying methodology we use to value our school's estate. This change was in line with guidance received from Association Chief Estates Surveyors (ACES) and Chartered Institute of Public Finance and Accountancy (CIPFA). The valuation now takes cognisance of the school role and the occupancy capacity of the building, this is particularly relevant for schools that are under capacity.
- Leisure establishments of around - £41m
- Social Services Day Centres - £12m

Below is a statement from the Valuer, who is employed as the Council's Estates Manager. This statement accompanied his valuations on the impact of COVID on Property Valuations:-

"On the 16 March 2020 Royal Institution of Chartered Surveyors (RICS) provided a valuation alert with relation to Novel Coronavirus (COVID-19). The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'global pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) are therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that we keep the valuation of assets under frequent review."

### Expected Credit Losses

Based on our assessment of previous debtors write offs we changed the methodology used to calculate the bad debt provision resulting in a reduction in the provision of £2.6m. Based on the bad debts written off in previous years we estimate our coverage to be the equivalent of the write offs for 10 years. This change in calculation was agreed prior to COVID-19 and will be reviewed and revised where necessary in 2020/21.

## Borrowing

The Short-Term Borrowing value increased this year from £96m to £216m. The borrowing strategy for 2019/20 was to avoid incurring a significant permanent new borrowing, this resulted in a greater use of temporary borrowing to help fund the capital plan, this resulted in around £1.5m of interest savings this year.

To mitigate against possible loss of income cash flows from Council Tax and other income streams as a result of COVID, and with a number of existing loans due for settlement in the early part of 2020/21 we ensured that we had sufficient cash to meet our immediate commitments.

## Group Accounts

Group Accounts are prepared where the authority has a material interest in another organisation. Aberdeenshire Council has a significant interest in the Aberdeenshire Integration Joint Board and is sole trustee of Trusts and Endowments. The effect of including these entities in the Group Balance Sheet is to increase the net worth by £3.419m representing Aberdeenshire's share of the net assets. In 2019/20 Aberdeenshire Council contributed over £114m to the Aberdeenshire Integration Joint Board for the provision of adult health and social care and community mental health services across Aberdeenshire.

## Financial Planning

The Local Government context within which the Council operates continues to be challenging and evolving, even more so as we look to assess and mitigate the financial impact of COVID-19. The challenges include policy and legislative developments, increasing demand and expectations for services against a backdrop of diminishing resources, a drive for continuous improvement and transformation, a shift in digital technology and changes to the wider framework of local democracy. Successive single-year settlements from the Scottish Government requires that the Council considers its Medium-Term Financial Strategy (MTFS) annually. However, against this backdrop of increasing financial challenges the Council continues to deliver high quality services to the people of Aberdeenshire within the funding and resources it has available.

The Council's Medium-Term Financial Strategy (MTFS) and the budgets for 2019/20 (General Fund Revenue, Capital, and Reserves, HRA Revenue and Capital and Carbon Budget) were approved by Council on 14 February 2019.

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



## Financial Performance

Financial Performance Information is reported to Committees and Council on a quarterly basis in accordance with the Scheme of Governance. In 2019/20 online live financial information was made available to all Elected Members as well as Budget Holders and Managers. The final position for 2019/20 was reported to [Council 25 June 2020](#). Below is a summary of the expenditure by Directorate and the sources of income funding.

### EXPENDITURE BY DIRECTORATE 2019/20 £593.398m

Education and  
Childrens  
Services  
£340.863m

Health and Social  
Care Partnership  
£114.183m

Infrastructure  
Services  
£67.301m

Business Services  
£40.535m

Financing costs  
£30.516m

### FUNDED BY 2019/20 £593.272m

Government  
Grants  
£316.364m

Business Rates  
£123.645m

Council Tax  
£143.733m

Other Funding  
£9.53m

Net Expenditure 0.126m  
To be met from the General Fund Balance

The final position for the General Fund for 2019/20 was an over budget position of £0.126m. this equates to around 0.0002% of the Councils overall budget. Throughout the financial year, several emerging issues were highlighted to Service Committees, the IJB and to Council. To achieve a breakeven position Strategic Leadership Team agreed a course of action which resulted in all vacant posts being reviewed, the cessation and or deferment of revenue project work, only essential or contract expenditure incurred, and all income invoiced and accounted for. Also agreed was the application of earmarked reserves where appropriate and a review of capital projects to be delivered. This approach is consistent with the process undertaken in the previous financial year.

However as shown in the Expenditure and Funding Analysis (EFA) there is an over budget position, as reflected in the Net Cost of Services of £7.828m which is offset by the use of £1.085m from statutory reserves and a further £6.617m from earmarked reserves, with the remainder of £0.126m met from the General Fund Balance. This is explained in the table below.

**Education and Childrens Services Committee** reported an over budget position of £4.339m. There were over budget positions reported in two areas within Childrens Services. Out of Authority Placements was over budget by £3.284m this is a demand led budget which is actively managed by the service and alternatives to purchased placements continue to be reviewed and considered. The Family Placements budget was also over budget £0.925m this was because of unforeseen inflationary increases which were not captured as part of the budget setting process. The Catering service returned an over budget position of £0.906m, whilst there was a slight reduction in income because of COVID, the increased school meal charge saw a reduction in school meal uptake and an associated loss in income. Whilst there were over and under budget positions across the school's service areas, overall, these services were within budget by £0.755m. Plans to realign budgets to better reflect service delivery and budget management responsibilities are planned for 2020/21.

**Communities Committee** reported an over budget position of £3.695m. £2.043m attributable to Live Life Aberdeenshire, the decision by the Council to retain this service inhouse rather than form a trust resulted in the requirement to develop a new operating model, with the savings associated with a trust model no longer achievable. A new business plan is being developed for 2020/21.

The Integration Joint Board (IJB) is a joint board of Aberdeenshire Council and NHS Grampian. It oversees the Aberdeenshire Health and Social Care Partnership (AHSCP). The IJB manage adult Social Care and Health services in Aberdeenshire. A report to the IJB in December 2019 highlighted a projected pressure of £4.895m, this was subsequently highlighted to the Communities Committee in January 2020. The final out of balance position at the year-end was £5.635m, and the IJB requested an additional contribution from the partner organisations based on the formula set out in the scheme. For Aberdeenshire Council the share is 42.16%, £2.367m. This additional funding request was submitted for approval to Council on 25th June 2020. The main pressure within this budget area has arisen from increasing number of services users within the Older People's Care Packages and within Prescribing budgets.

**Infrastructure Services Committee** reported an underbudget position of £1.711m. Whilst there were several areas during the course of the year which presented budgetary challenges, these were more than offset by areas of under budget positions elsewhere within the service.

- Quarries - the actual income from private parties continued to be lower than the level predicted and resulted in an over budget position of £1.169m.
- Grounds Maintenance – whilst staffing costs for the service as a whole were under budget in this particular area staffing levels and transport costs were higher than budget and non-routine income was below that expected resulting in an over budget position of £0.946m.
- Waste Collection - agency costs and transport costs for front line services were higher than budget this was compounded by reduced income from trade waste resulting in an over budget position of £407,952

**Business Services Committee** reported an over budget position of £0.162m mainly due to unachieved or delayed savings and pressures on the repairs and maintenance fund.

**Management Commentary (continued)**

The table below shows the final position that was reported to Full Council in June compared to the Expenditure and Funding Analysis reflected in these accounts.

Information reported to Council and Committee
Expenditure and Funding Analysis

	Budget £m	Actual £m	Variance £m		General Fund £m	HRA and GF Trf £m	Total £m	
<b>Expenditure</b>								
Business Services	39.803	39.642	0.161		39.877	13.205	53.082	*1
Communities	129.119	132.813	(3.694)		132.813	23.834	156.647	
Education and Children's Services	323.570	327.91	(4.340)		327.91	63.926	391.836	
Infrastructure Services	64.228	62.517	1.711		62.517	39.821	102.338	
<b>Service Expenditure</b>	<b>556.720</b>	<b>562.882</b>	<b>(6.162)</b>		<b>563.117</b>	<b>140.786</b>	<b>703.903</b>	
Financing charges and IORB	30.340	30.516	(0.176)		30.516	5.563	36.079	*2
Other Expenditure	-	-	-		-	1.631	1.631	*3
<b>Total Expenditure</b>	<b>587.06</b>	<b>593.398</b>	<b>(6.338)</b>		<b>593.633</b>	<b>147.980</b>	<b>741.613</b>	
<b>Income</b>								
Revenue Support Grant	(123.812)	(123.645)	(0.167)		(123.645)	-	(123.645)	
Council Tax	(144.054)	(143.734)	(0.320)		(143.734)	-	(143.734)	
Business Rates	(316.051)	(316.364)	0.313		(316.363)	(43.096)	(359.459)	
<b>Total Income</b>	<b>(583.917)</b>	<b>(583.743)</b>	<b>(0.174)</b>		<b>(583.742)</b>	<b>(43.096)</b>	<b>(626.838)</b>	
<b>Surplus/ Deficit Service Provision</b>	<b>3.143</b>	<b>9.655</b>	<b>(6.512)</b>		<b>9.891</b>	<b>104.884</b>	<b>114.775</b>	
Increase/ (Decrease) in Provisions for bad debts	-	(2.063)	2.063		(2.063)	0.487	(1.576)	
<b>Surplus/ Deficit</b>	<b>3.143</b>	<b>7.592</b>	<b>(4.449)</b>		<b>7.828</b>	<b>105.371</b>	<b>113.199</b>	
<b>Transfers to/ from reserves</b>								
Statutory Reserves	-	(1.626)	1.626		(1.085)	-	(1.085)	*4
Earmarked Reserves	2.70	-	2.70					
Usable Reserves	(5.843)	(5.843)	-		(6.617)	(105.371)	(111.988)	*4
<b>Contribution to/ from reserves</b>	<b>-</b>	<b>0.123</b>	<b>(0.123)</b>		<b>0.126</b>	<b>-</b>	<b>(0.126)</b>	

The HRA and GF Trf column above represents adjustments between accounting basis and funding basis under regulations (detailed further in the Expenditure & Funding Analysis Statement).

\*1 - Business Services Actual varies from Committee Report by £235,000 due to late adjustment chargeable to the General Fund.

\*2 - includes adjustment for net pension interest.

\*3 - (Gains)/Loss on the Disposal of Non Current Assets and Assets Held for Sale.

\*4 - £541,000 difference in Statutory Reserves position due to £776,000 transfer from Statutory Reserve agreed during 2019-20 Budget. Therefore, reflected in original budget. This is offset by the late adjustment referred to in note \*1.

HRA Position is included in Transfers column.

## Reserves

The Council maintains two types of reserves – usable and non-useable the details of which are reflected in the balance sheet.

- Usable reserves – result from the Council's activities and are available for spending in the future
- Unusable reserves – these reserves result from accounting adjustments and are not available for spending.

The movement in these reserves are shown in the Movement in Reserves Statement contained within this document.

Note 1 Paragraph 1.22 explains the accounting policies governing reserves.

Notes 7 and 28 provide more information on the Council's usable and non-useable reserves.

The Council's main useable reserves are Earmarked Reserves and the General Fund. Aberdeenshire Council has a policy of holding a minimum of £9m as a General Fund Reserve. The General Fund is maintained as working balance to help cushion the impact of uneven cash flows and as a contingency to help with unexpected events or liabilities. Earmarked balances are created and used to meet known or predicted liabilities

Aberdeenshire Council's reserves reduced by £2.83m to £46.522m by the end of the 2019/20. The movement in reserves was largely due to the use of funds that had been earmarked as part of the Medium-Term Financial Strategy for use to accommodate planned actions during the year around pay awards and workforce strategy.

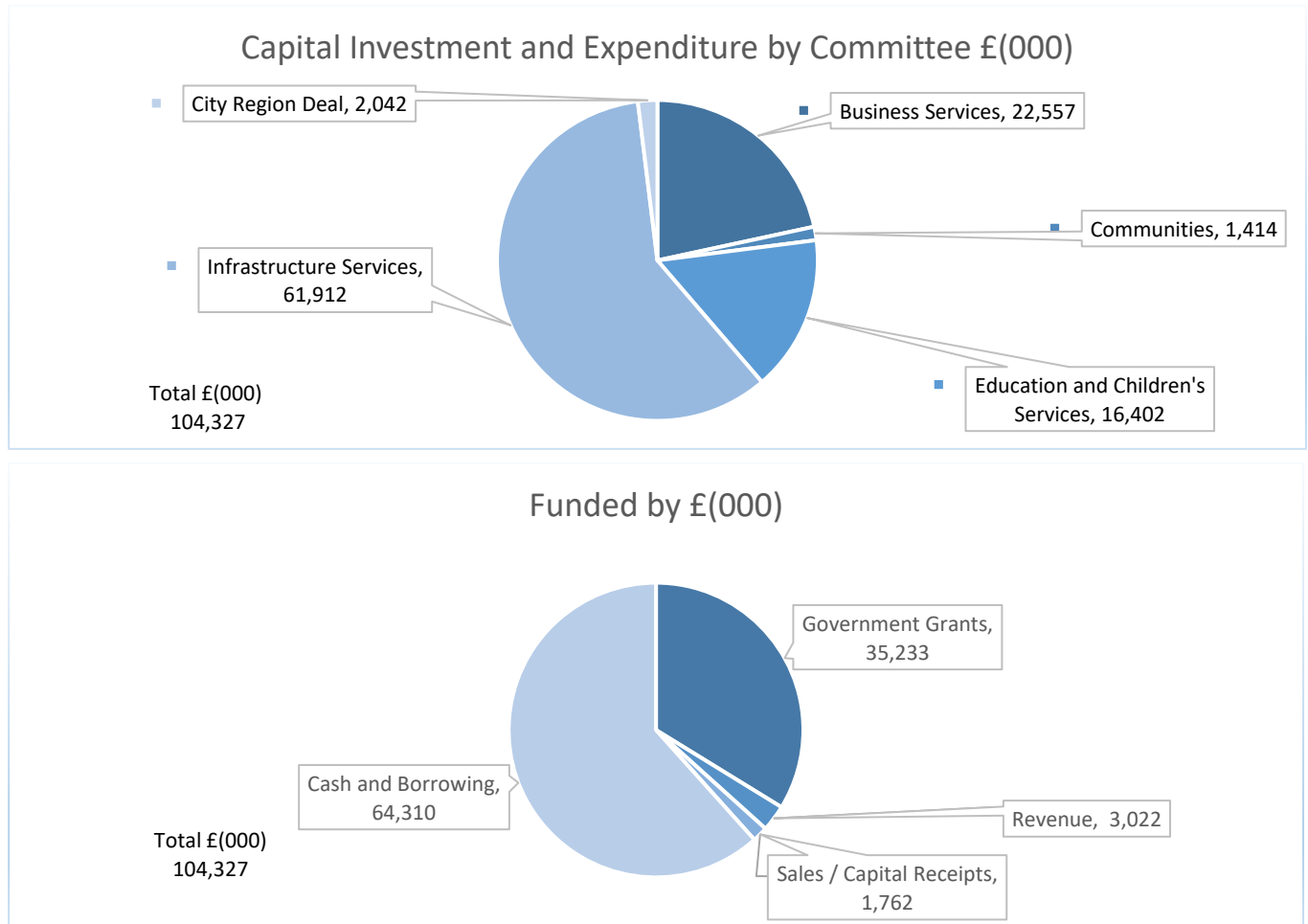
The reserves movements in 2019/20 are summarised below

	Opening Reserves 1 April 2019 £000	Movements £000	Closing Reserves 31 March 2020 £000
<b>General Fund</b>	10,718	(1,718)	9,000
<b>Earmarked Reserves</b>	18,805	(5,025)	13,780
<b>HRA</b>	2,000	0	2,000
<b>Capital Receipts Reserve</b>	659	(234)	425
<b>Statutory Funds</b>	3,174	(850)	2,324
<b>Capital Grants Unapplied</b>	13,999	4,994	18,993
<b>Total Usable Reserves (as reflected in the Movement in Reserves Statement)</b>	<b>49,355</b>	<b>(2,833)</b>	<b>46,522</b>

One of the Reserves that was reduced in 2019/20 was the Devolved Education Management (DEM) Reserve. (Note 7 shows the movement in the reserve). This reserve was formed as a result of the devolvement of some budgetary allocations to Head Teachers to allow them to manage and spend within the current financial year or make efficiencies and then carry forward money for school spending initiatives in future years. There is an ongoing exercise to agree the 2019/20 entitlement, which will be considered by Committee. If approved the final entitlement value will result in a reduction to the General Fund Reserve and the increase of the DEM reserve.

## Capital Investment and Expenditure

The Council has a large capital plan with planned expenditure running through to 2035. The plan consists of several major initiatives to enhance or replace assets in accordance with the Council's Priorities. The most recent plan was approved at [Council in March 2020](#).



The key projects that were invested in in 2019/20 were: -

- Capital grants and improvements to Early Years Facilities to support the delivery of 1140hrs
- School Enhancements
- Energy Waste Facility – multiyear joint project with Aberdeen City and Moray Councils
- Ongoing work on Stonehaven Flood Defense Scheme
- Roads resurfacing and reconstruction, and maintenance of bridges
- Business infrastructure

In 2019/20 Aberdeenshire Council planned to spend £114.109m on capital projects, this was subsequently revised in year to £158.361m. The final outturn position was £104,327m, 66% of the revised plan for the year. Whilst capital expenditure was lower than budgeted, the Capital Plan delivers large scale projects which can and will take longer to deliver than sometimes expected, these delays were further compounded by the impact of COVID-19 which necessitated the closure of sites in March.

Key projects that were delayed this year

- It was anticipated that some £9.959m would be required to fund land compensation payments pertaining to the Aberdeen Western Peripheral Route, it is however expected that these will progress in 20/21
- Energy from Waste whilst this project is progressing, the project milestones were delayed resulted in an underspend against that planned of £7.554m, this project was also impacted by the COVID restrictions.
- £0.5m planned expenditure on burial grounds was delayed due to challenges in acquiring land.
- Stonehaven Flood Protection Scheme project underspend of £3.942. Zone 1B fell behind programme due to problems establishing the temporary works due to the lack of space available, the proximity to buildings, and poor ground conditions.
- Out of the 7 Council-led projects funded by the monies awarded by the Scottish Government to the Aberdeenshire Town Centre fund: Bridge Street, Banff; The Vinery; The Promenade in Stonehaven; Drummers Corner and the Banchory Museum and Library redevelopment have all gone to tender and are in a position to approve. However, due to the COVID-19 restrictions, all projects were suspended, resulting in a £1.751m underspend. The tender process will restart in 20/21.
- Early years (1140hrs) projects, planning delays resulted in the reprofiling of new build projects of £1.772m this year.
- Planned enhancements of some £1.093m to the Alford Ski Slope, Pranay School extension, Hillside School extension, Fraserburgh Academy upgrade; Turriff Academy upgrade and Gordon Schools external courtyard upgrade have been delayed as a result of supply chain disruptions, building control and design challenges this work will continue in 20/21.
- Inverurie Community Campus was due to be completed this year, however delays on completing phase 1 compounded by COVID restrictions resulting in £1.206m of project expenditure delayed until 20/21.

## Housing Revenue Account

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

The Housing Revenue Account is managed and monitored separately from the Council's General Fund albeit its performance is reported on a quarterly basis to both the Communities Committee and Full Council in line with the Financial Performance Monitoring.

The Housing Revenue Account (HRA) budget for 2019/20 was approved by Aberdeenshire Council on 14 February 2019 this budget is underpinned by the 30-year Business Plan which was last reviewed in 2017/18. There is a planned review of the Business Plan and the rent strategy in 2020/21 which will encompass a full review of the HRA that will inform financial decision making going forward.

When the 2019/20 Housing Revenue Account (HRA) budget was set in February 2019, a surplus of £19.817m was budgeted for, and as in previous years, it was agreed that this surplus would be used to fund the HRA Capital Programme, whilst maintaining a minimum working balance of £2m. The actual net revenue surplus at the end of the financial year was £14.843m, or £4.974m lower than budget.

The Service actively manages the housing portfolio to minimise the number of void properties, however the ongoing capital works to achieve the Energy Efficiency Standard for Social Housing (EESH) has required the holding of vacated properties as void to enable these works to be carried out. It is anticipated that the number of properties that will be required to be held void will reduce in 2020/21 as progress is made with the capital programme and as a result of the review of the void process which is taking place. Increased costs arising from repairs and maintenance undertaken on void properties and an increase in the provision for bad debts arising from rent arrears have also impacted on the current year's final outturn position

The final outturn for the year to 31 March 2020 shows a breakeven position for the revenue account and an over budget position for capital of £3.360m. The HRA Outturn Position for 2019/20 was reported to [Council on the 25 June 2020](#).

	2019/20 Budget £000	2019/20 Outturn £000	Variance from Budget £000
Revenue Expenditure	41,579	46,134	(4,555)
Revenue Income	(61,396)	(60,977)	(419)
CFCR	(19,817)	(14,843)	(4,974)
Capital Expenditure	77,420	49,801	27,619
Funded by:			
Borrowing	46,203	31,823	14,380
New Build Financing	11,400	2,926	8,474
Other Capital Income	0	209	(209)
CFCR	19,817	14,843	(4,974)
	77,420	49,801	27,619

## Treasury Management and Prudential Indicators

Treasury management is the term used to describe the activities surrounding the Council's long term borrowing, lending (investing) and cash flow management on a day to day basis to ensure sufficient funds are available to pay staff and suppliers throughout the year.

The Council has a [Treasury Management Strategy](#) that aims to ensure borrowing is affordable, prudent and sustainable and that the borrowing to fund capital expenditure is contained within the agreed limits.

The following key indicators which were approved at Business Services Committee on [18 April 2019](#)

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

We incurred £104m of capital expenditure in 2019/20, £10m lower than planned.

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

We planned to spend 6.7% of our revenue budget in 2019/20 to meet our borrowing costs, our overall borrowing costs were lower than planned at 6.62%.

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

Indicator	Treasury Management Strategy (£m)	2019/20 Outturn (£m)
Capital financing requirement	929.00	897.00
Net Borrowing	846.00	836.00

4. Authorised limited and operational limit for external debt.

The authorised limit sets an absolute limit for the Council's total external borrowing. It is set to reflect current and proposed borrowing and contains an allowance for the estimated maximum temporary borrowing during the year to meet cash flow requirements.

The approved limit for 2019/20 was £1,006m, borrowing of £994m was incurred in year which was below that agreed.

The operational limit excludes the allowance for temporary borrowing and reflects the budgeted provision for borrowing. It is however necessary to retain some scope for managing temporary cash shortfalls, hence the requirement to set a higher authorised limit. The authorised limit should not be breached in any circumstances without the prior approval of the Council.

The operational limit (budgeted provision for borrowing) for 2019/20 was £956m, the actual limit for the year was £814m below that agreed.



## Non-Financial Performance

Aberdeenshire is proud to be a high performing Council with a track record of delivering excellent services that provide good value for money to the residents of Aberdeenshire. Each year we rise to the challenge of reduced funding whilst striving to protect the scope and standard of the services that we provide.

The Council Plan 2017-2022 was approved by Full Council at the meeting of 23 November, 2017, providing strategic direction through the confirmation of the associated eleven priorities to provide a focus for the delivery of Council services and how the Council would engage and work with partners, communities, businesses and the third sector in future years. The priorities are not linked to a service specifically, instead the focus is on all services working together to contribute to the achievement of the outcomes.

This performance narrative for the year 2019/20, formally closes reporting against these eleven Council Priorities as, given the general context, it is right to recognise the need to articulate new Priorities which reflect the current challenges faced by the Council. New Council Priorities were approved by [Full Council on 23 July 2020](#) and reporting against these new priorities will commence during 2020/21 under the three pillars of 'Our People', 'Our Environment' and 'Our Economy'.

The Council publishes an Annual Performance Report in September each year which is available to the public on the Council's website at <http://www.aberdeenshire.gov.uk/strategy-and-performance/about-performance/>. The 2019/20 Annual Report was considered by [Aberdeenshire Council on 24 September 2020](#).

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

Performance highlights for each priority are shown below



### **Support a strong, sustainable, diverse, and successful economy**

- 649 Business Start-ups supported by assistance from the Business Gateway
- 80.8% of all planning applications processed within 2 months
- 50% of all car parking ticket machines allow for contactless payments



### **Have the best possible transport and digital links across our communities**

- The myAberdeenshire public WiFi service is available at 298 council sites including schools, libraries, community centres, leisure centres and offices. The service is widely used with over 500,000 user sessions recorded within a 12-month period.
- A reduction in the A class and Unclassified Roads that should be considered for maintenance
- 87% of streetlight faults remedied in 7 days
- During the winter, operational staff were active to ensure that ice and snow caused minimal disruption to the roads network with 32 primary route gritters now able to be tracked on the Aberdeenshire website.
- An analysis of accident statistics over the period of the A947 Route improvement works demonstrates a downwards trend in serious collisions, however, there continues to be work undertaken to progress towards a vision of zero fatal and serious collisions on the road.



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

- 31% of registered children in Local Authority pre-school 1140 settings
- 51.5% overall take up of eligible/vulnerable 2yr olds as a percentage of the Central Health Index
- 75.9% of the Councils Early Learning Childcare settings achieving good or better across Care Inspectorate Q1 areas
- Technology Investment Programme saw the roll out of Windows 10 upgrades
- Delivery of 200 Foundation apprenticeships



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

- 91% of parental satisfaction with local schools
- 94.1% attendance of pupils
- Reduction of exclusion incidents



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

- Average of 30,948 members across Sports and Culture Services
- Live Life Aberdeenshire has provided/ benefitted from 17,989 volunteer hours
- 87.24% users reporting a positive impact on physical and mental health.
- Delivery of the cultural festival 'Across the Grain'
- Introduction of e-bikes for staff work related travel between offices
- Community Path Information Pack published to support community-led action on paths



### **Have the right mix of housing across all of Aberdeenshire**

- 249 social rented properties completed
- 2 Local authority gypsy travel sites in Aberdeenshire
- 13 empty homes brought back into use
- 146 disabled adaptations carried out in local authority properties



### **Support the delivery of the Health and Social Care Strategic plan**

- 99.7% of people seen within 4hrs in community hospital Minor Injury Units in Grampian
- 318 adult protection referrals
- 88.1% of adults receiving drug treatment within 3 weeks of referral
- 86.4% of clients received alcohol treatment within 3 weeks of referral



## Work to reduce poverty and inequalities within our communities

- 13 Academies have increased the daily allowance for those entitled to free school meals to ensure that the cashless catering cards can be used to cover breakfast.
- 1,037 people have accessed income maximisation services
- 299 individuals have been supported into employment or training opportunities
- 10,396 people have accessed money, debt advice, income maximisation and information advice services
- Client financial gain of £8,859,404 has been secured



## Deliver responsible, long-term financial planning

- 76% of people believe Aberdeenshire Council is efficient and well run
- 73.4% of people believe Aberdeenshire delivers value for money



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

- 85% of people satisfied with services delivered by Aberdeenshire Council
- 91.7% of queries resolved at first point of contact through the Contact Centre
- 12.7% staff turnover



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

- 45% of household waste collected and recycled and composted
- 95% of application for works to protected trees handled within 8 weeks
- 4.6km Core Paths opened or improved
- 12.3m kWh of Biomass energy consumed by Council streetlights

## Principal Risks and Uncertainties

The Council's risk management and business continuity activities focus on the key elements and themes documented in the Risk Management and Business Continuity Strategy. The risk management process uses a Risk Register structure which is aligned to the Council structure and it differentiates between strategic and operational risk.

**Corporate Risk Register** – contains the high-level strategic risks at a Corporate Level being the principal risks and uncertainties. These risks are broadly those faced by many public-sector organisations. The Corporate Strategic Risk Register is aligned to 10 Principal Risks as shown below.

Corporate Risks	Management and Controls
<b>Budget Pressures</b>	Budget setting process Strategic Leadership Team monitoring. Budget Strategy Group. Budget management at various levels
<b>Changes in government policy, legislation, and regulation (including Education reforms and potential impact on integration of children's services; Brexit)</b>	COSLA membership SOLACE membership Membership of professional bodies at Corporate & Individual level
<b>Workforce (attracting and retaining the right skills; performance; culture; reward package; industrial relations) Managing the disruption to jobs as innovation and technology improve productivity.</b>	HR&OD Policies Recruitment Strategy
<b>Business and organisational change (including ensuring governance structures support change; and, managing the pace of change)</b>	Project Management Process
<b>Working with other organisations (e.g. supply chains, outsourcing, partnership working and commercialisation)</b>	Partnership Policy Partnership Risk Registers Procurement Policy
<b>Reputation management (including social media)</b>	General Policy & Procedures for staff Social Media Policy Information Security Management Group
<b>Social risk (e.g. population changes, poverty &amp; social inequality, demographic changes, crime, antisocial behaviour)</b>	Community Planning Partnership CONTEST Strategy & Implementation Plan Serious & Organised Crime Strategy & Implementation Plan
<b>Data Protection &amp; Cyber Security</b>	Information & Security Management Group Operational Controls Public Sector Cyber Catalyst
<b>Operational Risk Management (including health &amp; safety)</b>	Risk Registers Operational Controls H&S Policies Accident Reporting Directorate & Service Risk Committees Occupational H&S Sub Group
<b>Environmental challenges e.g. extreme weather events, climate change. (This includes localised risks around flooding and air pollution and the need for communities to display resilience)</b>	Emergency Planning Arrangements Business Continuity Plans Climate Change Adaptation Strategies Community Resilience

The Corporate Risk Register and Directorate Strategic Risk Registers can be viewed in the appendices to the Risk Management Review annual report which was presented to the Audit Committee in [October 2019](#).

Under the Council's Scheme of Governance, the consideration of Corporate and Directorate Specific Risks is integral to the Committee decision making process with report authors required to highlight the risks that are relevant to the subject matter being considered.

## Horizon scanning

### COVID-19

Like all other organisations in the public, private and voluntary sectors, the Council is facing an unparalleled crisis because of COVID-19. Whilst we have been able to re-prioritise and adapt service delivery models e.g. home working, electronic authorisations and direct payment of free school meals in response to the emergency so that we can continue to support communities and businesses across Aberdeenshire and ensure the continuation of open, transparent decision making through the use of technology and live streaming there are undoubtedly challenges ahead as we move through the recovery phase.

We have yet to see the full impact of changes in how residents and businesses choose to use and access our services. The economic impact of the pandemic on rural businesses, hospitality, tourism, unemployment, and household income have yet to fully manifest themselves.

The financial impact on the Council is not in doubt. On the 25th June 2020 the Council was advised by the Head of Finance of a Financial Crisis as a result of the impact of COVID-19, a prediction of where the Council expected to be in the first quarter of 20/21 – an out of balance position £8.5m, and a possible out of balance position of £30m for the 20/21 Financial Year, and if action was not taken the depletion of around 70% of the Council's reserves, this further compounded by the known out of balance position for 21/22 of £22m.

This position was brought about by additional costs as a result of the pandemic relief support, the reduction in income across all services ( Sports and Culture establishments, School Meals, Music Tuition, Hall Lets, Car Parking charges), payments to staff under the Casual Worker Payment ( Scottish Joint Council for Local Government Employees) which saw staff in relief positions before COVID-19 lockdown receive an average of three months earnings between 1 January and 31 March 2020 – these payments were made in 2020 and are not reflected in the 2019/20 accounts.

The UK and Scottish Government have provided several funding streams to help mitigate the impacts. At the time of writing Aberdeenshire has been allocated some £70m of additional support to help mitigate the impact. £48m was for Business Support grants and Hardship Funds for the self-employed, with the remainder to cover the additional costs incurred in key areas in education and childcare, food fund and Scottish Welfare Fund. Local authorities await further details of a scheme to recompense them for the loss of income.

At the same time, the global pandemic is having a fundamental and negative impact on the national economy and presents a series of significant challenges for the economic health of the country and its public finances in both the short and medium term. As such, the outlook for local government funding remains unclear.

As a result of the current uncertainty Aberdeenshire plans a restructuring of its budget in November 2020 with a view to achieving a balanced position by March 2022.

### Brexit

Prior to the pandemic the Council was planning for Brexit. The Director of Business Services chairs an inter-service working group on Brexit implications. This includes representation from Finance, Legal & Governance, Human Resources & Organisational Development; Policy; Procurement; Resilience and Economic Development. COSLA hold regular conference calls with all Local Authorities which are participated in by a Council representative who reports back to this group. In terms of the risks identified by the Council, these are set out in an action plan published on the Council's website for transparency: <https://www.aberdeenshire.gov.uk/media/24716/nodealbrexitplanning.pdf>

The main issues identified are:

- 1) The **Status of EU/EEA nationals** which has implications for residents and their ability to access Council services in addition to workforce implications for the Council. The main mitigation measure is to ensure that residents and staff register for Settled Status. The scheme has been promoted through Home Office resources in Council buildings, a [website for staff](#) and a [public-facing webpage](#). Support is also available for residents to apply for Settled Status in Council registration offices, with the Council having procured hand-held devices for scanning relevant documents from the Home Office approved supplier. Other local organisations such as Citizen's Advice Bureaux are also able to assist residents to apply for Settled Status.
- 2) **Workforce** pressure both through a potential reduction in the pool of available staff and an increase in workload is a potential risk. With regards to the former, an assessment has been carried out by Human Resources and Organisational Development and found that there is no significant impact expected on the number of EU/EEA nationals presently employed, but that there has been a reduction in the number of job applications from EU/EEA nationals. A resource pressure has been identified in the Environmental Health Service due to a likely increase in workload through having to provide Export Health Certificates for food/drink producers exporting to the EU. This is a national issue being dealt with primarily by COSLA who are looking at options such as training additional staff; temporarily retraining and recruiting retired staff; reviewing and reprioritising service workloads; and lobbying for an exemption to the requirement to provide EHCs in any future EU/UK trade deal.
- 3) **Supply chain disruption and potential price increases** due to reduced supply/fewer suppliers and reduced competition as well as currency fluctuations have been identified as a risk. However, these are largely outside of the control of the Council and are difficult to quantify whilst future trading relationships between the EU and UK are under negotiation.
- 4) Approximately £2m of **EU funding** per year is managed directly by the Council, with a significantly higher amount received directly by other organisations and businesses in Aberdeenshire through nationally managed schemes (e.g. agricultural payments, rural development, and fisheries programmes). As the UK Treasury has underwritten commitments to programmes using national resources, it is anticipated that these programmes will continue until approximately 2023.

The Council adopted [a position paper on replacement programmes](#) at an early stage and is using this as the basis upon which to respond to UK and [Scottish Government consultations](#) to advocate the introduction of replacement programmes as soon as possible.

### **Health and Wellbeing**

With anticipated pressures on mental health services arising from lockdown, the ongoing challenge of caring for and supporting elderly residents with complex health needs, the current public health emergency and the need to minimise hospital admissions so the NHS can cope with 2<sup>nd</sup> and 3<sup>rd</sup> waves of COVID-19, the [Integration Joint Board's Strategic Delivery Plan](#) has never been more timely.

Whilst this Plan will be delivered by the Aberdeenshire Health and Social Care Partnership, the Council has a major part to play in supporting its priorities and programmes such as Digital First, maximising the use of smart technology, the development of community services through Operation Home First and the Reshaping of Care to be more person centred and sustainable. Live Life Aberdeenshire, for example are looking to re-shape services to be less premises centred and more community focussed to support activity programmes for the frail elderly and the Healthy Eating and Being Active programme aimed at promoting healthy lifestyles and tackling obesity.

On 1<sup>st</sup> September 2020, the First Minister announced [the Review of Adult Social Care in Scotland](#) as part of the Programme for Government. The Principal aim of the review is to recommend improvements to adult social care in Scotland with a focus on the outcomes achieved by and with people who use these services, their carers', families, and those working in the sector, the report is expected in January 2021.

### Climate Change

Aberdeenshire Council recognises that all its functions and operations have an impact on the environment and is committed to reducing this. The Council has a Climate Change Declaration and an Environmental and Climate Change Policy. In addition, Aberdeenshire Council became the first Local Authority in Scotland to develop and approve a Carbon Budget process which ensures that we place as much focus on our carbon footprint as we do our financial budgets.

Aberdeenshire has experienced the impact of severe weather events with localised flooding and the risk of damage to transport infrastructure and with such events likely to continue there are opportunities arising from the change in travel habits engendered by COVID-19 to encourage individuals to sustain new and greener travel habits through Spaces for People.

On behalf of the Councillors and Strategic Leadership Team  
29 October 2020

Jim Gifford  
Leader of the Council



Jim Savege  
Chief Executive



Alan Wood  
Head of Finance





## **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 Jim Gifford  
Leader of the Council  
29 October 2020

## **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 2020.

Alan Wood, MA (Hons), CPFA  
Head of Finance  
29 October 2020

### Aberdeenshire's Vision

The [Council Plan, which was agreed by Councillors on 23 November 2017](#) sets out a clear strategic direction for creating a successful and sustainable region by supporting people and communities to realise their potential.

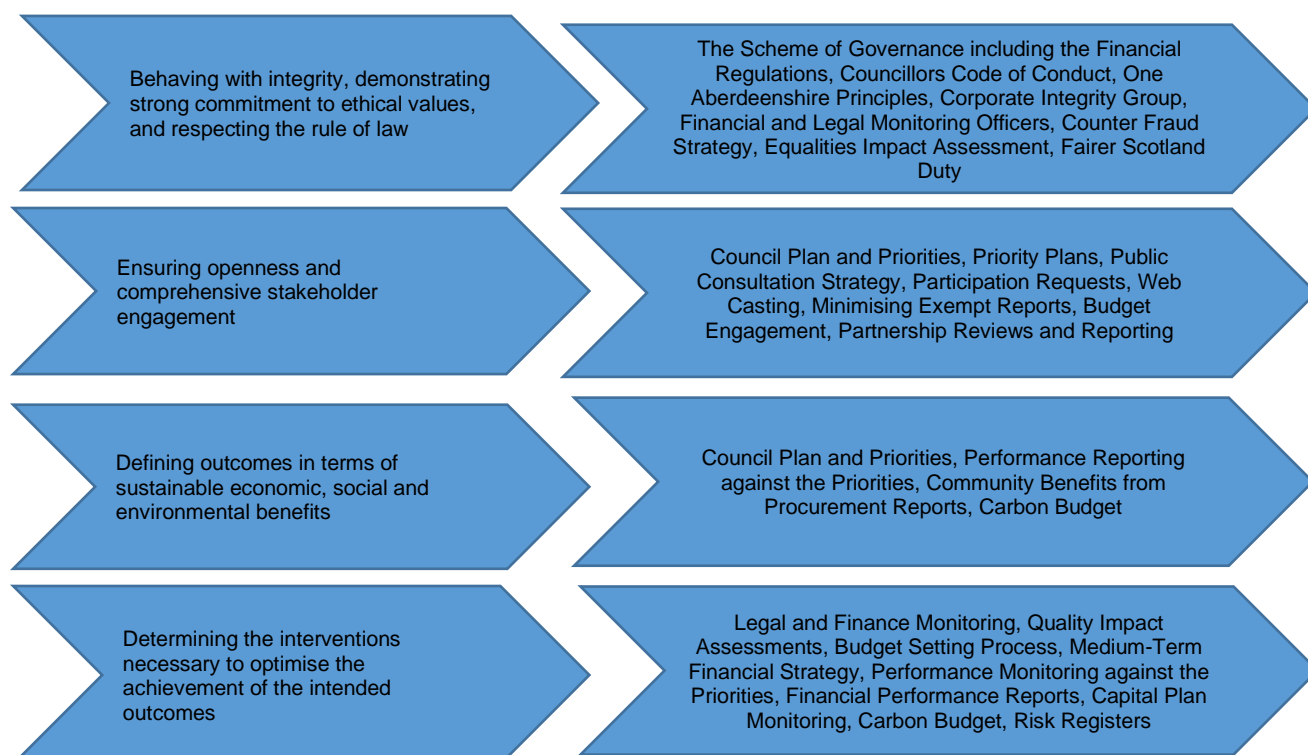
The Council Plan is underpinned by Priority Plans and Head of Service Business Plans which are shaped by the Council [Priorities](#). The Council's Medium Term Financial Strategy, which was agreed on 14 February 2019, is the financial embodiment of the Council's Plan. The Council's [performance](#) management and reporting framework in conjunction with the [Risk Management and Business Continuity Strategy](#) are the tools which Councillors will use to scrutinise delivery of the Council Plan.

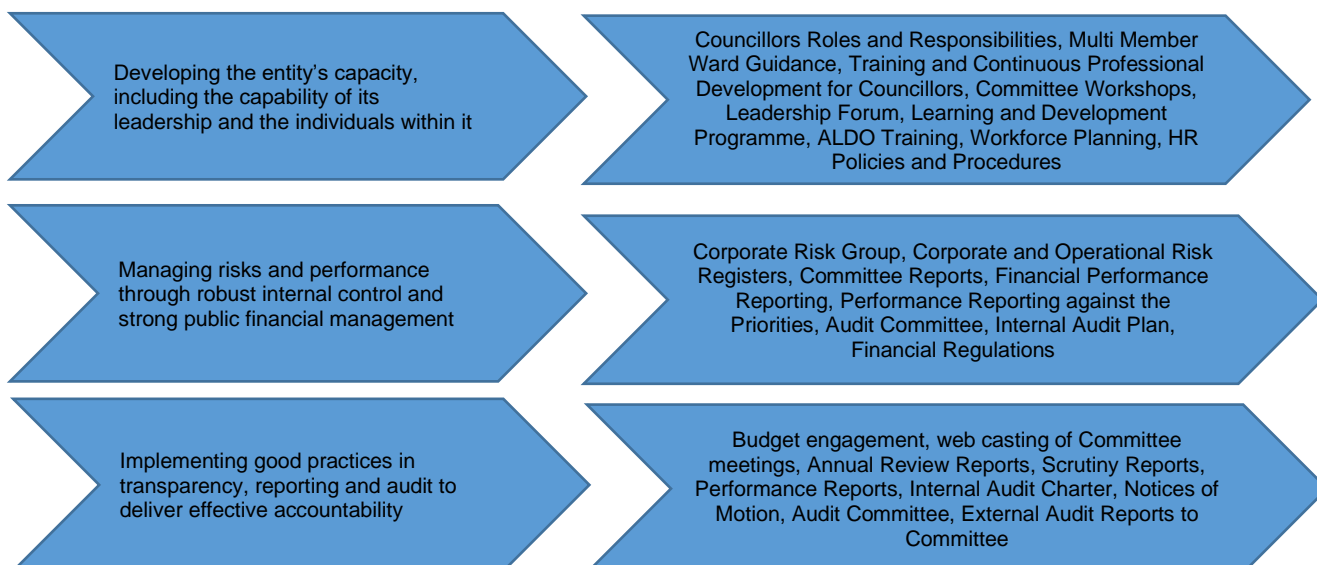
### Scope of Responsibility

Aberdeenshire Council has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately. The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In 2016 the Council approved the current [Scheme of Governance](#) to ensure that there were appropriate arrangements for the governance of the Council's resources. The Scheme of Governance has been subject to an ongoing review process, starting in 2018 and carrying on throughout 2019, as the Scheme was adapted to ensure greater transparency, continuous improvement, changes in legislation and Council operations. During 2019/20 Full Council discussed and scrutinised Reports concerning changes to the Scheme of Governance on [27 June 2019](#), [26 September 2019](#), [21 November 2019](#) and [16 January 2020](#). Further amendments to the Scheme of Governance were agreed by Full Council on [18 March 2020](#) in response to the COVID-19 pandemic.

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





### The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the approval of the annual accounts.

### The Governance Framework

The Governance Code covers four key areas: Community Focus, Service Delivery, Structures and Processes, and Risk Management and Internal Control. The Director of Business Services has the responsibility for overseeing the implementation of the Governance Code and reviewing it in practice. Audit Committee now has the remit for scrutinising the review of the Governance Code. The review took account of CIPFA's *Delivering Good Governance in Local Government: Framework (2016)* and was reported to Audit Committee on 6 February 2020. A copy of the Governance Code Report and the Self-Assessment is available through the attached [link](#).

The revised Code of Corporate Governance is based on the seven principles from *Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016)*, which are set out above. The system of corporate governance and internal financial control is based on a framework with appropriate delegation and accountability.

The corporate governance and internal control procedures are informed by feedback from Councillors and Committees, Internal Audit and External Audit, work undertaken by external review bodies including Education Scotland, the Care Inspectorate and Audit Scotland, input and comment from managers within the Council and customer and stakeholder feedback.

Aberdeenshire's Integration Joint Board (IJB) for Health and Social Care is now well established with full delegation of functions and resources. The revenue budget for the IJB is reported to the Board, and regularly discussed at Strategic Leadership Team. The

Council's contribution to the IJB is part of the Revenue Budget Monitoring Report that goes to Communities Committee and Full Council, which is in accordance with the Scheme of Governance.

### **Review of Effectiveness**

The review of the effectiveness of the governance framework, including the system of internal control, is ongoing throughout the year, building on and with contributions from the Council and its Committees, including Audit Committee, Strategic Leadership Team (SLT), the Statutory Officers, Internal Audit, external organisations which carry out audits or inspections of the Council and regular self-assessment and evaluation using the council's corporate framework 'How Good Is Our Council?'

The Council's Governance Code and the related systems of internal financial control provide reasonable assurance that the Council meets its statutory and fiduciary responsibilities. Aberdeenshire Council adheres to the principles of openness, integrity and accountability. All reasonable steps are taken to ensure assets are safeguarded, transactions are authorised, procedures are practical and adhered to and that errors are either prevented or detected within a timely period, corrective action taken and lessons learned. For example, the increasing threat from cyber fraud, arising from the hacking of individual and supplier email accounts, has resulted in additional safeguards being put in place to when it comes to dealing with requests to change payment details.

Each year the external auditor produces a report for the Council, which can include recommendations for the Council to address. The Council recognises the importance of these recommendations and will develop an Action Plan for implementation, the most recent progress was reported to Audit Committee on 19 September 2019. The Council has reacted positively and constructively in implementing the Planned Management Actions in the Action Plan by assigning each action to an officer with a target completion date agreed. The responsibility for the completion of the Action Plan rests with the Head of Finance and is discharged through the Corporate and Strategic Finance Managers.

There were 4 recommendations in the action plan arising from the 2018/19 Accounts.

- An effectiveness review should be undertaken to review the operation of the Audit Committee against its remit within the Scheme of Governance but also to consider how well the Committee and Officers work together.

A self-evaluation programme for the Audit Committee was developed at the end of 2019, with the intention of running a workshop session with the Committee members. However, the session was postponed due to the Covid-19 pandemic. Consideration is being given to holding the session remotely through the use of online tools and this is expected to take place ahead of the summer recess. Following feedback from Policy Chairs, work is currently taking place on an electronic survey of Audit Committee Members, Policy Chairs and Vice Chairs, Directors, Heads of Service and regular attendees at Audit Committee, with the aim of reporting back on the results of the survey to Audit Committee on 2 July 2020.

A series of face to face and online training sessions on the Scrutiny at Aberdeenshire process were delivered to senior management teams in August and September 2019 and six sessions with Elected Members were held between October and December 2019. There has been increased scrutiny activity in 2019/2020, with greater use of the formal scrutiny procedures by Committees. Feedback from the training and the scrutiny work undertaken this year will be used to inform any changes to the Scrutiny at Aberdeenshire guidance under Part 4A of the Scheme of Governance.

- Consider the information which the Council routinely puts in the public domain out with the formal Committee process (i.e. beyond its current annual reporting activities) to determine what more can be effectively achieved to strengthen transparency and openness arrangements

The Audit of the 2018/19 Annual Accounts recognised that the Council "demonstrates a commitment to conducting business in an open and transparent manner", which is recognised in the Scheme of Governance. In addition to supporting Committees and their Chairs with all their communications, the Communications Team support services with all their internal and external communications, for example part of the 2019/20 budget setting process involved the Team working with Finance on the development of a budget engagement tool whereby residents of Aberdeenshire could provide feedback on where they would prefer

the Council to prioritise spending. The outcome of this exercise was then reported to Full Council on 14 February 2019 in Appendix 1 to the Medium-term Financial Strategy Report.

- Reflect on the intention of the scrutiny arrangements implemented by the Scheme of Governance, consider the adequacy of the scrutiny function and whether it can be demonstrated that it helps drive improvement.

Under the Council's Scheme of Governance, the scrutiny remit falls to the various Policy Committees. During 2019/20 there were 6 Scrutiny Referrals to Policy Committees resulting in Stage 1 Reports none of which resulted in Stage 2 Workshops. There were 4 Scrutiny Referrals to Area Committees, two of which resulted in Stage 1 Reports only, one of which resulted in a Stage 2 Workshop and one which is due to report shortly. These were instigated either by the Policy or Area Committees themselves for example in relation to Newmachar Speed Limits or as a result of a referral from Audit Committee. The results of the effectiveness review of the Audit Committee will provide information on how Senior Councillors and Senior Officers assess the adequacy of the scrutiny function and where improvements can be made.

In terms of performance scrutiny, Policy Committees have received performance reports that are aligned to the Council Priorities but whilst acknowledging the progress to date there is a recognition that there is more work to do to provide a robust golden thread between the Council Plan, Priorities, Priority Plans and outcome based performance reports, which elected members are seeking.

- Develop medium-term resource plans demonstrating integrated financial and workforce capacity to deliver agreed council priorities.

The budget setting process for 2020/21 brought together financial and work force data, linking these elements to service delivery and the Council's priorities. This was done through a data analytics tool, the capabilities of which are still being explored and is a work in progress in terms of honing and refining the information so that in future it can be incorporated in the Council's Medium-Term Financial Strategy

## **Risk**

It is recognised that the format of the current Risk Registers do not fully reflect Council's Priorities and initial work had started in 2020 in terms of reviewing these but this had to be put on hold due to the need to respond to COVID-19. In addition the Risk Registers will require to be reviewed in light of the ongoing threat from COVID-19, the risk from future such pandemics and any changes the Council makes to its governance arrangements, priorities, strategy and operating model as it moves into the recovery and renewal phase of the pandemic.

The Council's senior management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Chief Internal Auditor has the responsibility to review these independently, and report to the Audit Committee annually on the adequacy and effectiveness of the Council's internal control environment. The Chief Internal Auditor has reviewed the Council's internal control environment, and, in his opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2020. However, as in previous years, some significant concerns have been identified throughout the year. Recommendations graded as "major" have been made in 5 reports in 2019/20 (7 in 2018/19, 7 in 2017/18 and 10 in 2016/17): Payroll System, Workforce Planning, Developer Obligations, Winter Maintenance and Charging Policy. The outcome of these audits, along with others, and concerns regarding the implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year.

Recommendations made regarding the issues identified have been agreed with management and Internal Audit will be ascertaining progress with implementing these during 2020/21. Progress made by Services will help inform Internal Audit's annual opinion for 2020/21. In addition to the above, it is important to include that areas of good practice, improvement, and procedural compliance have been identified and these have been detailed in individual assignment reports.

During the last External Quality Assessment of the Council's Internal Audit arrangements, undertaken in 2017/18, the Council's Internal Audit arrangements were found to generally conform with the 13 areas of the Public Sector Internal Audit Standards (PSIAS) and the recommendations made in that report have since been implemented.

**Aberdeenshire Council Budget 2020/21**

The context within which local government operates continues to be a dynamic one, particularly around funding with successive one-year settlements requiring the Council's Medium-Term Financial Strategy to be reviewed annually. The need to be financially fleet of foot was amply demonstrated when the Council had to adapt to the settlement letter being delayed due to the UK Government budget being set in March 2020 and the emerging financial implications of the COVID-19 pandemic and lockdown. Nevertheless, the Priorities contained within the Council Plan continued to inform the 2020/21 Budget which was agreed at Council on 18 March 2020.

The COVID-19 pandemic has had, and will continue to have, a significant impact on society and Council services. This has affected the financial position and governance arrangements of the Council last year, this year and possibly future years too. Aberdeenshire Council has reacted to the crisis by following national guidance on standing down some services, continuation of specific services and planning how to reopen some services safely and in an agreed manner.

A key aspect of business continuity for the Council has been the ability to deliver a significant amount of business over a digital forum and this has included contact between colleagues and teams through to Full Council meetings taking place. The governance mechanism to enable the adapted way of delivering business and decision making has also been reviewed and agreed by Council. As the transition from response to recovery continues regarding moving through and out of the current position further updates and implications will be reported through Council.

**2020/21 Improvement Actions**

The Council has pulled together a number of Action Plans centred on Governance and combined these within the Annual Governance Statement Action Plan, which was agreed at [Audit Committee on 17 September 2020](#).

The table overleaf provides a summary of those actions within the Plan, for the remainder of 2020/21.

## Annual Governance Statement (Continued)

Core Principle	Area for Improvement
<b>Behaving with Integrity</b>	No action identified.
<b>Deliver Effective Accountability</b>	Scheme of Governance - revise and review appropriate inclusion of Loans and Grants within Scheme of Governance
<b>Ensuring Openness</b>	The work of the Audit Committee will be the subject of a formal report to Full Council in line with the Policy Committees.
	Support and deliver training on governance arrangements within Community Councils.
	Strengthen the transparency of community engagement.
	Review arrangements for provision of information to Community Groups, including the availability of funding streams.
	Promote opportunities for community groups to use participation requests.
<b>Developing the Council's Capacity</b>	Promote the Partnership Policy/Framework across the organisation.
	Set out objectives for embedding One Aberdeenshire for the year ahead.
	Provide clear guidance to managers in support of Personal Performance Plans.
	Increase visibility of our leadership in relation to embedding vision in support of future council and One Aberdeenshire, with a focus on leadership development.
	Embed project prioritisation process that incorporates benefits to demonstrate value for money, inform project approval and assign resources.
	Develop peer support and challenge mechanisms which sets out how and when these are to be used.
<b>Defining Outcomes</b>	No actions planned for 20/21
<b>Determining the Actions</b>	No actions planned for 20/21
<b>Managing Risks and Performance</b>	Develop medium-term resource plans demonstrating integrated financial and workforce capacity to deliver agreed council priorities.
	Align the Risk Registers with the Council Priorities, Council Plan and Service Plans.
	Review the interaction of financial performance reporting with the Committee cycle.
	Review the use of performance data and benchmarking by services to drive continuous improvement.
	Review of budget setting process to ensure budgets are aligned to Council priorities, Service Plans and outcomes.
<b>Deliver Effective Accountability</b>	Provide greater levels of transparency and accountability in the lead up to key decisions.
	Audit Committee will receive quarterly progress reports on the Annual Governance Statement Action Plan.
	The draft Annual Governance Statement for 2020/21 will be the subject of a report to all the Policy Committees for discussion and comment prior to being put before Audit Committee.

**Conclusion**

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

Jim Savege  
Chief Executive

Councillor Jim Gifford  
Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council  
29 October 2020



**Independent auditor's report to the members of Aberdeenshire Council and the Accounts Commission****Report on the audit of the financial statements****Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of Aberdeenshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Balance Sheet and Movement in Reserves Statement, and the council-only Expenditure and Funding Analysis, Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Business Rates Income Account, the Trusts and Endowments Income and Expenditure Statement, the Trusts and Endowments Balance Sheet, the Common Good Funds Income and Expenditure Account and the Common Good Funds Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

**Basis for opinion**

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

**Emphasis of matter: valuation of other land and buildings**

I draw attention to Note 4 in the financial statements, which describes the effects of a material uncertainty, caused by Covid-19, declared in the valuation report for other land and buildings. My opinion is not modified in respect of this matter.

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

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

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

**Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

**Responsibilities of the Head of Finance and Audit Committee for the financial statements**

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

In preparing the financial statements, the Head of Finance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

**Other information in the annual accounts**

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

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

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

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

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

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

### **Matters on which I am required to report by exception**

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

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

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

29 October 2020

# Expenditure and Funding Analysis for year ended 31 March 2020

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

Net Expenditure Chargeable to the General Fund and HRA Balances 2018/19 £'000	Restated Adjustments Between the Funding and Accounting Basis 2018/19 £'000	Restated Net Expenditure in the CIES 2018/19 £'000		Net Expenditure Chargeable to the General Fund and HRA Balances 2019/20 £'000	Adjustments Between the Funding and Accounting Basis 2019/20 £'000	Net Expenditure in the CIES 2019/20 £'000	Notes Ref
			<b>Aberdeenshire Services</b>				
39,364	35,793	75,157	Business Services Committee	39,877	13,205	53,082	
125,641	8,491	134,132	Communities Committee	132,813	14,329	147,142	
304,931	32,253	337,184	Education and Children's Services Committee	327,910	63,926	391,836	
64,278	50,329	114,607	Infrastructure Services Committee	62,517	39,821	102,338	
-	11,674	11,674	Housing Revenue Account	-	9,505	9,505	
<b>534,214</b>	<b>138,540</b>	<b>672,754</b>	<b>NET COST OF SERVICES</b>	<b>563,117</b>	<b>140,786</b>	<b>703,903</b>	
(530,221)	(54,972)	(585,193)	Other (Income) and Expenditure	(555,289)	(35,415)	(590,704)	
<b>3,993</b>	<b>83,568</b>	<b>87,561</b>	<b>Deficit</b>	<b>7,828</b>	<b>105,371</b>	<b>113,199</b>	<b>5</b>
(35,219)			Opening General Fund and HRA Balance at 1 April	(31,523)			
3,993			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year	7,828			
(297)			Transfer from Statutory Reserves	(1,085)			
<b>(31,523)</b>			<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(24,780)</b>			

## Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to Arrive at CIES Amounts 2019/20	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Statutory Differences £000	Total Statutory Differences £000	Other (Non Statutory) Adjustments £000	Elimination of Internal Income £000	Total Adjustments £000
Business Services Committee	3,556	9,142	404	13,102	(10,066)	10,169	13,205
Communities Committee	4,761	9,887	821	15,469	1,065	(2,205)	14,329
Education and Children's Services Committee	59,101	8,616	1,794	69,511	3,912	(9,497)	63,926
Infrastructure Services Committee	33,243	6,650	(122)	39,771	(1,483)	1,533	39,821
Housing Revenue Account	13,558	2,039	(260)	15,337	(5,832)	-	9,505
<b>Net Cost of Services</b>	<b>114,219</b>	<b>36,334</b>	<b>2,637</b>	<b>153,190</b>	<b>(12,404)</b>	<b>-</b>	<b>140,786</b>
Other Income and Expenditure from the EFA	(54,714)	7,663	(768)	(47,819)	12,404	-	(35,415)
<b>Difference Between General Fund Deficit and CIES Deficit on Provision of Services</b>	<b>59,505</b>	<b>43,997</b>	<b>1,869</b>	<b>105,371</b>	<b>-</b>	<b>-</b>	<b>105,371</b>

Adjustments from General Fund to Arrive at CIES Amounts 2018/19 Restated	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Statutory Differences £000	Total Statutory Differences £000	Restated Other (Non Statutory) Adjustments £000	Restated Elimination of Internal Income £000	Restated Total Adjustments £000
Business Services Committee	10,495	25,027	(192)	35,330	(10,234)	10,697	35,793
Communities Committee	4,239	7,119	(1,085)	10,273	395	(2,177)	8,491
Education and Children's Services Committee	30,780	6,618	880	38,278	3,932	(9,957)	32,253
Infrastructure Services Committee	45,443	4,611	350	50,404	(1,630)	1,555	50,329
Housing Revenue Account	14,473	1,758	(52)	16,179	(4,505)	-	11,674
<b>Net Cost of Services</b>	<b>105,430</b>	<b>45,133</b>	<b>(99)</b>	<b>150,464</b>	<b>(12,042)</b>	<b>118</b>	<b>138,540</b>
Other Income and Expenditure from the EFA	(72,184)	6,266	(978)	(66,896)	12,042	(118)	(54,972)
<b>Difference Between General Fund Deficit and CIES Deficit on Provision of Services</b>	<b>33,246</b>	<b>51,399</b>	<b>(1,077)</b>	<b>83,568</b>	<b>-</b>	<b>-</b>	<b>83,568</b>

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

### Explanations of Adjustment Columns Above:

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

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

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

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- Note 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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- Impairment of debts is now required to be shown under Other Income and Expenditure in the EFA however it is shown within the relevant services in the monitoring.

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

# Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2020

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

Restated Council			Restated Group		Council			Group	
Gross Expenditure 2018/19 £'000	Income 2018/19 £'000	Net Expenditure 2018/19 £'000	Net Expenditure 2018/19 £'000		Gross Expenditure 2019/20 £'000	Income 2019/20 £'000	Net Expenditure 2019/20 £'000	Net Expenditure 2019/20 £'000	Notes Ref
				<b>Aberdeenshire Services</b>					
132,122	(56,965)	75,157	75,157	Business Services Committee	105,512	(52,430)	53,082	53,082	
340,855	(206,723)	134,132	134,132	Communities Committee	368,485	(221,343)	147,142	147,142	
351,425	(14,241)	337,184	337,184	Education and Children's Services Committee	407,583	(15,747)	391,836	391,836	
149,028	(34,421)	114,607	114,607	Infrastructure Services Committee	140,684	(38,346)	102,338	102,338	
72,585	(60,911)	11,674	11,674	Housing Revenue Account	73,636	(64,131)	9,505	9,505	
<b>1,046,015</b>	<b>(373,261)</b>	<b>672,754</b>	<b>672,754</b>	<b>SERVICE TOTALS</b>	<b>1,095,900</b>	<b>(391,997)</b>	<b>703,903</b>	<b>703,903</b>	
-	-	-	30	Charitable Trusts and Endowments	-	-	-	77	
<b>1,046,015</b>	<b>(373,261)</b>	<b>672,754</b>	<b>672,784</b>	<b>COST OF SERVICES</b>	<b>1,095,900</b>	<b>(391,997)</b>	<b>703,903</b>	<b>703,980</b>	EFA
-	(594)	(594)	(594)	(Gains)/Losses on the Disposal of Non Current Assets and AHfS	1,631	-	1,631	1,631	5
<b>-</b>	<b>(594)</b>	<b>(594)</b>	<b>(594)</b>	<b>Other Operating Income</b>	<b>1,631</b>	<b>-</b>	<b>1,631</b>	<b>1,631</b>	
28,391	-	28,391	28,391	Interest Payable and Similar Charges	29,050	-	29,050	29,050	20
6,266	-	6,266	6,266	Net Interest on Net Defined Benefit Liability	7,663	-	7,663	7,663	33
263	-	263	263	Changes in the Fair Value of Investment Properties	-	-	-	-	15
-	(742)	(742)	(742)	Interest Receivable and Similar Income	-	(634)	(634)	(634)	20
1,356	-	1,356	1,356	Impairment Losses	715	(2,291)	(1,576)	(1,576)	
-	-	-	(121)	Investment Gains on Charitable Trusts and Endowments	-	-	-	514	
-	-	-	(703)	Share of Integration Joint Board (Surplus)/Deficit	-	-	-	644	
<b>36,276</b>	<b>(742)</b>	<b>35,534</b>	<b>34,710</b>	<b>Financing and Investment Income and Expenditure</b>	<b>37,428</b>	<b>(2,925)</b>	<b>34,503</b>	<b>35,661</b>	
-	(620,133)	(620,133)	(620,133)	<b>Taxation and Non-Specific Grant Income</b>			<b>(626,838)</b>	<b>(626,838)</b>	8
		<b>87,561</b>	<b>86,767</b>	<b>Deficit on Provision of Services</b>			<b>113,199</b>	<b>114,434</b>	5
		12,294	12,294	Surplus on revaluation of Non Current assets and AHfS			(183,155)	(183,155)	
		24,303	24,303	Actuarial (gains)/losses on pension assets/liabilities			(73,376)	(73,376)	33
		<b>36,597</b>	<b>36,597</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(256,531)</b>	<b>(256,531)</b>	
		<b>124,158</b>	<b>123,364</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(143,332)</b>	<b>(142,097)</b>	

## Balance Sheet as at 31 March 2020

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

Restated Council 2018/19 £'000	Restated Group 2018/19 £'000		Council 2019/20 £'000	Group 2019/20 £'000	Note Ref
1,958,197	1,958,197	Property, Plant and Equipment	2,159,577	2,159,577	13
1,944	1,944	Heritage Assets	1,944	1,944	14
1,450	1,450	Investment Properties	1,450	1,450	15
1,134	1,134	Intangible Assets	917	917	16
77	77	Long Term Investments	77	77	20
8,935	8,935	Long Term Debtors	8,740	8,740	20, 23
<b>1,971,737</b>	<b>1,971,737</b>	<b>Long Term Assets</b>	<b>2,172,705</b>	<b>2,172,705</b>	-
-	3,954	Short Term Investments	10,000	13,382	20
1,145	1,145	Assets Held for Sale	296	296	17
4,613	4,613	Inventories	4,850	4,850	22
50,415	51,118	Short Term Debtors	65,024	65,083	23
39,382	39,382	Cash and Cash Equivalents	56,433	56,433	20, 24
<b>95,555</b>	<b>100,212</b>	<b>Current Assets</b>	<b>136,603</b>	<b>140,044</b>	
(96,624)	(96,624)	Short Term Borrowing	(216,712)	(216,712)	20
(94,588)	(94,591)	Short Term Creditors	(91,351)	(91,373)	25
(1,901)	(1,901)	Provisions	-	-	26
(348)	(348)	Revenue Grants Receipts in Advance	(72)	(72)	
<b>(193,461)</b>	<b>(193,464)</b>	<b>Current Liabilities</b>	<b>(308,135)</b>	<b>(308,157)</b>	
(613,936)	(613,936)	Long Term Borrowing	(631,727)	(631,727)	20
(2,278)	(2,278)	Long Term Creditors	(3,620)	(3,620)	25
(7,380)	(7,380)	Provisions	(6,656)	(6,656)	26
(307,275)	(307,275)	Pension Liabilities	(277,896)	(277,896)	33
(99)	(99)	Finance Leases	(93)	(93)	
(58,072)	(58,072)	PFI and PPP Liabilities	(53,979)	(53,979)	19
(15,713)	(15,713)	Capital Grants Receipts in Advance	(14,792)	(14,792)	27
<b>(1,004,753)</b>	<b>(1,004,753)</b>	<b>Long Term Liabilities</b>	<b>(988,763)</b>	<b>(988,763)</b>	
<b>869,078</b>	<b>873,732</b>	<b>Net Assets</b>	<b>1,012,410</b>	<b>1,015,829</b>	
(49,355)	(50,058)	Usable Reserves	(46,522)	(45,873)	MIRS
-	(3,951)	Share of Usable Reserves of Subsidiary and Joint Venture	-	(4,068)	
(819,723)	(819,723)	Unusable Reserves	(965,888)	(965,888)	28
<b>(869,078)</b>	<b>(873,732)</b>	<b>Total Reserves</b>	<b>(1,012,410)</b>	<b>(1,015,829)</b>	

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on the 29 October 2020

Alan Wood, MA (Hons), CPFA,  
Head of Finance  
29 October 2020



# **Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2020**

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

	Restated General Fund Balance £'000	Housing Revenue Account £'000	Repairs and Renewals Fund £'000	Insurance Fund £'000	Capital Reserves £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000	Total Council Reserves £'000	Restated Group Usable Reserves £'000	Group Unusable Reserves £'000	Restated Total Group Reserves £'000	Notes Ref
<b>Balance at 31 March 2018</b>	<b>(33,219)</b>	<b>(2,000)</b>	<b>(1,855)</b>	<b>(1,316)</b>	<b>(4,399)</b>	<b>(42,789)</b>	<b>(950,447)</b>	<b>(993,236)</b>	<b>(46,640)</b>	<b>(950,447)</b>	<b>(997,087)</b>	
<b>Movement in Reserves During 2018/19</b>												
Total Comprehensive Income and Expenditure	71,758	15,803	-	-	-	87,561	36,597	124,158	86,758	36,597	123,355	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(69,235)	(14,333)	-	-	(10,559)	(94,127)	94,127	-	(94,127)	94,127	-	6
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>2,523</b>	<b>1,470</b>	<b>-</b>	<b>-</b>	<b>(10,559)</b>	<b>(6,566)</b>	<b>130,724</b>	<b>124,158</b>	<b>(7,369)</b>	<b>130,724</b>	<b>123,355</b>	
Transfers to/(from) Statutory Reserves	1,173	(1,470)	387	(90)	-	-	-	-	-	-	-	
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(29,523)</b>	<b>(2,000)</b>	<b>(1,468)</b>	<b>(1,406)</b>	<b>(14,958)</b>	<b>(49,355)</b>	<b>(819,723)</b>	<b>(869,078)</b>	<b>(54,009)</b>	<b>(819,723)</b>	<b>(873,732)</b>	
<b>Movement in Reserves During 2019/20</b>												
Total Comprehensive Income and Expenditure	98,659	14,540	-	-	-	113,199	(256,531)	(143,332)	114,434	(256,531)	(142,097)	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(92,042)	(13,329)	-	-	(4,995)	(110,366)	110,366	-	(110,366)	110,366	-	6
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>6,617</b>	<b>1,211</b>	<b>-</b>	<b>-</b>	<b>(4,995)</b>	<b>2,833</b>	<b>(146,165)</b>	<b>(143,332)</b>	<b>4,068</b>	<b>(146,165)</b>	<b>(142,097)</b>	
Transfers to/(from) Statutory Reserves	126	(1,211)	370	181	534	-	-	-	-	-	-	
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(22,780)</b>	<b>(2,000)</b>	<b>(1,098)</b>	<b>(1,225)</b>	<b>(19,419)</b>	<b>(46,522)</b>	<b>(965,888)</b>	<b>(1,012,410)</b>	<b>(49,941)</b>	<b>(965,888)</b>	<b>(1,015,829)</b>	
Notes Ref	7						28					

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

## Cash Flow Statement for the Year Ended 31 March 2020

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

Restated 2018/19 £'000		2019/20 £'000	Notes Ref
(87,913)	<b>Net deficit on the provision of services</b>	(113,199)	35
169,269	Adjust net deficit on the provision of services for non cash movements	154,238	
(34,009)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(45,334)	
47,347	<b>Net Cash Flows from Operating Activities</b>	(4,295)	
	<b>Investing Activities:</b>		
(131,690)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(146,561)	
-	Purchase of Short and Long Term Investments	(10,000)	
(129)	Other Payments for Investing Activities	(20)	
2,974	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,238	
40,734	Other Receipts from Investment Activities	40,723	
(88,111)	<b>Net Cash Flows from Investing Activities</b>	(113,620)	
	<b>Financing Activities:</b>		
163,216	Cash Receipts of Short Term and Long Term Borrowing	230,067	
(2,765)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(2,946)	
(91,594)	Repayments of Short Term and Long Term Borrowing	(92,155)	
68,857	<b>Net Cash Flows from Financing Activities</b>	134,966	
28,093	<b>Net (Decrease)/Increase in cash and cash equivalents</b>	17,051	24
11,289	Cash and cash equivalents at 1 April	39,382	
39,382	<b>Cash and cash equivalents at 31 March</b>	56,433	

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.

### Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and Senior Employees.

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

The term Senior Employee means any local authority employee:

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

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

### Arrangements for Remuneration

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

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

The remuneration of Senior Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2017. The regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the 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 2019/20 the salary for the Leader of Aberdeenshire Council is £40,765 (2018/19 £39,655). 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 2019/20 totalled £512,822 (2018/19 £504,359) 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 the Full Council on 17 May 2007.

## Remuneration Report (Continued)

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

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

Aberdeenshire Council does not pay bonuses to senior officers or performance related pay. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally. Chief Officers are eligible to join the LGPS. The scheme is outlined on page 49 and the costs identified on page 46 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:

Restated 2018/19 £'000	Type of Remuneration	2019/20 £'000
1,371	Salaries	1,404
110	Expenses	105
<b>1,481</b>	<b>Totals</b>	<b>1,509</b>

The annual return of Councillors' salaries and expenses for 2019/20 is available on the Council's website at <http://www.aberdeenshire.gov.uk>.

Remuneration Report (Continued)

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

Total Remuneration	Pension Contributions	Name	Salaries, Fees and Allowances	Total Remuneration	Pension Contributions	Accrued Pension Benefits		
2018/19	2018/19		2019/20	2019/20	2019/20		As at 31 March 2020	Difference from 31 March 2019
£	£		£	£	£		£'000	£'000
22,306	4,305	Richard Thomson	17,198	17,198	3,319	Pension	4	-
-	-	Rosemary Bruce	11,784	11,784	2,274	Lump Sum	-	-
39,655	7,653	James Gifford	40,765	40,765	7,868	Pension	1	-
26,023	5,022	Isobel Davidson	26,752	26,752	5,163	Lump Sum	-	-
29,742	5,740	Gillian Owen	30,575	30,575	5,901	Pension	8	1
22,306	4,305	Alistair McKelvie	22,931	22,931	4,426	Lump Sum	2	-
26,023	5,022	Moirra Ingleby	26,752	26,752	5,163	Pension	6	1
26,024	-	Ron McKail	26,753	26,753	-	Lump Sum	2	-
26,023	-	Wendy Agnew	26,752	26,752	-	Pension	7	1
29,742	5,740	William Howatson	30,575	30,575	5,901	Lump Sum	2	-
29,738	5,740	Ross Cassie	30,575	30,575	5,901	Pension	2	1
22,306	4,305	Iris Walker	11,211	11,211	2,164	Lump Sum	-	-
22,306	4,305	Mark Findlater	22,931	22,931	4,426	Pension	8	2
29,742	5,740	Elizabeth Stirling	30,575	30,575	5,901	Lump Sum	2	-
351,936	57,877	CARRIED FORWARD	356,129	356,129	58,407	Pension	7	1
						Lump Sum	2	-
							71	10

## Remuneration Report (Continued)

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

Total Remuneration 2018/19 £	Pension Contributions 2018/19 £	Name	Salaries, Fees and Allowances 2019/20 £	Total Remuneration 2019/20 £	Pension Contributions 2019/20 £	Accrued Pension Benefits		
							As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
<b>351,936</b>	<b>57,877</b>	<b>BROUGHT FORWARD</b>	<b>356,129</b>	<b>356,129</b>	<b>58,407</b>		<b>71</b>	<b>10</b>
26,023	5,022	Andrew Kille	26,752	26,752	5,163	Pension	2	1
26,023	5,022	Fergus Hood	26,752	26,752	5,163	Lump Sum	-	-
26,023	5,022	Norman Smith	26,752	26,752	5,163	Pension	5	1
22,306	4,305	John Cox	22,931	22,931	4,426	Lump Sum	-	-
29,742	5,740	Peter Argyle	30,575	30,575	5,901	Pension	2	1
22,306	3,588	Michael Roy	22,931	22,931	-	Lump Sum	-	-
						Pension	4	1
						Lump Sum	-	-
						Pension	4	1
						Lump Sum	-	-
						Pension	-	(4)
						Lump Sum	-	-
<b>504,359</b>	<b>86,576</b>	<b>TOTALS</b>	<b>512,822</b>	<b>512,822</b>	<b>84,223</b>		<b>88</b>	<b>11</b>

## Remuneration Report (Continued)

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

Name	Post Title	Period in Office		Name	Post Title	Period in Office
James Gifford	Council Leader Chair – Business Services Committee	From 18 May 2017 From 18 May 2017		Michael Roy Mark Findlater	Vice Chair – Business Services Committee Vice Chair – Business Services Committee	29/06/17 – 25/09/19 From 26 Sep 2019
Peter Argyle	Deputy Council Leader Chair – Infrastructure Services Committee	From 18 May 2017 From 18 May 2017		John Cox	Vice Chair – Infrastructure Services Committee	From 18 May 2017
William Howatson	Provost	From 18 May 2017		Ron McKail	Deputy Provost	From 18 May 2017
Richard Thomson	Leader of the Main Opposition	From 18 May 2017				
Ross Cassie	Chair – Audit Committee	From 18 May 2017		Alistair McKelvie	Vice Chair – Audit Committee	From 18 May 2017
Gillian Owen	Chair – Education and Children's Services	From 18 May 2017		Mark Findlater Rosemary Bruce	Vice Chair – Education and Children's Services Committee Vice Chair – Education and Children's Services Committee	18/05/17 – 25/09/19 From 26 Sep 2019
Anne Stirling	Chair – Communities Committee	From 18 May 2017		Iris Walker Michael Roy	Vice Chair – Communities Committee Vice Chair – Communities Committee	18/05/17 – 25/09/19 From 26 Sep 2019
Norman Smith	Chair - Buchan Area Committee	From 6 June 2017		Andrew Kille	Chair - Banff and Buchan Area Committee	From 29 August 2017
Isobel Davidson	Chair – Formartine Area Committee	From 13 June 2017		Moirra Ingleby	Chair - Marr Area Committee	From 1 April 2016
Fergus Hood	Chair - Garioch Area Committee	From 1 April 2016		Wendy Agnew	Chair - Kincardine and Mearns Area Committee	From 13 June 2017

### Notes to Table B:

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

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

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

Note 4: For 2019/20 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: Leader of the Main Opposition Richard Thomson was elected as an MP in December 2019. He received no salary payments in 2020. He formally resigned on 24 April 2020. Cllr Gwyneth Petrie was appointed as SNP Group Leader on 8<sup>th</sup> April 2020.

## Remuneration Report (Continued)

Table C: Remuneration and Pension Benefits of Senior Employees

Total Remuneration 2018/19 £	Pension Contributions 2018/19 £	Name and Post Title	Salaries, Fees and Allowances 2019/20 £	Compensation for Loss of Employment 2019/20 £	Total Remuneration 2019/20 £	Pension Contributions 2019/20 £	Accrued Pension Contribution		
								As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
143,103	25,887	Jim Savege: Chief Executive	162,280	-	162,280	29,277	Pension	16	4
							Lump Sum	-	-
82,826	15,986	Laurence Findlay: Director of Education and Children's Services (From 18 July 2018 to 31 March 2019) (Full Year Equivalent - £117,601)	124,009	-	124,009	23,378	Pension	50	15
							Lump Sum	-	-
117,601	22,697	Stephen Archer: Director of Infrastructure Services	121,129	-	121,129	23,378	Pension	88	5
							Lump Sum	-	-
117,601	22,697	Ritchie Johnson: Director of Business Services	124,153	-	124,153	23,378	Pension	50	4
							Lump Sum	75	2
89,235	17,222	Alan Wood: Head of Service (Finance)	92,092	-	92,092	17,685	Pension	39	3
							Lump Sum	61	2
50,114	9,672	Karen Wiles: Head of Service (Legal and Governance) (From 03 September 2018 to 31 March 2019) (Full Year Equivalent - £86,735)	92,571	-	92,571	17,242	Pension	17	2
							Lump Sum	-	-
600,480	114,161	TOTALS	716,234	-	716,234	134,338		396	37



## Remuneration Report (Continued)

### Notes to Table C:

The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2020 includes £14,884 received as the Returning Officer for Aberdeenshire in respect of the 2019 European Elections and the 2019 Westminster General Election.

The Director of Education and Children's Services, the Director of Business Services, the Head of Service (Finance) and the Head of Service (Legal and Governance), also received payments relating to the 2019 European Elections and the 2019 Westminster General Election of £2,880, £3,024, £460 and £3,234 respectively during the year ended 31 March 2020.

For 2019/20 there was no payment for bonuses, taxable expenses, and non-cash benefits. Therefore, no information on these has been included in the table above.

The Chief Social Work Officer (Iain Ramsay) is appointed by Aberdeenshire Council and employed by NHS Grampian, who meet the costs of his substantive role as a Partnership Manager in Aberdeenshire's Health and Social Care Partnership. Aberdeenshire Council meets the costs of the additional salary paid (£5,000 in 2018/19 and 2019/20) via budget transfer to NHS Grampian for this post in recognition of the role it has on advising the local authority on its full range of statutory duties and influence in decision making.

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

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

<b>No of Employees 2018/19</b>	<b>Remuneration Bands</b>	<b>No of Employees 2019/20</b>
146	£50,000 - £54,999	238
90	£55,000 - £59,999	198
15	£60,000 - £64,999	55
10	£65,000 - £69,999	25
6	£70,000 - £74,999	6
2	£75,000 - £79,999	14
22	£80,000 - £84,999	4
2	£85,000 - £89,999	23
-	£90,000 - £94,999	1
-	£95,000 - £99,999	-
-	£100,000 - £104,999	-
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
2	£115,000 - £119,999	3
-	£120,000 - £124,999	-
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
1	£140,000 - £144,999	-
-	£145,000 - £149,999	1
-	£150,000 - £154,999	-
-	£155,000 - £159,999	-
-	£160,000 - £164,999	-
<b>296</b>	<b>TOTALS</b>	<b>568</b>

## Pension Benefits

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

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

The LGPS provides pension benefits on retirement. For Council officers their pension benefits are based on the member's pensionable service (how long he or she has been a member of the LGPS) and his or her salary.

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

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

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

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

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

A Scheme member's pension contribution depends on his or her actual pay. From 1 April 2009, a five tier contribution system was introduced with contributions from members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. The tiers have increased slightly between 2018/19 and 2019/20 and are disclosed below.

Contribution Rates	Pensionable Pay 2019/20	Pensionable Pay 2018/19
5.50%	Earnings up to and including £21,800	Earnings up to and including £21,300
7.25%	On earnings above £21,800 and up to £26,700	On earnings above £21,300 and up to £26,100
8.50%	On earnings above £26,700 and up to £36,600	On earnings above £26,100 and up to £35,700
9.50%	On earnings above £36,600 and up to £48,800	On earnings above £35,700 and up to £47,600
12.0%	On earnings above £48,800	On earnings above £47,600

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

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

## Termination Benefits

Table E: Exit Packages

	Compulsory	Compulsory	Voluntary	Voluntary
	Number	Value £'000	Number	Value £'000
<b>Bandings 2019/20</b>				
Up to £19,999	3	12	6	67
£20,000 up to £39,999	1	21	8	220
£40,000 up to £59,999	-	-	3	138
£60,000 up to £79,999	-	-	-	-
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	2	225
£150,000 up to £199,999	-	-	1	191
£200,000 up to £249,999	-	-	-	-
£250,000 up to £299,999	-	-	2	552
	<b>4</b>	<b>33</b>	<b>22</b>	<b>1,393</b>
<b>Total</b>				<b>1,426</b>
<b>Bandings 2018/19</b>				
Up to £19,999	5	32	13	140
£20,000 up to £39,999	-	-	6	182
£40,000 up to £59,999	-	-	1	50
£60,000 up to £79,999	-	-	1	71
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	2	290
£150,000 up to £199,999	-	-	1	151
	<b>5</b>	<b>32</b>	<b>24</b>	<b>884</b>
<b>Total</b>				<b>916</b>

## Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017, which took effect from 1 April 2017 require employers in the public sector to publish information on facility time. The purpose of the regulations is to promote transparency and allow for public scrutiny of facility time. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative. The information set out by the regulations is disclosed below:

Table F: Trade union representatives and full-time equivalents

	Non-teaching	Teaching
Trade union representatives:	39	24
FTE trade union representatives:	32.04	20.42

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

	All
0%	4
1-50%	54
51-99%	0
100%	5

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

	Non-teaching	Teaching
Total pay bill:	£263,362,355	£156,474,278
Total cost of facility time:	£116,508	£75,586
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:	6,937	2,297
Hours spent on paid trade union activities:	453	652
Percentage of total paid facility time hours spent on paid TU activities:	6.53%	28.38%

Signed

Councillor James Gifford  
Leader of the Council

Jim Savege, Chief Executive

On behalf of the Councillors and Officers of Aberdeenshire Council  
29 October 2020

## Notes to the Financial Statements

Note	Description	Page
Note 1	Significant Accounting Policies.....	53
Note 2	Accounting Standards Not Yet Adopted.....	65
Note 3	Critical Judgements Applied.....	65
Note 4	Future Assumptions.....	66
Note 5	Expenditure and Income Analysed by Nature.....	68
Note 6	Accounting/Funding Basis Adjustments.....	69
Note 7	Usable Reserves and Earmarked Balances.....	71
Note 8	Taxation and Non-Specific Grant Income.....	72
Note 9	Prior Year Adjustments.....	72
Note 10	Agency Services.....	76
Note 11	External Audit Fees.....	76
Note 12	Capital Expenditure and Financing.....	76
Note 13	Property, Plant and Equipment.....	77
Note 14	Heritage Assets.....	80
Note 15	Investment Properties.....	81
Note 16	Intangible Assets.....	82
Note 17	Assets Held for Sale.....	83
Note 18	Leases.....	83
Note 19	PFI and Similar Contracts.....	84
Note 20	Financial Instruments .....	86
Note 21	Nature and Extent of Risks Arising from Financial Instruments.....	88
Note 22	Inventories.....	91
Note 23	Debtors.....	92
Note 24	Cash and Cash Equivalents.....	92
Note 25	Creditors.....	93
Note 26	Provisions.....	93
Note 27	Grant Income.....	95
Note 28	Unusable Reserves.....	96
Note 29	Events after the Balance Sheet Date.....	99
Note 30	Contingent Liabilities.....	99
Note 31	Contingent Assets.....	100
Note 32	Pension Schemes Accounted for as Defined Contribution Pension Schemes.....	101
Note 33	Defined Benefit Pension Schemes.....	101
Note 34	Related Parties.....	107
Note 35	Cash Flow Statement – Operating Activities.....	110
Note 36	Summarised Financial Information of Group Entities.....	111

## **1.1 General Principles**

The Annual Accounts summarise transactions of the Council and its Group for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

## **1.2 Accruals of Income and Expenditure**

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

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

## **1.3 Cash and Cash Equivalents**

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

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

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

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

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

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

#### **1.5 Employee Benefits**

##### **(i) Benefits Payable During Employment**

Short-term employee benefits such as wages, salaries and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the value of holiday entitlements and flexi time earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year in which the employee takes the benefit and is charged to the Surplus or Deficit on the Provision of Services. It is reversed in the Movement in Reserves Statement so that holiday benefits are charged in the financial year in which the holiday absence occurs.

##### **(ii) Termination Benefits**

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

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

##### **(iii) Retirement Benefits**

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

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

Changes in the pension liability during the year are recognised in the Comprehensive Income and Expenditure Account.

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



## Note 1 – Significant Accounting Policies (continued)

Liabilities are included in the Balance Sheet on an actuarial basis using the 'projected unit credit method' i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount (currently 2.6%) based on an average of high quality corporate bonds.

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

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

### 1.6 Events after the Balance Sheet Date

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

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

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

### 1.7 Fair Value Measurement

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

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

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

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

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

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

### 1.8 Financial Instruments

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

#### (i) Financial Liabilities

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

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

## Note 1 – Significant Accounting Policies (continued)

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

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

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

Financial assets can be classified into two types:

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

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

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

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

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

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

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

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

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.

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

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

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

### **1.11 Group Accounts**

Group Accounts are required to be prepared under the Code where the Council has interests in subsidiaries, associates and/or joint ventures, unless their interest is considered immaterial. The Council has considered its interest in the Aberdeenshire Integration Joint Board, the Trusts and Endowments for which the Council is the sole Trustee, Common Good Funds, the Grampian Valuation Joint Board, Create Homes Aberdeenshire LLP and Nestrans. The Council has concluded that its interests in the Aberdeenshire Integration Joint Board and the Trusts and Endowments for which the Council is the sole Trustee are considered to be material, hence Group Accounts have been prepared which include these entities. A Group Cash Flow Statement has not been prepared on the basis that it would, effectively, be the same as the single entity Cash Flow Statement.

### **1.12 Heritage Assets**

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

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

## Note 1 – Significant Accounting Policies (continued)

Aberdeenshire Council holds the following categories of Heritage Assets

- Human History
- Archaeology
- Fine Art

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

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

### 1.13 Intangible Assets

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

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

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

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

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

### 1.14 Inventories and Work in Progress

Inventories are included in the Balance Sheet at lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### 1.15 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

## Note 1 – Significant Accounting Policies (continued)

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

### 1.16 Leases

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

#### (i) The Council as Lessee

##### Finance Leases

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

##### Operating Leases

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

#### (ii) The Council as Lessor

##### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

**Operating Leases**

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

**1.17 Overheads and Support Services**

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

**1.18 Prior Year Adjustments**

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

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

**1.19 Property, Plant and Equipment**

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

**(i) Recognition**

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

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

**(ii) Measurement**

Assets are initially measured at cost, comprising:

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

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

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

## Note 1 – Significant Accounting Policies (continued)

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 Movement in Reserves Statement.

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

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

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

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

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

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

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

### (iii) Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

## Note 1 – Significant Accounting Policies (continued)

- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is 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.

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

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

### (v) Depreciation

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

Depreciation is calculated on the following bases:

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



## Note 1 – Significant Accounting Policies (continued)

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

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

### (vi) Componentisation

Components of an item of Property, Plant and Equipment are recognised separately for depreciation purposes where it is considered that the cost of the component is significant in relation to the total cost of the asset. Assets with a carrying value of £5,000,000 and below will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.

Assets that are above the £5,000,000 de minimis threshold will be componentised where the cost of the component is significant in relation to the overall total cost of the asset and the difference in useful life is significant in relation to the main asset.

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

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

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

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the three PFI and similar contracts held by Aberdeenshire Council are as follows:
  - Robertson Education (Aberdeenshire) Limited 8.69%
  - Elgin Education (Aberdeenshire2) Limited 5.18%
  - Hib North Scotland (Alford) Limited 7.59%
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and

## Note 1 – Significant Accounting Policies (continued)

- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

### 1.21 Provisions, Contingent Liabilities and Contingent Assets

#### (i) Provisions

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

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

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

#### (ii) Contingent Liabilities

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

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

#### (iii) Contingent Assets

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

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

### 1.22 Reserves

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

#### Usable Reserves

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

## Note 1 – Significant Accounting Policies (continued)

### Unusable Reserves

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

### 1.23 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the 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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure Account.

## Note 2 – Accounting Standards that have been Issued but have not yet been Adopted and New Standards, Amendments and Interpretations that Became Effective in 2019/20

The following Accounting Standards will be adopted by the Code in 2020/21 and the implications for the Accounts will be considered and reported to Audit Committee in due course:

- Amendments to IAS 28 *Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement*
- The implementation of IFRS 16 Leases has been deferred by CIPFA/LASAAC until the 2021/22 Code.

The following new Standards, Amendments and Interpretations became effective in 2019/20 for the first time:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property* (issued December 2016)
- *Annual Improvements to IFRS Standards 2014-2016 Cycle* (December 2016). The amendments that may apply to local authorities include:
  - IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard*
  - IAS 28 *Investments in Associates and Joint Ventures: Measuring an Associate of Joint Venture at Fair Value*.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued December 2016).
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued June 2017).
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation* (issued October 2017).

## Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgement made in the Annual Accounts is that there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result or a need to close facilities and reduce levels of service provision. The level of future uncertainty and associated risk is considered as part of the Council's Medium Term Financial Strategy.

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect
<b>Property, Plant and Equipment</b>	Given the unknown future impact that COVID-19 might have on the real estate market, the valuer has advised that they can attach less weight to previous market evidence for comparison purposes when forming an opinion on values. The valuations at 31 March 2020 have therefore been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. As such, less certainty and a higher degree of caution has been attached to the valuations than would normally be the case. They have recommended to keep the valuation of assets under frequent review. Although the valuer had declared a material valuation uncertainty, they have continued to exercise professional judgement in preparing the valuation, and therefore, this is the best and most reliable information available to Aberdeenshire Council at 31 March 2020.	It is not possible at this time to quantify the impact of COVID-19 on property markets and the consequential impact on the Council's assets. Assets are within the judgement of the valuer on a case by case basis. However the Royal Institute of Chartered Surveyors (RICS) convened a Leaders Forum to consider unique events relating to the global COVID-19 pandemic and its impact on valuations. The Council Valuations Officers will review all portfolios in 2020/21 and for example, Council Dwellings are not due to be revalued until 2021/22 but this may be brought forward if found to be necessary.
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases or the asset may be impaired, and the carrying amount of the assets falls, it is estimated that the annual depreciation charge for buildings would increase by £5.959m for every year that useful lives had to be reduced.
<b>Council Dwellings</b>	Council dwellings are valued on the basis of Current Value, which is determined using the basis of Existing Use Value of Social Housing (EUV-SH). This value is then reduced by the Adjustment Factor which is a measure of the difference between private market rent and socially rented property within the Aberdeenshire Council area. It is the discount which, when applied to the cumulative total of all beacon values, gives rise to the Existing Use Value-Social Housing (EUV-SH) for the housing stock.	An increase of 1% in the Adjustment Factor would reduce the value of the Council Dwellings by £13.801m.

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

Item	Uncertainties	Effect
<b>Arrears – Sundry Debtors</b>	At 31 March 2020, Sundry Debtor balances totalled £9.442m. A review of significant balances suggested that an allowance for doubtful debts of 31.8% (£3m) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase in doubtful debts would require an additional £0.944m to be set aside as an allowance.
<b>Arrears – Council Tax</b>	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. At 31 March 2020, the Council had arrears of Council Tax of £28.05m. A review of significant balances suggested that an allowance for doubtful debts of £14.167m was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	Should collection rates deteriorate by 0.1%, this would require a further £2.24m to be set aside
<b>Pension Liability</b>	The estimation of the defined benefit obligations is sensitive to various actuarial assumptions.	Note 33 provides more information on the Council's pension liability
<b>Provision – Asset Decommissioning</b>	The Council has made a provision of £6,656,000 for asset decommissioning costs relating to a number of assets owned by Aberdeenshire Council. Asset decommissioning costs were recognised at the end of financial year 2015/16 for the first time. The provision is an estimate of costs to dismantle, remove items and to restore the related sites for 18 HWRC sites; 8 waste transfer sites; 5 landfill sites and 2 quarries.	While the associated decommissioning costs were not settled in 2019/20 the obligation exists to settle these costs in the future and the Council must capitalise these costs and fund from borrowing in accordance with LASAAC accounting guidance issued in September 2014.

# Note 5 – Expenditure and Income Analysed by Nature

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

Restated 2018/19 £000	2019/20	Business Services Committee £000	Communities Committee £000	Education and Children's Services Committee £000	Infrastructure Services Committee Revenue £000	Housing Revenue Account £000	Other Income and Expenditure from the EFA £000	Total £000
445,646	Employee Benefit Expenses	44,401	88,774	251,552	58,359	18,003	-	461,089
502,394	Other Service Expenses	58,038	274,204	125,390	59,052	23,025	715	540,424
3,101	Support Service Recharges	-	-	-	175	2,681	-	2,856
96,230	Depreciation, Amortisation and Impairment	3,073	5,507	30,641	23,098	29,927	-	92,246
34,657	Interest Payments	-	-	-	-	-	36,713	36,713
263	Loss on Investments	-	-	-	-	-	-	-
-	Loss on Disposal of Non-Current Assets and AHfS	-	-	-	-	-	1,631	1,631
<b>1,082,291</b>	<b>Total Expenditure</b>	<b>105,512</b>	<b>368,485</b>	<b>407,583</b>	<b>140,684</b>	<b>73,636</b>	<b>39,059</b>	<b>1,134,959</b>
(289,513)	Fees, Charges and Other Service Income	(17,089)	(180,353)	(10,311)	(34,407)	(64,131)	(2,291)	(308,582)
(742)	Interest and Investment Income	-	-	-	-	-	(634)	(634)
(251,754)	Income from Council Tax and Business Rates	-	-	-	-	-	(267,379)	(267,379)
(452,127)	Government Grants and Contributions	(35,341)	(40,990)	(5,436)	(3,939)	-	(359,459)	(445,165)
(594)	Gain or Loss on Disposal of Non-Current Assets and AHfS	-	-	-	-	-	-	-
<b>(994,730)</b>	<b>Total Income</b>	<b>(52,430)</b>	<b>(221,343)</b>	<b>(15,747)</b>	<b>(38,346)</b>	<b>(64,131)</b>	<b>(629,763)</b>	<b>(1,021,760)</b>
<b>87,561</b>	<b>Deficit on the Provision of Services</b>	<b>53,082</b>	<b>147,142</b>	<b>391,836</b>	<b>102,338</b>	<b>9,505</b>	<b>(590,704)</b>	<b>113,199</b>

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

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

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation and impairment of non current assets	(61,968)	(29,878)	-	(91,846)	91,846
Revaluation losses on PPE and AHFS	(34,151)	11	-	(34,140)	34,140
Amortisation of intangible assets	(342)	(58)	-	(400)	400
Grants and contributions used to fund capital expenditure	25,766	3,135	-	28,901	(28,901)
Donated Assets	-				
Amounts of non current assets and AHFS written off on disposal or sale as part of the gain on disposal to the CIES	(3,683)	(186)	-	(3,869)	3,869
Revenue expenditure funded by Capital under Statute	(10,170)	-	-	(10,170)	10,170
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the repayment of debts	16,196	1,525	-	17,721	(17,721)
Capital expenditure charged against the General Fund and HRA balances	3,022	14,843	-	17,865	(17,865)
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,236	2	-	2,238	(2,238)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	14,195	-	(14,195)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,200	9,200	(9,200)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	767	179	-	946	(946)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(79,625)	(5,194)	-	(84,819)	84,819
Employer's pensions contributions and direct payments to pensioners payable in the year	38,612	2,210	-	40,822	(40,822)
<b>Adjustment involving the Employee Statutory Adjustment Account:</b>					
Movement in annual leave earned but not used by 31 March	(2,897)	82	-	(2,815)	2,815
<b>Total Adjustments</b>	<b>(92,042)</b>	<b>(13,329)</b>	<b>(4,995)</b>	<b>(110,366)</b>	<b>110,366</b>

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

2018/19	Restated General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation and impairment of non current assets	(64,830)	(30,947)	-	(95,777)	95,777
Revaluation losses on PPE and AHfS	(24,052)	-	-	(24,052)	24,052
Movements in the fair value of Investment Properties	(263)	-	-	(263)	263
Amortisation of intangible assets	(390)	(63)	-	(453)	453
Grants and contributions used to fund capital expenditure	26,123	3,060	-	29,183	(29,183)
Donated Assets	18,955	-	-	18,955	(18,955)
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(2,264)	(116)	-	(2,380)	2,380
Revenue expenditure funded by Capital under Statute	(7,072)	-	-	(7,072)	7,072
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the repayment of debts	14,627	1,184	-	15,811	(15,811)
Capital expenditure charged against the General Fund and HRA balances	2,623	15,353	-	17,976	(17,976)
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,603	371	-	2,974	(2,974)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>					
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	11,852	-	(11,852)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,293	1,293	(1,293)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	978	238	-	1,216	(1,216)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(84,254)	(5,669)	-	(89,923)	89,923
Employer's pensions contributions and direct payments to pensioners payable in the year	36,082	2,442	-	38,524	(38,524)
<b>Adjustment involving the Employee Statutory Adjustment Account:</b>					
Movement in annual leave earned but not used by 31 March	47	(186)	-	(139)	139
<b>Total Adjustments</b>	<b>(69,235)</b>	<b>(14,333)</b>	<b>(10,559)</b>	<b>(94,127)</b>	<b>94,127</b>



## Note 7 – Usable Reserves and Earmarked Balances

The table below details the amounts transferred between the General Fund Working Balance and Earmarked Reserves to finance expenditure during 2019/20:

	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers in 2019/20 £'000	Balance at 31 March 2020 £'000
<b>Earmarked Balances:</b>							
Affordable Housing- Council Tax LTE & Second Homes	(2,046)	1,500	(1,885)	(2,431)	1,208	(2,541)	(3,764)
Earmarked Grants	(974)	200	(663)	(1,437)	254	(2,094)	(3,277)
<b>Total Earmarked Balances</b>	<b>(3,020)</b>	<b>1,700</b>	<b>(2,548)</b>	<b>(3,868)</b>	<b>1,462</b>	<b>(4,635)</b>	<b>(7,041)</b>
<b>Other Commitments:</b>							
Business Transformation	(451)	270	-	(181)	181	-	-
Devolved Education Management (DEM)	(4,339)	3,797	(1,746)	(2,288)	2,288	-	-
Community, Culture and Tourism	(781)	443	-	(338)	198	-	(140)
Welfare Reform	(221)	62	-	(159)	159	-	-
Affordable Housing	(3,507)	49	-	(3,458)	3,458	-	-
Pupil Equity Funding	(1,125)	139	(127)	(1,113)	1,113	(1,166)	(1,166)
Regeneration Reserve	(5,105)	458	-	(4,647)	1,103	-	(3,544)
Renewable Energy	(1,815)	309	-	(1,506)	1,111	-	(395)
AWPR Reserve	-	-	-	-	681	(2,000)	(1,319)
Pay Strategy Reserve	-	3,000	(3,000)	-	2,000	(2,000)	-
Transitional Reserve for Severance Costs	(216)	-	-	(216)	1,280	(1,064)	-
General Reserve	-	3,573	(3,573)	-	-	-	-
Other Commitments (each less than £500,000)	(1,247)	284	(68)	(1,031)	890	(34)	(175)
<b>Total</b>	<b>(18,807)</b>	<b>12,384</b>	<b>(8,514)</b>	<b>(14,937)</b>	<b>14,462</b>	<b>(6,264)</b>	<b>(6,739)</b>
<b>Total Commitments</b>	<b>(21,827)</b>			<b>(18,805)</b>			<b>(13,780)</b>
<b>General Fund Working Balance</b>	<b>(11,392)</b>			<b>(10,718)</b>			<b>(9,000)</b>
<b>Total General Fund Balance</b>	<b>(33,219)</b>			<b>(29,523)</b>			<b>(22,780)</b>

### Explanatory Note of Reserves:

- **General Fund Balance** - The General Fund Balance reduced by £6.743m in 2019/20 leaving a balance at the end of the year of £22.78m. Once the commitments of £13.78m shown above are set against this, an uncommitted working balance of £9m remains at 31 March 2020. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.
- **Affordable Housing – Long Term Empty (LTE) & Second Homes Council Tax** – Scottish Government legislation requires that a proportion of income collected from Council Tax on second homes and long term empty properties is utilised to fund Affordable Housing. This reserve represents the balance of funds collected compared to those used.
- **Earmarked Grants** – The balance held relates to situations where the paying agency allows retention of unspent grant. In order to recognise that the grant is ring-fenced, the element of the balance relating to the unspent grant has been earmarked.
- **Business Transformation** – This fund was set up to fund projects that required investment to generate savings.
- **Devolved Education Management (DEM)** – Amounts carried forward by schools permitted under DEM Scheme.

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

- **Community, Culture and Tourism** – Funds set aside as part of Medium Term Financial Strategy towards projects including St. Cyrus Pavilion, National 1 and 2 Languages Policy and pressures arising from Discretionary Housing Payments.
- **Welfare Reform** – Funds received by Scottish Government to aid in preparations in relation to Welfare Reform.
- **Affordable Housing** – Part of the Local Housing Strategy to provide affordable homes.
- **Pupil Equity Funding (PEF)** – Scottish Government Funding to improve attainment in schools. Monies drawn down when spent in schools.
- **Regeneration Reserve** – Funding for regeneration projects in Banff, Peterhead, Macduff and Fraserburgh.
- **Renewable Energy Reserve** – Balance of funding set aside in the 2016/17 Budget to fund renewable energy initiatives.
- **AWPR Reserve** – Funding to restore non trunk roads in Aberdeen.
- **Pay Strategy Reserve** – Council decision to create reserve in anticipation of finalisation of pay awards. Fully utilised in 2018/19.
- **Transitional Reserve for Severance Costs** – Funds to provide severance costs arising from staffing review utilised in 2019/20.
- **General Reserve** – Council decision to create reserve in anticipation of outturn exceeding budget 2018/19. Fully utilised in year.
- **Other Commitments** – Number of minor commitments with balances less than £500,000 each.

## Note 8 – Taxation and Non Specific Grant Income

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

2018/19 £'000		2019/20 £'000
(139,554)	Council Tax Income	(143,734)
(112,200)	Business Rates (see below)	(123,645)
(301,564)	Non-Ring-Fenced Government Grants	(298,167)
(18,955)	Donated Assets	-
(47,860)	Non-Specific Grant Income	(61,292)
<b>(620,133)</b>	<b>Total</b>	<b>(626,838)</b>

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

2018/19 £'000		2019/20 £'000
(110,710)	Distribution from Non-Domestic Rates Pool	(123,812)
(87)	Discretionary Reliefs	17
(1,403)	BRIS Income Retained by Council	150
<b>(112,200)</b>	<b>Total</b>	<b>(123,645)</b>

## Note 9 – Prior Years Adjustments

### Remuneration Report

The Payment to Councillors remuneration report should only include salaries paid, exclusive of national insurance and superannuation, however this was not the case in the 2018/19 accounts. Therefore the 2018/19 accounts have been re-stated to remove the cost of national insurance and superannuation as follows:

**Table A: Payments to Councillors**

Type of Remuneration	2018/19 £'000	Adjustment 2018/19 £'000	Restated 2018/19 £'000
Salaries	1,713	(342)	1,371
Expenses	110	-	110
<b>Totals</b>	<b>1,823</b>	<b>(342)</b>	<b>1,481</b>

**Note 9 – Prior Years Adjustments (continued)****Reallocation of Elimination of Internal Income**

Within the 2018/19 audit letter it was identified that the Council was potentially removing internal transactions that could be considered reallocations. According to the LASAAC guidance on Accounting for Internal transactions, whilst internal transactions are not permitted in the segment analysis of the accounts, reallocations are permitted as an apportionment of the original expenditure incurred. Therefore it was correct to eliminate the income element of the internal transactions, however the segment analysis was not picking up a reallocation of the original expenditure. The below restatement has therefore reallocated the expenditure across the segments that have consumed the resource. This also now includes the reallocations of any surpluses/deficits generated as a result of internal transactions.

While applying the above adjustments, coding errors in the original income elimination were identified and corrected.

The 2018/19 accounts have been re-stated to reflect these changes within the Service totals as per adjustment 1 in the Summary Table at the end of this note.

**Coding Review**

A review of code mapping was undertaken during 2019/20 which has identified several codes which were being picked up within the wrong Committee. The 2018/19 accounts have been re-stated to reflect these changes within the Service totals as per adjustment 2 in the Summary of Tables at the end of this note.

**Capital Adjustment**

In 2015/16 the Alford Community Campus was completed and reclassified from an Asset Under Construction to an Operational asset. As part of the construction contract, the Council entered into a Service Concession Arrangement, this is a contract between a public sector body and a private operator to design, build, finance and maintain the asset. This arrangement required the asset to be reflected/held at Fair Value on the Balance Sheet. As such, this revaluation took place on 31 March 2016. In addition, a transaction was also recorded on the Balance Sheet to reflect the Finance Lease Liability at 31 March 2016 transferring operational control of the asset, along with economic risks to the Council. The Finance Lease value of £19,379,000 at this point was effectively a duplication and requires to be removed from Long Term Assets along with an equivalent reduction in Unusable Reserves. The Liabilities side of the Balance Sheet remains unaffected for the Finance Lease. The impact on the CIES is shown as adjustment 3 in the Summary Table at the end of this note. The Balance Sheet and MIRS are restated as follows:

**Balance Sheet - Property, Plant and Equipment (PPE)**

	Restated 2015/16 £000	Restated 2016/17 £000	Restated 2017/18 £000	Restated 2018/19 £000
PPE (NBV)	2,104,410	2,022,896	2,022,772	1,976,519
Adjustment value	(19,379)	(19,026)	(18,674)	(18,322)
Restated PPE	2,085,031	2,003,870	2,004,098	1,958,197

**Balance Sheet (Unusable Reserves)**

	Restated 2015/16 £000	Restated 2016/17 £000	Restated 2017/18 £000	Restated 2018/19 £000
Unusable Reserves	(1,142,352)	(858,409)	(969,120)	(838,045)
Adjusted Value	19,379	19,026	18,674	18,322
Restated Unusable Reserves	(1,122,973)	(839,383)	(950,446)	(819,723)

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

<b>Movement in Reserves Statement (MIRS)</b>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Repairs and Renewals Fund £'000</b>	<b>Insurance Fund £'000</b>	<b>Capital Reserves £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Total Unusable Reserves £'000</b>	<b>Total Council Reserves £'000</b>	<b>Group Usable Reserves £'000</b>	<b>Group Unusable Reserves £'000</b>	<b>Total Group Reserves £'000</b>
<b>Audited Accounts</b>											
<b>Balance at 31 March 2018</b>	<b>(33,219)</b>	<b>(2,000)</b>	<b>(1,855)</b>	<b>(1,316)</b>	<b>(4,399)</b>	<b>(42,789)</b>	<b>(969,120)</b>	<b>(1,011,909)</b>	<b>(46,640)</b>	<b>(969,120)</b>	<b>(1,015,760)</b>
<b>Movement in Reserves During 2018/19</b>											
Total Comprehensive Income and Expenditure	72,110	15,803	-	-	-	87,913	36,597	124,510	87,110	36,597	123,707
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(69,587)	(14,333)	-	-	(10,559)	(94,479)	94,479	-	(94,479)	94,479	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>2,523</b>	<b>1,470</b>	<b>-</b>	<b>-</b>	<b>(10,559)</b>	<b>(6,566)</b>	<b>131,076</b>	<b>124,510</b>	<b>(7,369)</b>	<b>131,076</b>	<b>123,707</b>
Transfers to/(from) Statutory Reserves	1,173	(1,470)	387	(90)	-	-	-	-	-	-	-
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(29,523)</b>	<b>(2,000)</b>	<b>(1,468)</b>	<b>(1,406)</b>	<b>(14,958)</b>	<b>(49,355)</b>	<b>(838,044)</b>	<b>(887,400)</b>	<b>(54,009)</b>	<b>(838,044)</b>	<b>(892,053)</b>
<b>Adjustment</b>											
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,673</b>	<b>18,673</b>	<b>-</b>	<b>18,673</b>	<b>18,673</b>
Total Comprehensive Income and Expenditure	(352)	-	-	-	-	(352)	-	(352)	(352)	-	(352)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	352	-	-	-	-	352	(352)	-	352	(352)	-
<b>Restated Accounts</b>											
<b>Balance at 31 March 2018</b>	<b>(33,219)</b>	<b>(2,000)</b>	<b>(1,855)</b>	<b>(1,316)</b>	<b>(4,399)</b>	<b>(42,789)</b>	<b>(950,447)</b>	<b>(993,236)</b>	<b>(46,640)</b>	<b>(950,447)</b>	<b>(997,087)</b>
<b>Movement in Reserves During 2018/19</b>											
Total Comprehensive Income and Expenditure	71,758	15,803	-	-	-	87,561	36,597	124,158	86,758	36,597	123,355
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(69,235)	(14,333)	-	-	(10,559)	(94,127)	94,127	-	(94,127)	94,127	-
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>2,523</b>	<b>1,470</b>	<b>-</b>	<b>-</b>	<b>(10,559)</b>	<b>(6,566)</b>	<b>130,724</b>	<b>124,158</b>	<b>(7,369)</b>	<b>130,724</b>	<b>123,355</b>
Transfers to/(from) Statutory Reserves	1,173	(1,470)	387	(90)	-	-	-	-	-	-	-
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(29,523)</b>	<b>(2,000)</b>	<b>(1,468)</b>	<b>(1,406)</b>	<b>(14,958)</b>	<b>(49,355)</b>	<b>(819,723)</b>	<b>(869,078)</b>	<b>(54,009)</b>	<b>(819,723)</b>	<b>(873,732)</b>

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

**Summary Table**

Comprehensive Income and Expenditure Statement	2018/19			Adjustment 1			Adjustment 2			Adjustment 3			Restated 2018/19		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Services Committee	139,432	(51,372)	88,060	(7,783)	(6,090)	(13,873)	473	497	970	-	-	-	132,122	(56,965)	75,157
Communities Committee	332,989	(206,725)	126,264	2,153	-	2,153	5,713	2	5,715	-	-	-	340,855	(206,723)	134,132
Education and Children's Services Committee	342,871	(13,235)	329,636	9,720	-	9,720	(814)	(1,006)	(1,820)	(352)	-	(352)	351,425	(14,241)	337,184
Infrastructure Services Committee	158,761	(41,289)	117,472	(4,361)	6,361	2,000	(5,372)	507	(4,865)	-	-	-	149,028	(34,421)	114,607
Housing Revenue Account	72,585	(60,911)	11,674	-	-	-	-	-	-	-	-	-	72,585	(60,911)	11,674
<b>COST OF SERVICES</b>	<b>1,046,638</b>	<b>(373,532)</b>	<b>673,106</b>	<b>(271)</b>	<b>271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(352)</b>	<b>-</b>	<b>(352)</b>	<b>1,046,015</b>	<b>(373,261)</b>	<b>672,754</b>

## Note 10 – Agency Services

The Council is the billing authority for Non-Domestic Rates in Aberdeenshire and, in this role, acts as an agent of the Scottish Government. During 2019/20, the Council billed £123.4 million (2018/19 £121.7 million) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the Council contributed £119.3 million to the National Non-Domestic Rates Pool (2018/19 £120.2 million) and received back from the pool £123.6 million in income (2018/19 £112.2 million).

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2019/20 the Council received £663,000 for providing this service (2018/19 £663,000).

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 Region's economic vision. More information on the Deal can be found in the latest annual report [2019-20 Aberdeen City Region Deal Annual Report](#)

Aberdeenshire Council acts as the Accountable Body for the Aberdeen City Region Deal Joint Committee which includes the role of providing a bank account, processing grant claims for relevant expenditure, and transferring funds received from Scottish Government to third party partners. A total of £26.689m was transferred to third parties in 2019/20 (2018/19 £18.234m) on behalf of the Scottish Government

## Note 11 – External Audit Costs

The Council incurred fees of £400,000 (2018/19 £394,000) for the statutory inspection of the Annual Accounts by Audit Scotland. These fees include £8,000 (2018/19 £8,000) in relation to audit requirements for the charities' accounts of Local Authorities.

## Note 12 – Capital Expenditure and Capital Financing

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

Restated 2018/19 £'000		2019/20 £'000
761,168	<b>Opening Capital Financing Requirement</b>	814,996
	<b>Capital Investment</b>	
113,636	Property, Plant and Equipment	147,232
358	Intangible Assets	183
7,071	Revenue Expenditure Funded by Capital under Statute	10,170
	<b>Sources of Finance</b>	
(2,974)	Capital Receipts	(2,238)
(30,476)	Government Grants and Other Contributions	(38,101)
	Sums Set Aside from Revenue:	
(17,976)	Capital Financed from Current Revenue	(17,865)
(15,811)	Loans Fund Principal Repayments	(17,721)
814,996	<b>Closing Capital Financing Requirement</b>	896,656
	<b>Explanation of movements in year</b>	
53,828	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	81,660
53,828	<b>Increase in Capital Financing Requirement</b>	81,660

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	PFI Assets included in PPE
Movements in 2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2019	492,558	1,375,992	109,131	427,312	585	29,451	10,552	2,445,581	201,488
Additions	42,560	20,900	15,224	26,338	453	41,742	15	147,232	2,470
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in Revaluation Reserve	-	6,745	-	-	227	-	(499)	6,473	(26,690)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	-	(32,692)	-	-	-	-	(1,448)	(34,140)	(3,636)
Derecognition - Disposals	-	(4,117)	(3,053)	-	-	(86)	(559)	(7,815)	-
Assets Reclassified (to)/from AHfS	-	(15)	(1,299)	-	-	-	(44)	(1,358)	-
Transfers or Reclassifications of Assets	13,053	4,866	(577)	118	38	(21,072)	3,574	-	-
<b>At 31 March 2020</b>	<b>548,171</b>	<b>1,371,679</b>	<b>119,426</b>	<b>453,768</b>	<b>1,303</b>	<b>50,035</b>	<b>11,591</b>	<b>2,555,973</b>	<b>173,632</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	(103,533)	(168,578)	(61,923)	(143,282)	(32)	(9,506)	(530)	(487,384)	(26,460)
Depreciation Charge	(11,224)	(36,362)	(11,914)	(13,646)	(17)	-	(123)	(73,286)	(4,011)
Accumulated Depreciation & Impairment Written Out	0	192,508	0	0	40	0	858	193,406	23,670
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(15,350)	(1,265)	(25)	-	-	(1,906)	(14)	(18,560)	-
Impairment Losses recognised in the RR	(15,200)	(1,524)	-	-	-	-	(1)	(16,725)	(15)
Derecognition – Disposals	-	1,420	3,001	-	-	86	345	4,852	-
Assets Reclassified to/(from) AHfS	-	-	1,291	-	-	-	10	1,301	-
Other Movements in Depreciation and Impairment	(8,869)	920	516	(72)	(4)	8,869	(1,360)	-	-
<b>At 31 March 2020</b>	<b>(154,176)</b>	<b>(12,881)</b>	<b>(69,054)</b>	<b>(157,000)</b>	<b>(13)</b>	<b>(2,457)</b>	<b>(815)</b>	<b>(396,396)</b>	<b>(6,816)</b>
<b>Net Book Value at 31 March 2020</b>	<b>393,995</b>	<b>1,358,798</b>	<b>50,372</b>	<b>296,768</b>	<b>1,290</b>	<b>47,578</b>	<b>10,776</b>	<b>2,159,577</b>	<b>166,816</b>

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

	Council Dwellings	Restated Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Restated PFI Assets included in PPE
Comparative Movements in 2018/19:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2018	469,044	1,368,753	102,068	379,199	690	32,063	12,527	2,364,344	199,213
Additions	25,171	25,949	12,721	28,775	-	21,015	-	113,631	2,275
Donations	-	-	-	18,955	-	-	-	18,955	-
Accumulated Depreciation & Impairment Written Out & Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	-	(6,290)	-	-	-	-	(1,570)	(7,860)	-
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	-	(23,906)	-	-	-	-	(146)	(24,052)	-
Derecognition - Disposals	(6,067)	(5,924)	(5,262)	-	-	(98)	(949)	(18,300)	-
Assets Reclassified (to)/from Assets Held for Sale	88	(262)	(29)	-	-	-	(934)	(1,137)	-
Transfers or Reclassifications of Assets	4,322	17,672	(367)	383	(105)	(23,529)	1,624	-	-
<b>At 31 March 2019</b>	<b>492,558</b>	<b>1,375,992</b>	<b>109,131</b>	<b>427,312</b>	<b>585</b>	<b>29,451</b>	<b>10,552</b>	<b>2,445,581</b>	<b>201,488</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2018	(77,379)	(134,696)	(55,753)	(131,138)	(25)	(4,835)	(417)	(404,243)	(21,936)
Depreciation Charge	(11,473)	(39,160)	(11,618)	(12,122)	(11)	-	(105)	(74,489)	(4,524)
Accumulated Depreciation & Impairment Written Out	-	3,668	-	-	-	-	610	4,278	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(10,556)	(2,992)	-	-	-	(7,403)	(186)	(21,137)	-
Impairment Losses recognised in the RR	(7,699)	(711)	-	-	-	-	(283)	(8,693)	-
Derecognition - Disposals	5,951	5,338	5,101	-	-	98	387	16,875	-
Assets Reclassified to/(from) Assets Held for Sale	-	-	25	-	-	-	-	25	-
Other Movements in Depreciation and Impairment	(2,377)	(25)	322	(22)	4	2,634	(536)	-	-
<b>At 31 March 2019</b>	<b>(103,533)</b>	<b>(168,578)</b>	<b>(61,923)</b>	<b>(143,282)</b>	<b>(32)</b>	<b>(9,506)</b>	<b>(530)</b>	<b>(487,384)</b>	<b>(26,460)</b>
<b>Net Book Value at 31 March 2019</b>	<b>389,025</b>	<b>1,207,414</b>	<b>47,208</b>	<b>284,030</b>	<b>553</b>	<b>19,945</b>	<b>10,022</b>	<b>1,958,197</b>	<b>175,028</b>



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

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2020/21 and future years budgeted to cost £124,827,000. Similar commitments at 31 March 2019 were £53,020,000. The major commitments are:

Project Title	£'000
Inverurie Community Campus	3,190
Portlethen Hillside Primary School Extension	706
Stonehaven Viewmount Officer Refurbishment	1,618
Laurencekirk The Grange Phase 3 New Build	1,477
All Areas Sheltered Housing Sprinkler Programme	2,034
Macduff & Inverurie Houses Smart Solar and Battery Storage (LCITP)	4,601
All Areas Housing Fire and Smoke Detection Enhancement	855
Central Area All Housing Projects 2017-2021 HIP Framework	6,381
North Area All Housing Projects 2017-2021 HIP Framework	5,790
East Area All Housing Projects 2017-2021 HIP Framework	7,256
South Area All Housing Projects 2017-2021 HIP Framework	2,511
Gordon Primary School Nursery Extension 1140 and CYP	1,159
Fishermoss Primary School – Nursery 1140 New Build	1,112
1140 Hours Projects	2,503
Aberdeen Western Peripheral Route (AWPR)	9,959
Stonehaven Flood Scheme	6,213
Energy from Waste	61,967
Digital Infrastructure – City Region Deal	3,411
Strategic Transport Appraisal – City Region Deal	750
Commitments on Projects < £500K	1,334
<b>Total</b>	<b>124,827</b>

During 2019/20, the Council has recognised an impairment loss of £69,425,000 in relation to its PPE, which are detailed in the Table below:

2018/19 £'000		2019/20 £'000
29,830	Consumption Loss	35,285
24,052	Economic Loss	34,140
<b>53,882</b>		<b>69,425</b>

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

### Revaluations

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

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

The significant assumptions applied in estimating the fair values are:

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

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Other PPE £'000</b>	<b>Total £'000</b>
Carried at Historical Cost	44,497	378,223	624,568	<b>1,047,288</b>
Valued at fair value as at:				
31 March 2020	0	873,328	2,583	<b>875,911</b>
1 April 2018	0	51,909	8,401	<b>60,310</b>
1 April 2017	570	52,640	136	<b>53,346</b>
1 April 2016	503,104	2,253	200	<b>505,557</b>
1 April 2015	0	13,326	235	<b>13,561</b>
<b>Total Cost or Valuation</b>	<b>548,171</b>	<b>1,371,679</b>	<b>636,123</b>	<b>2,555,973</b>

### Note 14 – Heritage Assets

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

	<b>Human History £'000</b>	<b>Archaeology £'000</b>	<b>Fine Art £'000</b>	<b>Total Assets £'000</b>
<b>Cost or Valuation at 31 March 2019</b>	<b>1,504</b>	<b>320</b>	<b>120</b>	<b>1,944</b>
Revaluations	-	-	-	-
<b>Cost or Valuation at 31 March 2020</b>	<b>1,504</b>	<b>320</b>	<b>120</b>	<b>1,944</b>

#### Human History

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

- Hareshowe Farm, Aden Country Park which was valued at £180,000, which is its fair value, at 31 March 2020;
- Kindrochit Castle, Braemar, is included at £214,000, being the historical cost of the improvements carried out in 2014/15 and 2015/16; and
- 18 Neolithic carved stone balls are included at a value of £360,000. These have been revalued in 2016/17 and the value is based on similar items that have been sold at auction in recent years. The value of £20,000 per stone ball is a median value.

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

#### Fine Art

The Fine Art item is a painting by Sir David Wilkie which was valued by John Milne, Fine Art Auctioneers in 2014. The Council also holds certain items which the Curators regard as particularly important to the collections e.g. Fine Art, the Banff silver collection, much of the numismatics collection and the arms and armour. Most of these items were acquired by the Museum Service in the late 19<sup>th</sup> century and in the Curator's opinion, it is not possible to provide a reliable estimate of their value.

#### Note 14 – Heritage Assets (continued)

##### Vertical Area Photograph Collection

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

Further Information on the Museums Collections is shown in the Annex.

#### Note 15 – Investment Properties

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

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

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

Restated 2018/19 £'000		2019/20 £'000
1,712	Balance at 1 April	1,450
(262)	Net Gains from Fair Value Adjustments	-
-	Reclassified as Property, Plant and Equipment	-
<b>1,450</b>	<b>Balance at 31 March</b>	<b>1,450</b>

##### Fair Value Measurement

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

Restated Other Significant Observable Inputs (Level 2) 2018/19 £'000		Other Significant Observable Inputs (Level 2) 2019/20 £'000
	Recurring fair value measurements using:	
15	Residential (Market Rental) Property	15
770	Residential Development Land	770
644	Commercial Development Land	644
21	Agricultural Land	21
<b>1,450</b>	<b>Balance at 31 March</b>	<b>1,450</b>

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

There were no transfers between Levels during the year.

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

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

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

2018/19 £'000		2019/20 £'000
	<b>Balance at 1 April:</b>	
9,212	Gross carrying amounts	9,313
(7,726)	Accumulated amortisation	(8,179)
<b>1,486</b>	<b>Net Carrying amount at 1 April</b>	<b>1,134</b>
358	Additions - Purchases	183
(257)	Disposals - Sales	-
(453)	Amortisation for the year	(400)
<b>1,134</b>	<b>Net carrying amount at 31 March</b>	<b>917</b>
	<b>Comprising:</b>	
9,313	Gross carrying amounts	9,496
(8,179)	Accumulated amortisation	(8,579)
<b>1,134</b>	<b>Net carrying amount at 31 March</b>	<b>917</b>

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

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

2018/19 £'000		2019/20 £'000
882	<b>Balance Outstanding at 1 April</b>	1,145
	Assets Newly Classified as Held for Sale:	
1,599	Property, Plant and Equipment	57
	Assets Declassified as Held for Sale:	
(488)	Property, Plant and Equipment	-
(698)	Assets Sold	(906)
(150)	Other Movements	-
1,145	<b>Balance Outstanding at 31 March</b>	296

### Note 18 - Leases

#### The Council as Lessee - Operating Leases

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

2018/19 £'000		2019/20 £'000
1,279	Not later than one year	1,425
2,339	Later than one year and not later than five years	2,463
7,504	Later than five years	7,306
11,122	<b>Minimum Lease Payments</b>	11,194

The total expenditure during the year in relation to these leases was £554,000 (2018/19: £550,000) which comprised Minimum Lease Payments of £414,000 (2018/19: £408,000) and Contingent Rentals of £140,000 (2018/19: £142,000).

#### The Council as Lessor - Finance Leases

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

2018/19 £'000		2019/20 £'000
	Finance lease debtor (net present value of minimum lease payments):	
9	Current	1
643	Non-current	424
3,569	Unearned finance income	3,281
4,221	<b>Gross investment in the lease</b>	3,706

## Note 18 – Leases (continued)

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

Gross Investment in the Lease 2018/19 £'000	Minimum Lease Payments 2018/19 £'000		Gross Investment in the Lease 2019/20 £'000	Minimum Lease Payments 2019/20 £'000
92	92	Not later than one year	56	56
366	366	Later than one year and not later than five years	225	225
3,763	3,763	Later than five years	3,425	3,425
<b>4,221</b>	<b>4,221</b>	<b>Total</b>	<b>3,706</b>	<b>3,706</b>

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, £10,000 contingent rents were receivable by the Council (2018/19: £23,000).

### 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:

2018/19 £'000		2019/20 £'000
3,151	Not later than one year	2,966
8,258	Later than one year and not later than five years	7,928
19,409	Later than five years	20,033
<b>30,818</b>	<b>Minimum Lease Payments</b>	<b>30,927</b>

In 2019/20, £492,000 contingent rents were receivable by the Council (2018/19: £470,000).

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

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the three PFI and similar contracts held by Aberdeenshire Council are as follows:
  - Robertson Education (Aberdeenshire) Limited 8.69%
  - Elgin Education (Aberdeenshire2) Limited 5.18%
  - Hib North Scotland (Alford) Limited 7.59%
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

In 2020/21 the Council will be commencing a contract arrangement for Inverurie Community Campus. The accounting treatment adopted will be similar to that detailed above.

### Education PFI Schemes

The Council is committed to three PFI contracts. Details of the contracts can be found in the Annex. The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the PPE balance in note 13.

### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2020 (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
2020/21	4,505	3,832	2,173	4,093	1,119	15,722
Between 2021/22 and 2024/25	19,134	12,479	9,483	18,130	7,159	66,385
Between 2025/26 and 2029/30	21,633	7,990	15,654	24,033	4,872	74,182
Between 2030/31 and 2034/35	4,135	3,527	1,002	5,481	2,265	16,410
Between 2035/36 and 2039/40	2,691	1,593	(556)	5,604	3,978	13,310
2040/41	293	28	(24)	731	352	1,380

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

Total Liability 2018/19 £'000		Total Liability 2019/20 £'000
(63,772)	Balance Outstanding at 1 April	(61,013)
2,759	Payments During the Year	2,941
<b>(61,013)</b>	<b>Balance Outstanding at 31 March</b>	<b>(58,072)</b>

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

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

2018/19 £'000		2019/20 £'000
(2,941)	Short Term Creditors	(4,093)
(58,072)	Long Term Liabilities	(53,979)
<b>(61,013)</b>	<b>Balance Outstanding at 31 March</b>	<b>(58,072)</b>

## Note 20 – Financial Instruments

**Table 1: Categories of Financial Instruments**

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

Long Term 2018/19 £'000	Current 2018/19 £'000	Balance Sheet Category		Long Term 2019/20 £'000	Current 2019/20 £'000
77	-	Investments	<b>Financial Assets</b>	77	10,000
8,935	27,688	Debtors	Financial Assets at amortised cost	8,740	39,899
-	39,382	Cash and Cash Equivalents	Financial Assets at amortised cost	-	56,433
<b>9,012</b>	<b>67,070</b>		<b>Total Financial Assets</b>	<b>8,817</b>	<b>106,332</b>
			<b>Financial Liabilities</b>		
(613,936)	(96,624)	Borrowing	Financial liabilities at amortised cost	(631,727)	(216,712)
(2,278)	(94,588)	Creditors	Financial liabilities at amortised cost	(3,620)	(91,351)*
<b>(616,214)</b>	<b>(191,212)</b>		<b>Total Financial Liabilities</b>	<b>(635,347)</b>	<b>(308,063)</b>

\*At 31 March 2020 accrued interest of £5,960,000 (£5,864,000 at 31 March 2019) on borrowing is included in the current creditors figure at 31 March 2020 of £91,351,000.

### Material Soft Loans Made by the Council

The Council has made one soft loan which is deemed to be material (i.e. over £500,000). This is an interest free loan of £3,743,000 to Osprey Housing (previously known as Aberdeenshire Housing Partnership) to construct, manage, maintain and the general development of new housing for rental or low cost home ownership.

**Valuation assumptions** – The interest rate at which the fair value of this soft loan has been made is arrived at by taking the Council's prevailing cost of borrowing at the point of recognition (5.25%) and adding an allowance for the risk that the loan might not be repaid by Osprey Housing, in this case a zero rate. The debt is amortised over the loan period and the fair value will rise until the repayment of the loan commences in 2026. The fair value of the loan is £2,401,000 (2018/19: £2,281,000) hence the increase in the discounted amount during the year was £120,000 (2018/19: £114,000).



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

	<b>Financial Liabilities Measured at Amortised Cost £'000</b>	<b>Financial Assets Measured at Amortised Cost £'000</b>	<b>Total £'000</b>
<b>31 March 2020</b>			
Interest Expense	(28,767)	-	<b>(28,767)</b>
Gains	-	2,309	<b>2,309</b>
Fee Expense	(283)	-	<b>(283)</b>
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(29,050)</b>	<b>2,309</b>	<b>(26,741)</b>
Interest Income	-	634	<b>634</b>
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>634</b>	<b>634</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(29,050)</b>	<b>2,943</b>	<b>(26,107)</b>

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

#### **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 2020 of 1.90% to 2.65% for loans from the PWLB and 1.92% to 2.61% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

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

## Note 20 – Financial Instruments (continued)

The value of liabilities is as follows:

- Early borrowing rates fair value is £1,421,953,000 (2018/19: £1,108,769,000) and the carrying amount is £942,249,000 (2018/19: £807,426,000).
- New repayment methodology fair value is £1,051,237,000 (2018/19: £959,003,000) and the carrying amount is £942,249,000 (2018/19: £807,426,000).

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

- Early repayment methodology fair value of £1,199,830,000
- New borrowing rates fair value is £932,193,000

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders below current market rates.

The value of assets is as follows:

- Fair value is £64,831,000 (2018/19: £37,182,000) and the carrying amount is £64,831,000 (2018/19: £37,166,000).

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

- Fair value of £64,831,000

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

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

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

- complying with the requirements of the CIPFA Treasury Management Code of Practice;
- the adoption of a Treasury Management Strategy which includes the Council's Investment Strategy, and compliance with the treasury section within the Financial Regulations as part of the Councils Scheme of Governance.  
[2019/20 Treasury Management Strategy](#)
- 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 £15,000,000 of its surplus balances to any one institution, with the exception of the Debt Management Office where the limit is not capped and UK government backed institutions and the Council's bankers, where the limit is £20,000,000. The Council's bank, the Clydesdale Bank is currently owned by CYBG plc which also owns the Yorkshire Bank. It was previously owned by the National Australia Bank before its divestment of its UK business in 2016. This change in ownership has resulted in the Council's treasury advisors removing the bank from the list of acceptable financial institutions for investment. The Council has reviewed this risk in conjunction with the Special Resolution Regime introduced in the 2009 Banking Act. This requires the Bank of England, Financial Conduct Authority and Treasury to monitor financial institutions and identify issues early. The Council has determined that this risk can be adequately managed.

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

Deposits are with banks and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's Treasury Management Strategy Statement and Prudential Indicators. Investment decisions are considered as part of the daily cash flow management by the Council's Treasury Team who can and do restrict the list further in light of market conditions and advice from the Council's Treasury Management Advisors. The Annual Investment Strategy is contained within the Council's approved full Treasury Management Strategy. This was approved by The Business Services Committee on 26 April 2019 and is available on the link above.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £64,800,000 (2018/19 £37,150,000), 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 2020 that this was likely to crystallise.

31 March 2019 £'000		31 March 2020 £'000
17,150	Call Accounts	8,800
-	Fixed Term Deposits	21,000
20,000	Money Market Funds	35,000
<b>37,150</b>	<b>Total</b>	<b>64,800</b>

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

The following table summarised 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. The techniques used to calculate the general customers estimated maximum exposure has changed this year, with the method of calculation being based on an annual average of the total debt written off over three years. This annual average was then extrapolated for a ten year period. This has resulted in a reduction in the overall provision for customer debts compared to previous year of £2.35 million. It is noted that there is a risk attached to changing the method of calculation.

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

	Debtors as at 31 March 2020 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2020 %	Estimated maximum exposure to default and collectability at 31 March 2020 £'000	Restated Estimated maximum exposure at 31 March 2019 £'000
	A	B	C	(A X C)	
Customers	12,910	23.24%	23.24%	3,000	5,618
Housing Rents	2,718	75.72%	75.72%	2,058	1,794
	<b>15,628</b>			<b>5,058</b>	<b>7,412</b>

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

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

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

31 March 2019 £'000		31 March 2020 £'000
5,047	Less than Three Months	3,505
282	Three to Six Months	326
414	Six Months to One Year	550
1,037	More than One Year	929
<b>6,780</b>	<b>Total</b>	<b>5,310</b>

### Liquidity Risk

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

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

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through cash flow management procedures required by the CIPFA Code of Practice.

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

	31 March 2019 £'000	31 March 2020 £'000
Less than one year	(96,624)	(216,712)
Between one and two years	(32,168)	(10,182)
Between two and five years	(50,593)	(67,642)
Between five and ten years	(110,054)	(107,936)
Between ten and twenty years	(50,315)	(25,201)
More than 20 Years	(370,806)	(420,766)
<b>Total</b>	<b>(710,560)</b>	<b>(848,439)</b>

### Market Risk - Interest Rate Risk

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

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

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

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

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

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

	31 March 2020
	£'000
Increase in interest receivable on variable rate investments	389
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>389</b>
<b>Share of overall impact debited to the HRA</b>	<b>108</b>

### Price Risk

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

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

### Foreign Exchange Risk

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

## Note 22 – Inventories

	Consumable Stores/ Finished Goods 2019/20 £'000	Maintenance Materials/ Raw Materials 2019/20 £'000	Client Services/ Work in Progress 2019/20 £'000	Total 2019/20 £'000
<b>Balance at 1 April</b>	<b>2,072</b>	<b>1,656</b>	<b>885</b>	<b>4,613</b>
Purchases	9,893	7,463	4,110	21,466
Recognised as an Expense in Year	(9,716)	(7,330)	(4,110)	(21,156)
Written off balances	(1)	(116)	44	(73)
<b>Balance at 31 March</b>	<b>2,248</b>	<b>1,673</b>	<b>929</b>	<b>4,850</b>

	Consumable Stores/ Finished Goods 2018/19 £'000	Maintenance Materials/ Raw Materials 2018/19 £'000	Client Services/ Work in Progress 2018/19 £'000	Total 2018/19 £'000
<b>Balance at 1 April</b>	<b>1,774</b>	<b>1,743</b>	<b>765</b>	<b>4,282</b>
Purchases	9,392	7,960	3,464	20,816
Recognised as an Expense in Year	(9,153)	(7,975)	(3,464)	(20,592)
Written off balances	59	(72)	120	107
<b>Balance at 31 March</b>	<b>2,072</b>	<b>1,656</b>	<b>885</b>	<b>4,613</b>

## Note 23 – Debtors

Balance at 31 March 2019 £'000	Cumulative Soft Loan Adjustment at 31 March 2019 £'000	Fair Value Amortised Costs at 31 March 2019 £'000	Long Term Debtors at 31 March	Balance at 31 March 2020 £'000	Cumulative Soft Loan Adjustment at 31 March 2020 £'000	Fair Value Amortised Costs at 31 March 2020 £'000
3,743	(1,462)	2,281	Osprey Housing	3,743	(1,342)	2,401
5,417	-	5,417	Create Homes Aberdeenshire LLP	5,417	-	5,417
659	-	659	Leasing	424	-	424
727	(57)	670	Other Long Term Debtors (each less than £500,000)	647	(45)	602
<b>10,546</b>	<b>(1,519)</b>	<b>9,027</b>		<b>10,231</b>	<b>(1,387)</b>	<b>8,844</b>
		(92)	Repayments due within one year			(104)
		<b>8,935</b>	<b>Balance at 31 March</b>			<b>8,740</b>

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

2018/19 £'000	Short Term Debtors	2019/20 £'000
16,025	Central Government Bodies	19,346
3,385	Other Local Authorities	2,968
634	NHS Bodies	3,351
790	Public Corporations and Trading Funds	1,421
29,581	Other Entities and Individuals	37,938
<b>50,415</b>	<b>Total Short-Term Debtors</b>	<b>65,024</b>

### 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 2020 £27,296,000 (31 March 2019 £26,913,000). The outstanding amounts have been impaired for doubtful debts £14,167,000 31 March 2020, (£14,167,000 31 March 2019).

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

	31 March 2019 £'000	31 March 2020 £'000
Current year outstanding – up to 1 year old	3,450	4,055
Previous year outstanding – More than one year	9,296	9,074
	<b>12,746</b>	<b>13,129</b>

## Note 24 – Cash and Cash Equivalents

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

2018/19 £'000		2019/20 £'000
32	Cash held by the Council	36
39,350	Bank Current Accounts	56,397
<b>39,382</b>		<b>56,433</b>

## Note 25 – Creditors

2018/19 £'000	Short Term Creditors - due within one year	2019/20 £'000
(17,807)	Central Government Bodies	(16,993)
(7,158)	Other Local Authorities	(9,023)
(754)	NHS Bodies	(604)
(607)	Public Corporations and Trading Funds	(963)
(68,262)	Other Entities and Individuals	(63,768)
<b>(94,588)</b>	<b>Total Short Term Creditors</b>	<b>(91,351)</b>

2018/19 £'000	Long Term Creditors – due in more than one year	2019/20 £'000
(2,278)	Central Government Bodies	(3,620)
<b>(2,278)</b>	<b>Total Long-Term Creditors</b>	<b>(3,620)</b>

## Note 26 – Provisions

### (i) Specific Provisions

	Balance at 31 March 2019 £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2020 £'000
Equal Pay	(2,271)	565	1,706	-
Asset Decommissioning	(6,679)	-	23	(6,656)
Other Provisions (each less than £500,000)	(331)	203	128	-
<b>Total</b>	<b>(9,281)</b>	<b>768</b>	<b>1,857</b>	<b>(6,656)</b>
Provisions anticipated to be utilised within 12 months, shown as Current Provisions	1,901			-
<b>Non-Current Provisions at 31 March</b>	<b>(7,380)</b>			<b>(6,656)</b>

The provisions above are for liabilities which exist at 31 March 2020 but are likely to be incurred in financial years 2020/21 and beyond. In estimating the amount in each provision required, the most up to date information available is used to determine a reasonable figure. Comments on the above provisions are as follows:

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

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

### (ii) Debtors Provision

	Balance at 31 March 2019 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2020 £'000
<b>Debtors Provision</b>			
General Debtors	(5,618)	2,618	(3,000)
Revenues	(14,167)	-	(14,167)
Housing Rents	(2,947)	(309)	(3,256)
<b>Total</b>	<b>(22,732)</b>	<b>2,309</b>	<b>(20,423)</b>

## Note 26 – Provisions (continued)

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

- General Debtors - Provides for possible losses on debts and loans which the Council considers may not be settled in full;
- Revenues - Provides for possible losses on the collection of Council Tax; and
- Housing Rents - Provides for possible losses on housing rents. The tenants' rent arrears amount to £2,718,000 as at 31 March 2020 (£3,704,000 as at 31 March 2019).

A review was undertaken of the level of expected credit losses arising from Council Tax, Housing Rents and General Debtors income. The Council concluded it was willing to accept a greater degree of risk and reduced the overall General Debtors provision by £2.291 million.



**Note 27 – Grant Income**

The Council credited the following grants, contributions and donations to the CIES in 2019/20:

31 March 2019 £'000		31 March 2020 £'000
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
(301,564)	Revenue Support Grant	(298,167)
(112,200)	NDR Receipts from Pool	(123,645)
(2,907)	Ring fenced Scottish Attainment Funding	(2,992)
(3,919)	Ring Fenced Early Years Childcare Expansion	(15,206)
(18,002)	Scottish Government General Capital Grant	(16,892)
(2,456)	Education - Academy Replacement & Enhancement	(471)
(1,659)	Education - Primary Replacement & Enhancement	(1,134)
(8,500)	Early Learning and Childcare	(10,000)
(290)	Workspace enhancement	(529)
(1,811)	Waste Recycling Replacement	-
(3,060)	Housing Revenue Account	(3,135)
(2,836)	Roads and Transport Services - Network and Traffic Management	(1,690)
(1,059)	Hill of Banchory New Sports Facility	(732)
-	Town Centre Fund	(3,286)
(34)	Digital Infrastructure (City Region Deal)	(1,071)
-	REFCUS Grant (City Region Deal/AWPR/Town Centre Fund)	(2,822)
(1,327)	Other Capital Grants (each less than £500,000)	(1,332)
<b>(461,624)</b>	<b>Total</b>	<b>(483,104)</b>
	<b>Credited to Services</b>	
(1,889)	Alford Campus – Scottish Government Funding	(1,868)
(536)	Youth Music Initiative	(579)
(616)	Active Schools	(616)
-	Foundation Apprenticeships	(849)
(2,860)	Criminal Justice Service Grant	(3,053)
(1,943)	Home Energy Efficiency Programme for Scotland	(4,003)
(925)	Nestrans	(585)
(39,299)	Housing Benefits	(34,575)
(719)	Private Sector Housing Grant	-
(610)	Benefits Administration	(519)
(13,384)	NHS Social Care Funding	(13,384)
(805)	NHS Integrated Care Fund	(676)
(11,709)	NHS Resource Transfer	(11,709)
(1,089)	NHS Delayed Discharge	(1,007)
(660)	NHS Elderly Service Redesign	(660)
(837)	Syrian Vulnerable Persons Resettlement Programme	(632)
(458)	North Aberdeenshire Local Action Group Payment LEADER	(1,211)
(380)	South Aberdeenshire Local Action Group Payment LEADER	(810)
(5,387)	Other grants (each less than £500,000)	(5,201)
<b>(84,106)</b>	<b>Total</b>	<b>(81,937)</b>

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

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

31 March 2019 £'000	Long Term Liabilities - Capital Grants Receipts in Advance	31 March 2020 £'000
(15,713)	Developer Obligations	(14,792)
<b>(15,713)</b>	<b>Total</b>	<b>(14,792)</b>

#### Note 28 – Unusable Reserves

The Unusable Reserves can be analysed as follows:

Restated 2018/19 £'000		2019/20 £'000
(762,709)	Revaluation Reserve	(918,150)
(386,171)	Capital Adjustment Account	(349,385)
10,651	Financial Instruments Adjustment Account	9,705
307,275	Pensions Reserve	277,896
11,231	Employee Statutory Adjustment Account	14,046
<b>(819,723)</b>	<b>Total</b>	<b>(965,888)</b>

#### Revaluation Reserve

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

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

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

Restated 2018/19 £'000	Revaluation Reserve	2019/20 £'000
<b>(804,969)</b>	<b>Balance at 1 April</b>	<b>(762,709)</b>
3,601	Upward Revaluation of Assets	(199,879)
8,693	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	16,724
<b>12,294</b>	<b>Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services</b>	<b>(183,155)</b>
29,966	Difference Between Fair Value Depreciation and Historical Cost Depreciation	27,714
<b>(762,709)</b>	<b>Balance at 31 March</b>	<b>(918,150)</b>

## Note 28 – Unusable Reserves (continued)

### Available for Sale Financial Instruments Reserve

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

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

The Council acquired non-voting A ordinary shares in The Lecht Ski Company in 2013 with a value of £77,000. There has been no movement in the value of investment since the initial transaction and therefore no gain or loss has been made to the Reserve in 2019/20.

### Capital Adjustment Account

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

Restated 2018/19 £'000	Capital Adjustment Account	2019/20 £'000
<b>(400,360)</b>	<b>Balance at 1 April</b>	<b>(386,170)</b>
	<b>Reversal of items relating to Capital Expenditure debited or credited to the CIES:</b>	
96,129	Charges for Depreciation and Impairment of Non-Current Assets	91,845
24,052	Revaluation losses on PPE and AHfS	34,140
453	Amortisation of Intangible Assets	400
7,072	Revenue Expenditure Funded by Capital Under Statute	10,170
2,380	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	3,869
(29,967)	Adjusting amounts written out of the Revaluation Reserve	(27,714)
<b>100,119</b>		<b>112,710</b>
	<b>Capital Financing Applied in the Year:</b>	
(2,974)	Use of Capital Receipts to finance new Capital Expenditure	(2,238)
(18,955)	Donated Assets	-
(29,183)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(28,901)
(1,293)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(9,200)
(15,811)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(17,721)
(17,976)	Capital Expenditure charged against the General Fund and HRA Balances	(17,865)
<b>(86,192)</b>		<b>(75,925)</b>
<b>263</b>	<b>Movements in the Market Value of Investment Properties debited or credited to the CIES</b>	<b>-</b>
<b>(386,170)</b>	<b>Balance at 31 March</b>	<b>(349,385)</b>

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

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2020 will be charged to the General Fund over the next 37 years.

<b>2018/19 £'000</b>	<b>Financial Instruments Adjustment Account</b>	<b>2019/20 £'000</b>
<b>11,867</b>	<b>Balance at 1 April</b>	<b>10,651</b>
(1,060)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(781)
(156)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(165)
<b>10,651</b>	<b>Balance at 31 March</b>	<b>9,705</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2018/19 £'000</b>	<b>Pensions Reserve</b>	<b>2019/20 £'000</b>
<b>231,573</b>	<b>Balance at 1 April</b>	<b>307,275</b>
24,303	Actuarial (gains) or losses on pensions assets and liabilities	(73,376)
89,923	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	84,819
(38,524)	Employer's pensions contributions and direct payments to pensioners payable in the year	(40,822)
<b>307,275</b>	<b>Balance at 31 March</b>	<b>277,896</b>

**Note 28 – Unusable Reserves (continued)****Employee Statutory Adjustment Account**

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19 £'000	Employee Statutory Adjustment Account	2019/20 £'000
11,091	Balance at 1 April	11,231
(11,091)	Settlement or cancellation of accrual made at the end of the preceding year	(11,231)
11,231	Amounts accrued at the end of the current year	14,046
140	<b>Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	2,815
11,231	Balance at 31 March	14,046

**Note 29 – Events after the Balance Sheet Date**

The unaudited accounts were issued on 30 June 2020 by Alan Wood MA (Hons), CPFA, Head of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973. Where events taking place before the balance sheet date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Covid-19 (Coronavirus) pandemic was first confirmed to have spread to Scotland in March 2020. After 31 March 2020, Aberdeenshire Council received funding from the Scottish Government in respect of Covid-19 payments to be issued to individuals and businesses. The annual accounts have not been adjusted for this event.

**Note 30 – Contingent Liabilities****Limitation (Childhood Abuse) (Scotland) Bill**

With the passing of the Limitation (Childhood Abuse) (Scotland) Bill in 2017, individuals who suffered abuse as children in care may now seek damages in respect of personal injuries (including psychological and physical abuse) dating back to 1964.

The Scottish Parliament is considering the introduction of a redress scheme (by April 2021) in relation to claims from survivors of abuse in Scotland. This is currently at the review stage and financial contributions may be requested from Local Authorities in relation to this, as it may be an alternative route for survivors to submitting claims to the Council. Further discussions will take place over the coming year to assess any proposed level of contribution from Aberdeenshire Council.

In the meantime, it is still possible that the Council will receive civil claims relating to periods of time in care which has the potential for significant costs to be incurred. An agreement is in place for the split of the former Grampian Region Council between the constituent councils – Aberdeenshire, Aberdeen City and Moray.

Claims will not be restricted to the former Grampian Region Council but will also include Aberdeenshire Council claims from 1996 to present.

### Note 30 – Contingent Liabilities (continued)

If there is quantifiable exposure for Aberdeenshire Council, consideration will be given to the creation of a provision in financial year 2020/21 to provide for any resultant costs.

#### Guarantor in relation to NESPF

The Council has agreed to act as guarantor to NESPF for four admitted bodies – Cairngorms Outdoor Access Trust, Robertson's Facility Management (Aberdeenshire), Xerox UK (Ltd) and Forth and Oban (Shire). Should any of these employers terminate from the fund following the last member leaving the scheme or the organisation ceasing to exist they would be required to pay any termination payment due. Following recovery of this payment, the Council would then subsume all assets and liabilities held for the existing employer. If, for any reason, NESPF were unable to recover all or part of the termination fee, this too would be subsumed by the Council. The potential values guaranteed are subject to a range of actuarial assumptions.

#### Guaranteed Minimum Pension (GMP) Equalisation

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

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

#### Widower's Pensions

On 21 July 2020, Her Majesty's Treasury (HMT) issued a note confirming that, following a successful case against the Teachers' Pension Scheme, it accepted that historical widowers' pensions in the public sector pension schemes was discriminatory. For the LGPS this will most likely affect surviving widowers where their deceased spouse left the LGPS prior to April 1998. In some cases this will lead to an increase in the widower's pension payable in payment. In other cases (where the member left prior to April 1988) this will lead to a new widower's record needing to be set up, as previously no widower's pension was due. The associated costs have not yet been determined.

#### Equal Pay Claims

Equal Pay claims still outstanding are considered to be invalid by the Council. Future financial costs may however arise if the Council is challenged on such claims. Owing to the uncertainty involved, a contingent liability has been included.

### Note 31 – Contingent Assets

#### VAT

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

#### Landfill Tax

The Council is pursuing the potential recovery of Landfill Tax overpayments in relation to previous years, resulting from challenges to existing legislation.

### 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 2019/20 the Council paid £24,383,586 in respect of teacher's retirement benefits representing 22.4% of pensionable pay. (£17,648,854 and 17.2% in 2018/19). Contributions remaining payable at the year end were £3,255,752 (£2,859,676 in 2018/19).

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers pensions' use a notional fund as the basis for calculating the employers' contribution paid by local authorities. However, it is not possible for the Council to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside the terms of the teachers scheme in 2019/20. These amounted to £38,121 or 0.04% of pensionable pay (£40,926 and 0.04% in 2018/19).

### 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 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.

**The McCloud Court Case Judgement**

The McCloud judgement in England and Wales in June 2019 ruled that transitional protections provided in public sector pension schemes discriminated unlawfully on the grounds of age. All local government pension schemes are affected including the North East Scotland Pension Fund. The 2018/19 Balance Sheet of the Council was adjusted for an increase in pension liabilities of £25m for the estimated costs of compensating affected members of the Council's pension scheme. This was based on costings provided by the Government Actuary's Department on the potential effect in England and Wales as a whole. This estimate has been maintained within the 2019/20 pension liability. The estimated additional liabilities relating to 2019/20, arising from the judgement, have been included within the current service costs of the Council within these Accounts.

**Transactions Relating to Post-employment Benefits**

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

At the most recent valuation of the Fund as at 31 March 2017, the Fund's assets were sufficient to cover 107% of its liabilities. This is known as the funding level. The funding objective is to achieve and maintain a funding level of 100% of liabilities in line with the Funding Strategy Statement (which can be found at [www.nespf.org.uk](http://www.nespf.org.uk)).

The valuation looks at the normal cost of benefits that will be built up over the year after the valuation date, using a set of assumptions. This is used to calculate a Common Contribution Rate, which is 22.2% for the Fund. The actuaries have maintained the average employer contribution rate payable at the previous valuation of 19.3% of pensionable pay, which implies a secondary contribution of 2.9% of projected pensionable pay at the valuation date.

Each employer's position is assessed separately and individual rates set for each employer over the three year period to 31 March 2021. The Council's contribution rate will, therefore, be 19.3% over the three year period.

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

In the event that the Council withdraws from the scheme, the Council's share of the deficit will be calculated at that point in time. At 31 March 2020, the Council makes up 44% (2018/19: 43.43%) of the total membership of the scheme.



### Note 33 – Defined Benefit Pension Schemes (continued)

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

NESPF 2018/19 £'000	Teachers Additional Unfunded Pensions 2018/19 £'000	Total 2018/19 £'000	CIES	NESPF 2019/20 £'000	Teachers Additional Unfunded Pensions 2019/20 £'000	Total 2019/20 £'000
			<b>Cost of Services:</b>			
62,636	-	62,636	Current Service Cost	73,341	-	73,341
20,859	-	20,859	Past Service Costs	3,080	-	3,080
162	-	162	Loss from Settlements	735	-	735
			<b>Financing and Investment Income and Expenditure:</b>			
5,003	517	5,520	Net Interest Expense	6,400	485	6,885
746	-	746	Administration Expenses	778	-	778
<b>89,406</b>	<b>517</b>	<b>89,923</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>84,334</b>	<b>485</b>	<b>84,819</b>
			<b>Other Post Employment Benefit charged to the CIES</b>			
23,331	972	24,303	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	(72,041)	(1,335)	(73,376)
<b>112,737</b>	<b>1,489</b>	<b>114,226</b>	<b>Total Post Employment Benefit charged to the CIES</b>	<b>12,293</b>	<b>(850)</b>	<b>11,443</b>
			<b>Movement in Reserves Statement</b>			
(89,406)	(517)	(89,923)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code Actual amount charged against the General Fund Balance for pensions in the year:	(84,334)	(485)	(84,819)
37,367	-	-	Employers' Contributions Payable to the Scheme	39,653	-	-
-	1,157	-	Retirement Benefits Payable to Pensioners	-	1,169	-

### Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

**Note 33 – Defined Benefit Pension Schemes (continued)**

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

2018/19 NESPF		2018/19 Teachers Additional Unfunded Pensions	Total 2018/19		2019/20 NESPF		2019/20 Teachers Additional Unfunded Pensions	Total 2019/20
Funded Benefits 2018/19 £'000	Unfunded Benefits 2018/19 £'000	2018/19 £'000	£'000		Funded Benefits 2019/20 £'000	Unfunded Benefits 2019/20 £'000	2019/20 £'000	£'000
1,652,417	25,661	20,779	1,698,857	Present value of the defined benefit obligation	1,604,710	23,436	18,760	1,646,906
(1,391,582)	-	-	(1,391,582)	Fair value of plan assets	(1,369,010)	-	-	(1,369,010)
<b>260,835</b>	<b>25,661</b>	<b>20,779</b>	<b>307,275</b>	<b>Net liability arising from defined benefit obligations</b>	<b>235,700</b>	<b>23,436</b>	<b>18,760</b>	<b>277,896</b>

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

NESPF		Teachers Additional Unfunded Pensions	Total		NESPF		Teachers Additional Unfunded Pensions	Total
Funded Benefits 2018/19 £'000	Unfunded Benefits 2018/19 £'000	2018/19 £'000	2018/19 £'000		Funded Benefits 2019/20 £'000	Unfunded Benefits 2019/20 £'000	2019/20 £'000	2019/20 £'000
1,466,286	25,522	20,447	1,512,255	Opening Balance at 1 April	1,652,417	25,661	20,779	1,698,857
62,636	-	-	62,636	Current Service Cost	73,341	-	-	73,341
37,801	645	517	38,963	Interest Cost	39,301	599	485	40,385
11,045	-	-	11,045	Contributions from Scheme Participants	11,541	-	-	11,541
-	-	-	-	Remeasurement (gains) and losses:				
-	-	-	-	Actuarial experience (gains)/losses	(5,202)	(115)	-	(5,317)
89,521	858	972	91,351	Actuarial (gains)/losses arising from changes in financial assumptions	(30,380)	(268)	(1,335)	(31,983)
-	-	-	-	Actuarial (gains)/losses arising from changes in demographic assumptions	(98,807)	(1,060)	-	(99,867)
(35,893)	(1,364)	(1,157)	(38,414)	Benefits Paid	(41,316)	(1,381)	(1,169)	(43,866)
162	-	-	162	Losses on Curtailments	735	-	-	735
20,859	-	-	20,859	Past Service Cost	3,080	-	-	3,080
<b>1,652,417</b>	<b>25,661</b>	<b>20,779</b>	<b>1,698,857</b>	<b>Closing Balance at 31 March</b>	<b>1,604,710</b>	<b>23,436</b>	<b>18,760</b>	<b>1,646,906</b>

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

NESPF		Teachers Additional Unfunded Pensions	Total		NESPF		Teachers Additional Unfunded Pensions	Total
Funded Benefits 2018/19 £'000	Unfunded Benefits 2018/19 £'000	2018/19 £'000	2018/19 £'000		Funded Benefits 2019/20 £'000	Unfunded Benefits 2019/20 £'000	2019/20 £'000	2019/20 £'000
1,280,682	-	-	1,280,682	Opening fair value scheme assets at 1 April	1,391,582	-	-	1,391,582
33,443	-	-	33,443	Interest Income	33,500	-	-	33,500
67,048	-	-	67,048	Remeasurement gains/(loss):				
(746)	-	-	(746)	The return on plan assets, excluding the amount included in the net interest expense	(63,790)	-	-	(63,790)
36,003	1,364	1,157	38,524	Administration expenses	(778)	-	-	(778)
11,045	-	-	11,045	Contributions from employer	38,272	1,381	1,169	40,822
(35,893)	(1,364)	(1,157)	(38,414)	Contributions from employees into the scheme	11,541	-	-	11,541
				Benefits paid	(41,316)	(1,381)	(1,169)	(43,866)
<b>1,391,582</b>	<b>-</b>	<b>-</b>	<b>1,391,582</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>1,369,011</b>	<b>-</b>	<b>-</b>	<b>1,369,011</b>

**Note 33 – Defined Benefit Pension Schemes (continued)**
**North East Pension Scheme Assets Comprised:**

Asset category	Sub-category	Quoted (Y/N)	31 March 2019 £'000	31 March 2020 £'000
Equities:	UK quoted	Y	227,662	215,695
	Global quoted	Y	276,091	215,275
	Pooled UK	Y	171,860	166,315
	Pooled Global	Y	165,876	159,689
Bonds:	UK Government fixed	Y	21,291	1,635
	UK Government indexed	Y	64,291	57,662
	Overseas Government fixed	Y	20,735	30,547
	UK Other	Y	557	790
	Overseas other	Y	10,159	14,764
	UK Corporate	Y	417	557
	Overseas Corporate	Y	6,958	10,401
Property:	UK Direct	N	101,307	100,012
	Property Funds - UK	N	-	-
Alternatives:	Private Equity	N	66,657	71,173
	Private Debt	N	4,592	19,672
	Private Equity Infrastructure	N	12,385	24,695
	Global Private Equity Real Estate	N	18,786	16,845
	Diversified Growth Funds	Y	101,864	91,784
	Infrastructure Pooled Fund	N	33,120	29,322
	Multi Asset Credit	N	33,537	114,974
Cash:	Cash instruments	N	53,437	27,203
<b>Total</b>			<b>1,391,582</b>	<b>1,369,010</b>

### 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 depending on assumptions about mortality rates, salary levels, etc.

The Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2017 rolled forward to 31 March 2020. The next triennial valuation will be based on the Fund as at 31 March 2020.

The significant assumptions used by the actuary have been:

NESPF		Teachers		NESPF		Teachers
Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions		Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
			Mortality Assumptions:			
			Longevity at 65 for Current Pensioners:			
22.9	22.9	22.9	Men	21.5	21.5	21.5
25.0	25.0	25.0	Women	24.2	24.2	24.2
			Longevity at 65 for Future Pensioners:			
25.8	-	-	Men	23.1	-	-
28.1	-	-	Women	26.3	-	-
2.20%	2.20%	2.30%	Rate of Inflation	2.10%	2.10%	2.10%
3.70%	-	-	Rate of Increase in Salaries	3.60%	-	-
2.30%	2.30%	2.40%	Rate of Increase in Pensions	2.20%	2.30%	2.20%
2.40%	2.40%	2.40%	Rate for Discounting Scheme Liabilities	2.40%	2.40%	2.40%
-	-	-	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum			

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

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	43,866	(43,866)
Rate of inflation (increase or decrease by 0.1%)	31,023	(31,023)
Rate of increase in salaries (increase or decrease by 0.1%)	4,209	(4,209)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(30,443)	30,443

## 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 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment returns is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However, the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment returns from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The asset proportions of the Fund at 31 March 2020 were: equities, including alternatives 82.2% (2018/19: 79.9%), bonds 8.5% (2018/19: 8.9%), property 7.3% (2018/19: 7.3%) and cash 2.0% (2018/19: 3.8%).

### Impact on the Council's Cash Flows

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £38,900,000. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2017 valuation is 19 years.

### Joint Boards

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

Total 2018/19 £'000	Aberdeenshire Share 2018/19 £'000		Total 2019/20 £'000	Aberdeenshire Share 2019/20 £'000
5,023	2,260	Grampian Valuation Joint Board	4,454	1,989

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 2020 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 2019/20 is shown in the Remuneration Report. Councillors have involvement with 232 outside bodies, 77 of which are in a decision-making role and 155 in an observational role as reported to Full Council on 18 May 2017, updated for new appointments. During 2019/20, works and services to the value of £3,572,000 were commissioned from companies in which 17 Councillors' had an interest (2018/19 £4,461,000 and 16 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £1,125,000 were awarded to voluntary organisations in which 12 Councillors had positions on the governing body (2018/19 £353,000 and 14 Councillors). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Councillors did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Councillors' Interests, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.

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

**Officers – Key Management Personnel**

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report on pages 41-51. These officers have responsibility for planning, directing and controlling the activities of the Council. Their scope of influence is determined by the Scheme of Delegation and Financial Regulations. On this basis the Council is satisfied that appropriate controls are in place to manage and monitor the influence of the Council's Key Management Personnel.

**Grampian Valuation Joint Board**

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Business Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2020, the total Comprehensive Income and Expenditure Statement shows a surplus of £840,000 (2018/19 deficit £1,036,000) and the net liabilities were £3,333,000 (2018/19 £4,173,000). The Board is funded by requisitions from the three Councils. The Council paid a requisition in 2019/20 of £1,993,000 (2018/19 £1,914,000). A copy of the accounts can be obtained from The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX.

**North East of Scotland Transport Partnership (Nestrans)**

Nestrans was created under the Transport (Scotland) Act 2005 by the Scottish Executive. The Partnership aims to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Shire. Four of the twelve Board members are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2020, the total Comprehensive Income and Expenditure Statement was £563,000 surplus (2018/19 deficit £193,000) and the net liabilities were £222,000 (2018/19 £785,000). The two Councils fund the Partnership. The Council paid a requisition of £195,000 (2018/19 £47,000) and provided capital funding of £670,000 (2018/19 £1,057,000). A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

**Trusts and Endowments and Common Good Funds**

The Council acts as Trustee for 361 Trusts & Endowments and 17 Common Good Funds. Disbursements from the Trusts range from Educational grants for books and equipment to donations to the elderly. In administering the Common Good Funds, the Council has regard to the interests of the inhabitants of the area to which the Common Good Fund formerly related and overall, the funds are used for purposes which are of benefit to the relevant communities. For the year ended 31 March 2020, the net assets were £6,457,000 (2018/19 £6,945,000) for Trusts and £3,345,000 (2018/19 £3,169,000) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 118-122. The Trusts and Common Good Funds had £4,553,000 (2018/19 £4,464,000) invested in the Council's loans fund at 31 March 2020. A full analysis of the individual Trusts and Common Good Funds can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

**Scotland Excel**

Scotland Excel is a not-for-profit organisation and was launched in April 2008. It aims to raise procurement standards by working with Scottish local authorities and suppliers to secure best value through collaborative contracts. Aberdeenshire Council and twenty-seven other local authorities fund the organisation. For the year ended 31 March 2020, Aberdeenshire Council's contribution to the organisation was £159,000 (2018/19 £157,000). A copy of the accounts can be obtained from the Director of Finance, Renfrewshire Council, Finance and Resources, Finance Services, Renfrewshire House, Cotton Street, Paisley, PA1 1JB.

**Aberdeenshire Integration Joint Board**

Aberdeenshire Integration Joint Board (the Board) of Aberdeenshire Health and Social Care Partnership was established as a Body by Scottish Ministers on 6 February 2016. Its purpose is to improve the wellbeing of the people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. Six of the twelve Voting Board members are appointed by Aberdeenshire Council and are Councillors. One Stakeholder Representative Non-Voting Board member is an employee of the Council.

For the year end 31 March 2020, the total Comprehensive Income and Expenditure Statement shows a deficit of £1,288,000 (2018/19 £1,405,000 surplus). This surplus is ring fenced funding provided by the Scottish Government to support the Primary Care Improvement Plan and Action 15 funding for additional Mental Health Workers, which will be used for these purposes in 2020/21. To achieve an operating breakeven position a total additional funding contribution of £5.621 million was agreed by the partners in 2019/20, £3.255 million from NHS Grampian and £2.366 million from Aberdeenshire Council (2018/19: £3.137 million, £1.742 million from NHS Grampian and £1.395 million from Aberdeenshire Council.)

The net assets were £117,000 (2018/19 £1,405,000) of earmarked reserves described in the paragraph above. The Board is funded by the Council and NHS Grampian. The Council made a payment of £114,183,000 (2018/19 £106,524,000) for integrated functions. A copy of the accounts can be obtained from the IJB Chief Finance Officer, c/o NHS Grampian, Westholme, Woodend Hospital, Eday Road, Aberdeen, AB15 6LS.

**Note 35 – Cash Flow Statement – Operating Activities**

<b>Restated 2018/19 £'000</b>		<b>2019/20 £'000</b>
<b>(87,913)</b>	<b>Net Deficit on the Provision of Services</b>	<b>(113,199)</b>
	<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>	
96,128	Depreciation and Impairment	91,845
24,315	Downward Revaluations	34,141
453	Amortisation	400
(129)	Soft Loans (non subsidiary) - Interest adjustment credited to CIES during year	(132)
(39)	Adjustments for Effective Interest Rates	(41)
(30)	Increase/(Decrease) in Interest Creditors	96
2,863	Increase in Creditors	(4,274)
21	(Increase)/Decrease in Interest and Dividend Debtors	(15)
(7,401)	(Increase)/Decrease in Debtors	(12,795)
(331)	(Increase)/Decrease in Inventories	(237)
51,408	Movement in Pension Liability	44,006
(369)	Contributions to/ (from) Provisions	(2,625)
2,380	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,869
0	Movement in Investment Property Values	0
<b>169,269</b>		<b>154,238</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(41,035)	Capital Grants credited to surplus or deficit on the provision of services	(43,096)
10,000	Net Adjustment from the Sale of Short and Long Term Investments	0
(2,974)	Proceeds from the sale of property plant and equipment and intangible assets	(2,238)
<b>(34,009)</b>		<b>(45,334)</b>
<b>47,347</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(4,295)</b>

The cash flows for operating activities include the following items:

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
634	Interest Received	487
(28,460)	Interest Paid	(29,105)



### Note 36 – Summarised Financial Information of Group Entities

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

The Trusts and Endowments have been consolidated into the Group Statements as a 100% fully controlled subsidiary of the Council. Full details of the Trusts and Endowments are included on pages 118-120. The Aberdeenshire Integration Joint Board has been consolidated as a joint venture. The accounting year end for these entities is 31 March 2020.

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

2018/19 £'000		2019/20 £'000
(703)	(Surplus)/Deficit on Operating Activities	644
703	Current Assets	58

#### Aberdeenshire Integration Joint Board

Details of the Aberdeenshire Integration Joint Board are given in Note 34 on Related Parties. The funding contribution provided by the Council to the Board in 2019/20 was £114,183,000 (2018/19: £106,524,000). The Board is consolidated as a joint venture and therefore the percentage share is 50%.

#### Alignment of Accounting Policies

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

## Housing Revenue Account

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

2018/19 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2019/20 £'000	Notes Ref
	<b>Expenditure</b>		
20,546	Repairs and Maintenance	21,647	
11,254	Supervision and Management	12,311	
31,010	Depreciation, Amortisation and Impairment of Non-Current Assets	29,925	
9,775	Other Expenditure	9,753	
<b>72,585</b>	<b>Total Expenditure</b>	<b>73,636</b>	
	<b>Income</b>		
(49,441)	Dwelling Rents	(52,254)	
(1,112)	Non-dwelling Rents	(1,064)	
(10,358)	Other Income	(10,813)	
<b>(60,911)</b>	<b>Total Income</b>	<b>(64,131)</b>	
<b>11,674</b>	<b>Net Cost of HRA Services as Included in the CIES</b>	<b>9,505</b>	
381	HRA Services' Share of Corporate and Democratic Core	388	
441	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	363	
<b>12,496</b>	<b>Net Expenditure for HRA Services</b>	<b>10,256</b>	
	<b>HRA Share of the Operating Income and Expenditure Included in the CIES</b>		
(255)	Gain on Sale of HRA Non Current Assets	184	
5,113	Interest Payable and Similar Charges	6,443	
(53)	Interest and Investment Income	(30)	
854	Net Interest on Net Defined Benefit Liability (Asset)	335	
(3,060)	Non-specific Grant Income	(3,135)	
708	Movement in Allowance for Bad Debts	487	
<b>15,803</b>	<b>Deficit for the Year on HRA Services</b>	<b>14,540</b>	
HRA Notes			2 - 5

2018/19 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2019/20 £'000	Notes Ref
<b>(2,000)</b>	<b>Balance on the HRA at 1 April</b>	<b>(2,000)</b>	
15,803	Deficit for the Year on the HRA Income and Expenditure Statement	14,540	
(14,333)	Adjustments Between Accounting Basis and Funding Basis Under Statute	(13,329)	6~
1,470	Net Decrease/(Increase) before transfers to/from reserves	1,211	
(1,470)	Transfer (from)/to reserves	(1,211)	1
-	Movement in Year on the HRA	-	
<b>(2,000)</b>	<b>Balance on the HRA at 31 March</b>	<b>(2,000)</b>	

~Refers to note 6 to the Council's Financial Statements on pages 69-70.

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

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(1,500)	Transfer from General Fund	(1,208)
30	Transfer to Insurance Fund	(3)
<b>(1,470)</b>	<b>Total</b>	<b>(1,211)</b>

**HRA Note 2 – Housing Stock**

The Council's housing stock at 31 March 2020 was 13,073 (13,004 at 31 March 2019) in the following categories:

<b>2018/19</b>	<b>Types of dwellings:</b>	<b>2019/20</b>
1,509	- Sheltered Housing	1,509
62	- 1 apartment	83
3,750	- 2 apartment	3,775
5,099	- 3 apartment	5,116
2,441	- 4 apartment	2,446
143	- 5 + apartment	143
-	- Misc	1
<b>13,004</b>	<b>Total Housing Stock as at 31 March</b>	<b>13,073</b>

The Council's housing stock includes 44 properties (2018/19: 42 properties) that are not in the ownership of the Council.

**HRA Note 3 – Rent Arrears**

Rent arrears at 31 March 2020 were £2,718,000 (£2,448,000 at 31 March 2019).

**HRA Note 4 – Impairment of Debtors**

In 2019/20 an impairment of £2,058,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £264,000 from the provision in 2018/19.

**HRA Note 5 – Void Properties**

The loss on void properties in 2019/20 was £2,187,000 compared to a loss on void properties of £1,862,000 in 2018/19.

## 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.

Restated 2018/19 £'000		2019/20 £'000	Notes Ref
<b>(162,802)</b>	<b>Gross Council Tax Levied and Contributions in Lieu</b>	<b>(169,268)</b>	
	Less:		
7,796	Council Tax Reduction Scheme	7,947	
17,505	Other Discounts and Reductions	18,228	
1,471	Write Off of Uncollectable Debts and Allowance for Impairment	1,174	
<b>26,772</b>		<b>27,349</b>	
(1,639)	Adjustments to Previous Years'	158	
(1,885)	Second Homes Council Tax – In Year	(1,973)	
<b>(139,554)</b>	<b>Transfer to CIES</b>	<b>(143,734)</b>	
Council Tax Income Account notes			1 - 2

## CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	2018/19 Proportion of Band D	2018/19 Council Tax	2019/20 Proportion of Band D	2019/20 Council Tax
<b>A</b>	Up to £27,000	0.6667	£803.08	0.6667	£827.17
<b>B</b>	£27,001 – £35,000	0.7778	£936.92	0.7778	£965.04
<b>C</b>	£35,001 – £45,000	0.8889	£1,070.77	0.8889	£1,102.90
<b>D</b>	£45,001 - £58,000	1.0000	£1,204.62	1.0000	£1,240.76
<b>E</b>	£58,001 - £80,000	1.3139	£1,582.74	1.3139	£1,630.22
<b>F</b>	£80,001 - £106,000	1.6250	£1,957.51	1.6250	£2,016.24
<b>G</b>	£106,001 - £212,000	1.9583	£2,359.05	1.9583	£2,429.82
<b>H</b>	Above £212,000	2.4500	£2,951.32	2.4500	£3,039.86

**CT Note 2 – Calculation of Council Tax Base 2019/20**

<b>BAND</b>	<b>Band A*</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>	<b>TOTAL</b>
Properties	20,547	16,231	14,550	18,167	21,980	16,826	10,784	609	<b>119,694</b>
Less:									
Exemptions	1,567	711	558	466	380	232	122	13	<b>4,049</b>
Discount - 25%	2,631	1,740	1,354	1,413	1,260	694	328	16	<b>9,436</b>
Discount - 50%	491	325	251	247	236	155	110	16	<b>1,831</b>
Number of chargeable dwellings subject to disabled reduction	-57	-43	-4	-72	27	59	87	3	<b>0</b>
Number of adjusted chargeable dwellings	15,915	13,498	12,391	16,113	20,077	15,686	10,137	561	<b>104,378</b>
Ratio to Band D	0.666	0.7778	0.889	1.0	1.3139	1.625	1.9586	2.449	
<b>Number of Band D equivalents for RSG purposes</b>	<b>10,600</b>	<b>10,499</b>	<b>11,016</b>	<b>16,113</b>	<b>26,379</b>	<b>25,490</b>	<b>19,854</b>	<b>1,374</b>	<b>121,325</b>
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2019/20									<b>7</b>
Less: Adjustment to base for Council Tax Reduction Scheme									<b>6,439</b>
<b>COUNCIL TAX BASE 2019/20</b>									<b>114,893</b>

**COUNCIL TAX BASE 2018/19**

**113,941**

\* Of the 10,600 Band A properties, 53 receive a discount in the ratio 5/9 relating to disabled relief.

## Business Rates Income Account

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

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

In 2019/20 the rate poundage was 49p (48p in 2018/19). Properties with a rateable value of more than £0.051million attract a Large Business Supplement of 2.6p (2.6p in 2018/19).

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

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

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

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business rates income and encourage new business start up. The Scottish Government set a target for each Council and the Council retains 50% of any additional income above the target.

2018/19 £'000		2019/20 £'000	Notes Ref
(148,220)	Gross Rates Levied and Contributions in Lieu	(151,431)	
	Less:		
26,557	Reliefs and Other Deductions	27,978	
6	Payment of Interest	0	
54	Write Off of Uncollectable Debts and Allowance for Impairment	8	
(121,603)	Net Business Rate Income	(123,445)	
142	Adjustments to Previous Year's Business Rates	4,461	
(232)	Council Discretionary Relief	(201)	
(121,693)	Total Business Rate Income (before Council Retentions)	(119,185)	
1,403	Business Rate Income Retained by the Council (BRIS)	(150)	
(120,290)	Contribution to National Non-Domestic Rate Pool	(119,335)	
(110,710)	Sum due from Central Rates Pool	(123,812)	
(1,403)	Business Rate Income Retained by the Council (BRIS)	150	
(87)	Adjustments for prior years – reliefs	17	
(112,200)	Income Credited to Comprehensive Income and Expenditure Statement	(123,645)	
	Business Rate Income Account Note		1

## Business Rates Disclosures

### BR Note 1 – Rateable Values and Number of Entries at 1 April 2019

As at 1/4/18 Number of Entries	As at 1/4/18 Rateable Value £'000		As at 1/4/19 Number of Entries	As at 1/4/19 Rateable Value £'000
1,980	41,212	Shops	1,987	41,057
100	2,700	Public Houses	99	2,671
1,501	40,588	Offices (Including Banks)	1,531	40,871
239	7,878	Hotel, Boarding Houses etc.	232	8,241
3,358	112,679	Industrial and Freight Transport Subjects	3,403	113,517
1,141	9,618	Leisure, Entertainment, Caravans and Holiday Sites	1,217	9,944
387	3,914	Garage and Petrol Stations	387	3,976
57	756	Cultural	56	751
2,300	2,141	Sporting Subjects	2,272	2,066
267	21,494	Education and Training	267	21,682
761	14,294	Public Services Subjects	756	14,333
44	6,561	Communications (Non Formula)	46	5,319
215	1,420	Quarries, Mines etc.	218	1,438
15	16,376	Petrochemical	15	16,376
443	2,006	Religious	443	2,012
137	4,028	Health Medical	137	4,316
1,112	1,869	Other	1,099	1,895
130	4,767	Care Facilities	127	4,733
17	63	Advertising	18	64
38	2,322	Undertaking	39	2,780
<b>14,242</b>	<b>296,686</b>	<b>Total</b>	<b>14,349</b>	<b>289,042</b>

Note: The Revaluation Roll came into force on 1 April 2017 and contains the revised rateable values. National revaluations normally take place every five years.

## Trusts and Endowments

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

The Council administers 361 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet, a summary of the balances of the Trusts at 31 March 2020 and details of how these balances were invested at that date are shown below.

### INCOME AND EXPENDITURE STATEMENT

All Trusts 2018/19 £'000	Charitable Trusts 2018/19 £'000		All Trusts 2019/20 £'000	Charitable Trusts 2019/20 £'000	Notes Ref
		<b>Expenditure</b>			
56	56	Administrative Costs	50	50	2
74	66	Donations, Grants etc.	144	136	
1	-	Other Costs	9	-	
<b>131</b>	<b>122</b>	<b>Total Expenditure</b>	<b>203</b>	<b>186</b>	
		<b>Income</b>			
(150)	(120)	Investment Income	(149)	(124)	2
(180)	(174)	Other Income	(80)	(73)	
<b>(330)</b>	<b>(294)</b>	<b>Total Income</b>	<b>(229)</b>	<b>(197)</b>	
<b>(199)</b>	<b>(172)</b>	<b>(Surplus) for the year</b>	<b>(26)</b>	<b>(11)</b>	

### BALANCE SHEET

Restated All Trusts 2018/19 £'000	Charitable Trusts 2018/19 £'000		All Trusts 2019/20 £'000	Charitable Trusts 2019/20 £'000	Notes Ref
		<b>Current Assets</b>			
60	59	Other	1	-	
3,894	2,918	Investments	3,381	2,423	
2,994	1,755	Loans Fund Balance	3,097	1,844	
<b>6,948</b>	<b>4,732</b>	<b>Total Current Assets</b>	<b>6,479</b>	<b>4,267</b>	
		<b>Current Liabilities</b>			
(3)	(2)	Creditors	(22)	(22)	
<b>6,945</b>	<b>4,730</b>	<b>Net Current Assets</b>	<b>6,457</b>	<b>4,245</b>	
<b>6,945</b>	<b>4,730</b>	<b>Total Net Assets</b>	<b>6,457</b>	<b>4,245</b>	
		<b>Financed by:</b>			
(5,608)	(4,350)	Capital	(5,123)	(3,882)	
(1,337)	(380)	Revenue Balance	(1,334)	(363)	
<b>(6,945)</b>	<b>(4,730)</b>	<b>Reserves</b>	<b>(6,457)</b>	<b>(4,245)</b>	
		Other Trusts and Endowments notes			1,3



## Trusts and Endowments (Continued)

### SUMMARY OF FUNDS

Total Funds 2018/19 £'000	Charitable Trusts 2018/19 £'000		Total Funds 2019/20 £'000	Charitable Trusts 2019/20 £'000	Notes Ref
4,122	4,122	<b>Education Trusts</b>			
		Aberdeenshire Educational Trust	3,654	3,654	
		<b>Other Trusts</b>			
1,762	512	General	1,798	494	
157	92	Libraries	160	93	
		<b>Endowment Funds</b>			
501	4	Educational Endowments	469	4	
403	-	Social Work Endowments	376	0	
<b>6,945</b>	<b>4,730</b>	<b>Total</b>	<b>6,457</b>	<b>4,245</b>	

Alan Wood, MA (Hons), CPFA

Head of Finance

29 October 2020

## **Trusts and Endowments - Disclosures**

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

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

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

With the exception of the Other Trusts, the investments of the Trusts, apart from property superiorities, were transferred on 1 April 1977 to a Central Investment Fund. The quoted investments of this Fund were revalued to market value at 31 March 2020 and the resultant gain on revaluation has been credited to the various Trusts in proportion to their holding in the Central Fund.

### **TF Note 2 – Administrative Costs**

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

### **TF Note 3 – Further Details**

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

## Common Good Funds

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

### Income and Expenditure Account for the Year Ended 31 March 2020

Net Expenditure 2018/19 £'000		Net Expenditure 2019/20 £'000	Notes Ref
	<b>Services</b>		
24	Donations, Grants etc.	46	
31	Depreciation	36	
2	Repairs to Assets	6	
<b>57</b>	<b>Expenditure</b>	<b>88</b>	
(19)	Rental Income	(18)	
(11)	Interest Receivable and Similar Income	(13)	
(10)	Grants Receivable	-	
<b>(40)</b>	<b>Income</b>	<b>(31)</b>	
17	Deficit on the Provision of Services	57	
(30)	Transfer from Revaluation Reserve	(34)	
<b>(13)</b>	<b>Decrease/(Increase) in the Year</b>	<b>23</b>	
Other Notes			CG1

### Balance Sheet as at 31 March 2020

2018/19 £'000		2019/20 £'000	Note Ref
1,695	Property, Plant and Equipment	1,908	
<b>1,695</b>	<b>Long Term Assets</b>	<b>1,908</b>	
14	Short Term Investments	11	
1,470	Cash and Cash Equivalents	1,456	
<b>1,484</b>	<b>Current Assets</b>	<b>1,467</b>	
(10)	Creditors	(30)	
<b>(10)</b>	<b>Current Liabilities</b>	<b>(30)</b>	
<b>3,169</b>	<b>Net Assets</b>	<b>3,345</b>	
	Usable Reserves:		
(1,274)	Revenue	(1,251)	
(380)	Capital	(369)	
	Unusable Reserves:		
(1,515)	Revaluation Reserve	(1,725)	
<b>(3,169)</b>	<b>Total Reserves</b>	<b>(3,345)</b>	
Other Notes			CG 2

Alan Wood, MA (Hons), CPFA  
Head of Finance  
29 October 2020

## Common Good Funds Disclosures

### CG Note 1 – Significant Accounting Policies

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

### CG Note 2 – Summary of Balances

The balances in the Common Good Funds are as follows:

Total Funds 2018/19 £'000		Total Funds 2019/20 £'000
179	Macduff	157
1,874	Banff	2,028
4	Rosehearty	4
5	Portsoy	5
4	Aberchirder	4
65	Fraserburgh	65
461	Peterhead	464
92	Turriff	161
5	Oldmeldrum	5
94	Inverurie	65
25	Kintore	25
102	Stonehaven	103
56	Inverbervie	57
37	Laurencekirk	37
130	Huntly	129
36	Banchory	36
0	Ballater	0
<b>3,169</b>	<b>Total</b>	<b>3,345</b>

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

## Glossary (Continued)

**16. Expected Rate of Return on Pensions Assets:** For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**17. Fair Value:** The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**18. Fees and Charges:** Income received for services provided.

**19. Financial Instruments:** A contract between parties that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**20. Government Grants:** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

**21. Heritage Assets:** A tangible heritage asset has historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset has cultural, environmental or historical significance which are intangible.

**22. Intangible Assets:** Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights e.g. software licences.

**23. Interest Cost (Pensions):** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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

**25. Investments (Pensions Fund):** The investments of the Pensions Fund will be accounted for in the statements of that Fund. However the Council is also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

**26. Investment Properties:** Interest in land and/or buildings: a) in respect of which construction work and development have been completed; and b) which is held for its investment potential, any rental income being negotiated at arm's length.

**27. Net Book Value:** The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**28. Net Realisable Value:** The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

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

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

**31. Past Service Cost:** For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

- 32. Premises Costs:** Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, metered water charges, etc.
- 33. Prior Period Adjustments:** Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to undermine the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
- 34. Payments to Agencies and Others:** 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 Reserve £'000	Capital Fund £'000	Capital Grants Unapplied Account £'000	Total Capital Reserves £'000
<b>Balance at 31 March 2018</b>	<b>(660)</b>	<b>(299)</b>	<b>(3,440)</b>	<b>(4,399)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
<b>Adjustment involving the Capital Grants Unapplied Account:</b>				
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	-	-	(11,852)	(11,852)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	1,293	1,293
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>-</b>	<b>-</b>	<b>(10,559)</b>	<b>(10,559)</b>
Transfers to/from Statutory Reserves	-	-	-	-
<b>(Increase)/Decrease in 2018/19</b>	<b>-</b>	<b>-</b>	<b>(10,559)</b>	<b>(10,559)</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(660)</b>	<b>(299)</b>	<b>(13,999)</b>	<b>(14,958)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	-	-	-	-
<b>Adjustment involving the Capital Grants Unapplied Account:</b>				
Unapplied grants and contributions transferred to the Capital Grants Unapplied Account	-	-	(14,195)	(14,195)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,200	9,200
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>-</b>	<b>-</b>	<b>(4,995)</b>	<b>(4,995)</b>
Transfers to/(from) Statutory Reserves	235	299	-	534
<b>(Increase)/Decrease in 2019/20</b>	<b>235</b>	<b>299</b>	<b>(4,995)</b>	<b>(4,461)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(425)</b>	<b>-</b>	<b>(18,994)</b>	<b>(19,419)</b>



**Further Information on Museums Collections**

Live Life Aberdeenshire's Museum Service collections are managed in accordance with approved policies that are approved by the Sub-Committee of Live Life Aberdeenshire. Further information is provided in the Museum Service's Collections Development Policy 2015-2020, which is available on the Council's website: <https://www.livelifeaberdeenshire.org.uk/media/2726/collections-development-policy-2015-2020.pdf>.

The policy states that collection items may only be disposed of when an item doesn't contribute to the interest and diversity of the collection. The Museum Service maintains 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 2020, Live Life Aberdeenshire Museums Service has approximately 24,000 objects recorded in the ADLiB database.

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

**(i) Aikey Brae Stone Circle, Mintlaw**

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

**(ii) Rhynie Man, Woodhill House, Aberdeen**

A Class I symbol stone dating to the Early Medieval (Pictish) period (circa 6<sup>th</sup>-8<sup>th</sup> century AD). It is a large grey granite boulder incised with a rare example of a standing figure of a warrior. The stone, which is of international importance, was awarded to the former Grampian Regional Council by Historic Scotland in 1978 following its discovery, and is now on public display in the Woodhill House reception area.

**(iii) Vertical Aerial Photograph Collection**

This collection consists of three sets of vertical aerial imagery:

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

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

The BKS Images can be replaced at an average cost of £30 per image from Fugro-BKS Ltd, making the collection value an estimated £180,000. The JASair images can be replaced at an average cost of £20 per image from RCAHMS, making the collection value an estimated £50,000. The RAF collection can be replaced at an average cost of £30 per image from RCAHMS, making the collection value and estimated £90,000. The total value of the collection is £320,000.

**(iv) Photograph and Slide Collection**

The slide collection consists of an estimated 23,000 images of archaeological sites taken either on the ground or via the former aerial photography programme undertaken by the Archaeology Service over the years since 1975. The collection is currently undergoing a digitisation programme to allow greater public access to it, and to provide backup as part of the disaster management plan. To produce physical reproductions of the images would average £0.63 per image, making the collection value an estimated £14,000. However the content of collection would be impossible to replicate given the nature of how it was formed.

**Education PFI Schemes**

The Council is committed to three PFI contracts. The first contract, which was entered into in 2001, is with Robertson Education (Aberdeenshire) Limited (REAL), a consortium formed by the Robertson Group (Scotland) Limited, to design and construct three schools and an extension to another school in Aberdeenshire and the provision of Educational services to the Council on three of those sites until 17 February 2027 under a Private Finance Initiative (PFI) contract.

The contract involves:

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

The effective date of service commencement for Banff Primary School and Meldrum Primary was 18 February 2002, and the contract will run for 25 years. The effective date of service commencement for the academy at Oldmeldrum was 1 August 2002, and the contract will also terminate on 17 February 2027.

In respect of the PFI contract, the Council has leased Banff Primary School, Meldrum Primary School and the Meldrum Academy Site to REAL at a nominal rent.

The second contract, which was entered into in 2004, is with Robertson Education (Aberdeenshire 2) Limited (REAL2) to provide Education services on six sites in Aberdeenshire until 2 October 2030. The contract involves the construction or substantial refurbishment and service provision by the Contractor of educational assets, including primary and secondary schools across six different sites. The contract covers the replacement of Kintore, Rosehearty, Longside and Rothienorman Primary Schools and the building of two new schools; Portlethen Academy and a new Primary School at Banchory.

The effective date of service commencement for Longside Primary and Rosehearty Primary was 6 October 2005, for Rothienorman Primary it was 12 December 2005, for Kintore Primary 23 January 2006, Hill of Banchory Primary 26 January 2006, and Portlethen Academy 24 July 2006. The contract will terminate on 2 October 2030.

The third contract, which was entered into in June 2014, is for the design, build and maintenance of a Primary School, Secondary School and Community Facility within the Alford Community Campus. The contract is with Galliford Try and the service commencement date was 9 October 2016. The contract will end on 1 October 2040.

The Council has certain exclusive use rights for the use of the schools during school terms. The contracts specify minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or refurbish the schools and maintain them in a minimum acceptable condition. The buildings and any plant and equipment installed in them at the end of the contracts will be transferred to the Council for nil consideration. The Council only has rights to terminate the contracts if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contracts or as a result of breach of contracts.

## Commonly Used Abbreviations

Abbreviation	Expansion
AHfS	Assets Held for Sale
BR	Business Rates
BRIS	Business Rates Incentivisation Scheme
CG	Common Good Funds
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
CT	Council Tax
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IJB	Integration Joint Board
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 2019/20
VAT	Value Added Tax