

# Annual Accounts 2021/22

For the Year to 31 March 2022



## ANNUAL ACCOUNTS 2021/22 – CONTENTS

	Page
<a href="#"><u>Management Commentary</u></a> .....	3
<a href="#"><u>Statement of Responsibilities for the Annual Accounts</u></a> .....	25
<a href="#"><u>Annual Governance Statement</u></a> .....	26
<a href="#"><u>Remuneration Report</u></a> .....	35
<a href="#"><u>Independent Auditor's Report</u></a> .....	46
<a href="#"><u>Expenditure and Funding Analysis</u></a> .....	49
<a href="#"><u>Comprehensive Income and Expenditure Statement</u></a> .....	52
<a href="#"><u>Balance Sheet</u></a> .....	53
<a href="#"><u>Movement in Reserves Statement</u></a> .....	54
<a href="#"><u>Cash Flow Statement</u></a> .....	55
<a href="#"><u>Notes to the Financial Statements</u></a> .....	56
<a href="#"><u>Housing Revenue Account Income and Expenditure Statement</u></a> .....	115
<a href="#"><u>Council Tax Income Account</u></a> .....	117
<a href="#"><u>Business Rates Income Account</u></a> .....	119
<a href="#"><u>Trusts and Endowments Income and Expenditure Statement</u></a> .....	121
<a href="#"><u>Common Good Funds Income and Expenditure Account</u></a> .....	123
<a href="#"><u>Glossary</u></a> .....	125
<a href="#"><u>Annex</u></a> .....	128

## Introduction

Welcome to the financial statements for Aberdeenshire Council and its group for the year ended 31 March 2022. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2021-22 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

## Our Place



Aberdeenshire covers a geographical area of 6,339 km<sup>2</sup> and is the 6<sup>th</sup> largest area by population, serving a population of 260,780. Whilst Scotland's population rose by 7.7% in the period 1998 to 2020, in Aberdeenshire that increase was 15.3%, which included a decline of 10% in the 25 to 44 age group, whilst the 65 to 74 age group saw the largest increase of 75.9%.

Recent projections indicate that Aberdeenshire's population is expected to rise to 267,896 by 2028, which together with the changing age demographic of the population will have an impact on services, making it more important than ever that the Council has the right people, in the right places doing the right things when it comes to the delivery of services.

## Our Council

Aberdeenshire Council was constituted in 1996 under the Local Government (Scotland) Act 1994 bringing together the work of the previous regional Council and 3 district Councils. The Council is responsible for providing a range of services and facilities throughout Aberdeenshire.

## 70 Elected members

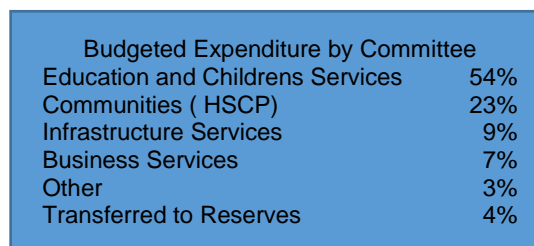
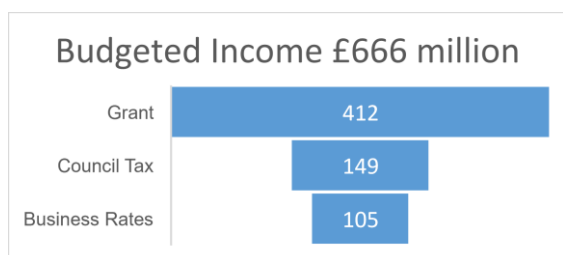
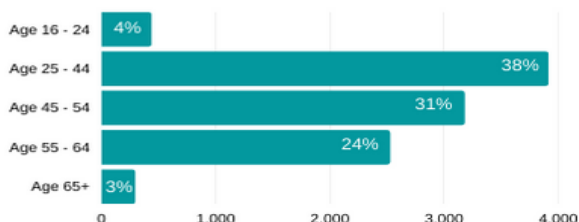
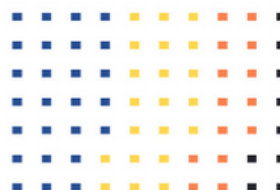
Aberdeenshire Council is made up of 70 elected councillors, representing the 19 wards within the authority area. 6 wards have 3 councillors each and 13 wards have 4 councillors.

**26 - Scottish Conservative and Unionist**

**21 - Scottish National Party (SNP)**

**14 - Scottish Liberal Democrats**

**9 - Independent**



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

Following the council election in May 2022, Mark Findlater was selected as the Leader of the Council.

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

Business Services

Education & Children's  
Services

Environment &  
Infrastructure Services

Health & Social Care  
Partnership

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

## Our Priorities and Plans

The [Aberdeenshire Council Plan 2020-2022](#) sets out where we want to be as an organisation and how we will get there. The Plan identifies our vision **Serving Aberdeenshire from Mountain to Sea – the very best of Scotland**, core outcomes and key priorities. To support the overall Council Plan, each service develops their own Directorate Plan, identifying key measures of performance that will help them to evidence how they meet their objectives. The performance indicators identified in these plans are also used to evidence how the Council is meeting the core outcomes identified in the Council Plan.

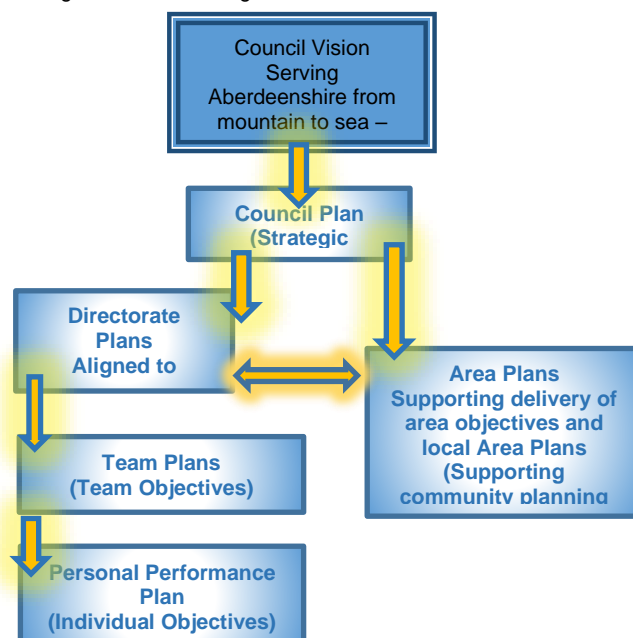
Our Council Plan was refreshed in October 2020 and is centred around three pillars of **Our People**, **Our Environment** and **Our Economy** on which the six strategic priorities are centred, as shown below. These priorities are supported by Directorate and Area Plans, meaning that everyone understands their part in the delivery of the priorities and what we can do to help.



## Strategic Framework

This framework ensures that all Council Plans and Strategies are focussed on delivery of a single shared vision for Aberdeenshire and our services. It supports the overarching [National Performance Framework for Scotland](#) and the vision for the [Aberdeenshire Community Planning Partnership](#) for 'the best quality of life for everyone in Aberdeenshire'. Through the Local Outcomes Improvement Plan (LOIP) our focus is to **Reduce Poverty**, develop **Connected and Cohesive Communities** and improve the **Health and Wellbeing** of our communities.

The framework is critical in ensuring activity is co-ordinated via a 'golden thread' providing a clear direction and linking individual staff objectives through to team and service plans, and into the Council Plan. Our performance management framework supports this activity to provide assurance that progress is being made in delivering the outcomes.



## Our Performance

Our [Aberdeenshire Council Annual Performance Report 2021 - 2022](#) consolidates and summarises our service performance over the year to support our public performance reporting arrangements. Our annual performance reports can be viewed on the Council website.

### Directorate and Area Performance

Directorate Performance is summarised through a range of Statutory Performance Indicators (SPIs) which are reported to Council on an annual basis. Area Plans support delivery of service objectives and Local Area Plans, as well as supporting Community Planning activity. Both Directorate and Area Plans are reported to the relevant Committee every 6 months, in May and November.

### Delivering our priorities

Since 2020, we have sharpened our focus on our Priorities. We have set out below how we support delivery of the priorities and what we have been focused on delivering, with some Key Performance Indicators covering several Strategic Priorities.

Strategic Priority	Key Performance Indicator / Council Priority	PIs on target	PIs slightly off target	PIs off target	Total PIs
Education Health & Wellbeing Economy & Enterprise	To secure continuous improvement in outcomes for all children and young people	15	3	2	20
Education Health & Wellbeing Resilient Communities	To have better, integrated working arrangements in pursuit of improved outcomes for children and young people	4	0	0	4
Education Estate Modernisation Health & Wellbeing Economy & Enterprise	Efficient and effective business support, advice and regulation	4	1	7	12
Resilient Communities	Effective delivery of the Council's priorities through a programme of digital innovation and web-based services	1	0	1	2
Health & Wellbeing	Our workforce plans are sustainable, affordable and supports employee wellbeing	1	0	2	3
Economy & Enterprise	Income is maximised through reducing costs alongside commercialisation	0	0	1	1
Estate Modernisation	We have an estate that is sustainable, efficient and fit for purpose	2	0	1	3
Infrastructure Health & Wellbeing Resilient Communities	A road and street-lighting network which keeps people safe, encourages active lifestyles and increases active travel opportunities	7	1	0	8
Infrastructure Economy & Enterprise	Safeguard the built and natural environment	1	0	0	1
Resilient Communities Economy & Enterprise	A location of choice that has a diverse economic base of innovative companies with a skilled workforce and return to full employment	4	0	2	6
Health & Wellbeing Resilient Communities Economy & Enterprise	Consumers are assured that businesses are conforming to regulations. Businesses are supported to ensure compliance with legislation, economic diversification and energy transition	0	0	2	2
Health & Wellbeing Resilient Communities	Community-based services are delivered in health & social care	4	1	0	5
Health & Wellbeing Resilient Communities	Person-centred care is delivered in a sustainable way	2	1	0	3
Health & Wellbeing Resilient Communities	Appropriate support is provided for those who are facing homelessness	3	0	0	3
Health & Wellbeing Resilient Communities	Everyone having access to appropriate accommodation and housing support where required	1	0	1	2
Health & Wellbeing Resilient Communities	Tenancies are sustained/community capacity building Communities feel empowered and enabled	1	0	0	1



## Management Commentary

Strategic Priority	Key Performance Indicator / Council Priority	PIs on target	PIs slightly off target	PIs off target	Total PIs
Education Health & Wellbeing Resilient Communities Estate Modernisation	People are supported to live healthy active lifestyles focused on Live Life Outdoors, Live Life Well and Live Life @ home	2	0	3	5
<b>Total</b>		<b>52</b>	<b>7</b>	<b>22</b>	<b>81</b>

### Key Achievements

#### Our People: Education

- **Early Years:** From the start of school session 2021/22, all early years children have had access to 1,140 hours entitlement, and improved collaboration between Early Years Services and Primary Head Teachers, has resulted in positive Care Inspectorate inspections.
- **School Leavers:** The percentage of leavers in session 2020/21 that went on to secure a positive school destination (has returned to pre- Covid levels (96.2%) an increase of 1.5% on 2019/20 and has retained levels not only above the national Scotland rate (95.5%) but within the top 10 performing local authorities, despite the impact and challenges of Covid-19 on post-school education and employment opportunities.
- **Devolved School Management Scheme:** Aberdeenshire Council's commitment to promoting an empowered school system saw the Devolved School Management Scheme approved for implementation from 1st April 2022, with Primary Teaching budgets devolved to all schools from the same date.

#### Our People: Health & Wellbeing

- **Customer Services:** Ongoing work to improve functionality and customer engagement with our corporate website together with the implementation of 24x7 automated chat on our IT Hub, which increased levels of user self-service.
- **Customer Services:** A Customer Services Improvement Programme commenced in September 2021, resulting in reduced average call wait times from 14 minutes to 6 minutes.
- **Digital:** Development of a new digital strategy with identified programmes of work designed to deliver the greatest benefits to improving our internal processes and the customer experience.
- **Education:** Primary schools returned strong Curriculum for Excellence data in almost all levels demonstrating a particular strength in numeracy. Academies ensured that all senior pupils returned to normal examination arrangements and supported them through this process. Our four special schools again provided a first-class level of care and support to all the pupils who showed strong performance and continued improvement across all areas.

The above was all achieved within the context of recovery where staff kept a focus on wellbeing and worked with families to ensure all children and young people were in a frame of mind that would allow high quality learning to take place. Our Wellbeing, Equity and Inclusion team played a prominent role in this process setting up help lines for both pupils and parents which offered advice and support for those who required it at this time.

- **Attainment:** Our SQA results were again, very strong and reflected the changing needs of young people and the world of work. We are working hard to expand our portfolio of qualification to better meet the needs of all learners as demonstrated in our Foundation Apprentice (FA) scheme. Almost 900 senior phase students achieved success in these level 6 (Higher) qualifications across twelve different subject areas, a completion rate of over 90%, 100% positive destination for students who complete a FA. The general results show steady improvement in those groups of students achieving 5 at level 5 in S4, more students achieving 5 Higher A passes in S5 and more level 7 qualifications achieved than ever before.

- **Early Years:** Changes to nursery provision has allowed more families to access 1,140 hours of funded early learning and childcare with 62 settings open from 8am to 6pm and 46 settings open all year and an increase in funded partner providers to 182 settings. The Council also provides an additional October intake for nurseries to allow for earlier access to funded provision. In September 2020 there were 27 settings not meeting national standards, and during 2021-22, 7 of these have been supported to achieve the standards therefore ensuring high quality service provision.
- **Children's Services:** Development and improvement of the Children & Young Person's Assessment to include photographs, plain language and with a real focus on keeping the child at the centre of the report and including their voice and views – with positive feedback from the Scottish Children's Reporter Administration (SCRA), children, young people, and their families.
- **Care experienced children and young people:** Development and improvement of recording procedures including reviewing our use of language and implementation of the ambitions of The Promise in pathway minutes, children's home meetings, assessments etc.
- **Children's Services:** Audit activity undertaken around current practice in supporting brothers and sisters who require to be accommodated and cannot be placed together highlighted areas of good practice which has been recognised nationally.

### Our People: Key Challenges

- **Recruitment and Retention** of staff has been an ongoing challenge across all services.

### Our Environment: Infrastructure

- **Household Recycling Centre (HRC) Improvements:** A new Alford household recycling centre opened in June 2021. Kirkwood Homes constructed the facility for Aberdeenshire Council under a planning agreement linked to their development at Wellheads in the village.
- **Investment in Roads & Maintenance:** Additional £3m investment in roads maintenance and repairs programme.
- **Bridges Prioritisation Policy:** Elected members formally agreed a prioritisation policy and procedure for the future of the region's bridge repairs and renewals. The local authority is responsible for 3,500 miles of public road, carried by 1,308 bridges, which equates to a bridge approximately every 2.7 miles of road. The policy and procedure sets out how required works will now be prioritised across the region and direct funding to where it does the most good. Bridges annual budget allocation as a % of cost of identified work has subsequently increased from 1.8% in 2020/2021 to 9.3% in 2021/2022.

### Our Environment: Resilient Communities

- **Weather Sensors:** The Council have installed new weather sensors on the road network, as part of a trial with our partner, hoping that this will lead to more robust road temperature information, which will inform our road maintenance works, particularly in relation to winter gritting operations. The more sensors we have on the network, the more focused our forecasting can be across wide, climatic variations.
- **Focus on Online Services:** A broader range of online services has been introduced for customers including bulky uplifts, new/additional/ damaged bin requests, and road fault reporting.
- **Improvements to Housing Applicant Process:** Applicants for council housing in Aberdeenshire can now choose the specific properties they hope to secure, following the introduction of a new 'choice-based lettings' application process. The approach forms part of the Housing Online platform launched earlier this year.
- The Coast Aberdeenshire Project progressed through capacity building with local communities to take forward their own projects for expansion and enhancement along the coastal path.
- Eight Aberdeenshire beaches attained Beach Award Status regarding bathing water quality and environmental factors.
- Two Green Flag awards for quality parks facilities at Haddo House and Aden Park were received.



### Our Environment – Key Challenges

- The pandemic slowed economic activity and put pressure on businesses which we have supported through grants. Shortages of labour and materials has delayed progress with construction and maintenance projects and have put costs up significantly. Spiralling costs has meant less has been done with a fixed budget.
- Planning applications dealt with within 2 months were 74.3% which is below our target of 75%. This was due to the legacy effects of the pandemic and the impact of unexpected staffing changes during the year.
- The number of people seriously injured on our roads reduced from 111 to 88. Whilst this continues to fall, the fall is out with our yearly target to achieve an overall fall of 50% by 2030. We have more to do to educate and encourage safe driving.
- Increased workloads in our landscape services teams due to managing emergency works to trees and assessment and replanting of woodland areas following the storms has had a knock-on impact on the routine works.

### Our Economy: Economy & Enterprise

- A new Demand Responsive Transport pilot initiative was introduced in August 2021 in the Inverurie area to replace traditional fixed-route timetabled services. Operated by Watermill Coaches using five brand new wheelchair-accessible minibuses, **Ready2Go** around Inverurie began operating Monday to Friday between 6.30am and 7.30pm and on Saturdays from 7.30am to 6.30pm.
- Aberdeenshire Council Trading Standards has played a lead role in the national Shut out Scammers campaign, operating a rapid response team of officers which aimed to attend incidents where it is believed rogue traders were targeting residents and were still at the property, in the area or likely to return. This enabled them to disrupt the activities of the criminals and deter criminals by sending out a clear message that they are ready to act to protect residents.

### Our Economy: Estate Modernisation

- 619,980sqm of our operational buildings has been assessed as being in satisfactory condition – equating to 91.59% (an improvement of 0.76% on previous year and above our target of 89.2%). Condition Surveys of operational assets continues in-line with Scottish Government guidance.
- Aberdeenshire Council has been awarded more than £3.4m from the Scottish Government's Recycling Improvement Fund to help significantly increase recycling rates across the region and cut the volume of unnecessary waste going to landfill.

### Our Economy – Key Challenges

- Business start-ups supported through assistance provided by Business Gateway reduced from 587 to 460 during the year. The lasting impact of Covid resulted in fewer start-ups together with a reduction in unemployment during the period as more people chose to take up employed work rather than set up by themselves.
- 482 operational assets were assessed as suitable for their current use which equated to 77.87%. Whilst this is an improvement on the prior year, it remains under our target of 82.3%. Underperforming assets are subject to ongoing workspace and office space strategies being considered by services.

### Health and Social Care Partnership

The [Aberdeenshire HSCP Strategic Plan 2020-25](#) was published in 2019 outlining the vision of the HSCP and its key priorities. Responding to Covid-19 clearly placed huge pressure on services but also resulted in considerable learning and adaptation that provided the HSCP with the opportunity to explore different ways of working and build on the significant progress made in particular priority areas. From this, the HSCP developed and agreed a Revised Strategic Delivery Plan in mid-2020, which set out the detail and focus for the HSCP over the next 12-24 months to provide services that are safe, agile and sustainable for the future, with a focus on the following four themes: [Strategic Priorities Deliver Plan](#)

- **Digital First** - an emphasis on new ways of working using digital virtual technology that were driven by the Covid-19 pandemic and require to be sustained and developed.
- **Operation Home First** - strong collaborative working to shift resources from the Acute sector and develop pathways to ensure the development of community services to support people at home.

## Management Commentary

- **Reshaping Care** - developing safe, effective and outcome focused services that enable people to remain in their own communities.
- **Partnerships** - developing existing relationships and building new ones to promote partnership working and community collaboration to develop services that support community resilience and improve outcomes for people.

The pandemic ultimately impacted on normal levels of performance across the whole health and care system which were already under significant pressure due to demography, population health need and workforce pressures. Particularly in community settings, community and primary care services have responded to much higher levels of demand leading to challenges around access and higher levels of unmet need.

The Partnership has responded by:

- Increasing care at home and care management capacity
- Increasing staffing capacity in Very Sheltered Housing and the Adult Protection Network
- Increasing support workers and nursing in mental health and learning disability services
- Additional Allied Health Professional capacity to prevent hospital admission, enhanced rehabilitation in community hospitals and the community, supporting weekend activity in Aberdeen Royal Infirmary's discharge hub
- Working collaboratively with Moray and Aberdeen City HSCPs on a recruitment campaign with the aim of where possible recruiting individuals who are new to working in health and social care, highlighting the very real positives of working with people in need of care and support.

## Comparing Our Performance

We compare our performance through a range of national benchmarking forums, including the Local Government Benchmarking Framework (LGBF) as a means of identifying good practice and supporting continuous improvement. Importantly, we use benchmarking to support our work to ensure that local communities receive the best possible services and outcomes.

The latest LGBF data available (2020/21) was published in March 2022 and helps councils compare their performance against a set of efficiency, output and outcomes indicators that cover a range of service areas of local government activity. In 2020/21, 50.0% of our LGBF indicators in Aberdeenshire were in the top two quartiles. The LGBF National Benchmarking Overview Report 2020/21 may be accessed [here](#). You can see how Aberdeenshire compares to other local authorities on the Council [website](#).

In 2020/21 some areas where our performance was among the top performing Councils in Scotland include:

- Cost of parks and open spaces per 1,000 population
- Gross rent arrears (all tenants) as at 31 March each year as a percentage of the rent due for the reporting year
- Street cleanliness
- Average time taken to deliver a commercial planning application decision
- % of secondary school pupils achieving 5 plus awards at SCQF level 5 or higher
- % of P1, P4 and P7 pupils combined achieving expected CFE Level in Numeracy
- Proportion of internal floor area of operational buildings in satisfactory condition %
- The gender pay gap

*Aberdeenshire Council – number of LGBF indicators in each quartile 2020/21*

Year	Number of indicators						Total
	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Data not currently available	Data not reporting in current year	
2016-17	23	22	27	17	8	0	97
2017-18	23	29	25	12	8	0	97
2018-19	20	30	23	17	7	0	97
2019-20	25	27	22	19	0	8	101
2020-21	24	20	22	22	8	4	101

### Key Events in 2021/22

#### Recovery from the Pandemic

2021/22 continued to be impacted by the ongoing Covid-19 pandemic. The Council continued to support residents and businesses by acting as an Agent for the Scottish Government in distributing financial support grants to both individuals and businesses impacted by the restrictions. This included 25,581 payments made to individuals in Self Isolation Support Grants and Low Income and Family Pandemic Payments, totalling over £7m.

More than 6,700 payments totalling over £20m were made to businesses across all sectors including Childcare, Hospitality and Taxi Hire to provide financial support in their recovery and restart following the restrictions. The Council's payroll team also administered 4,569 payments to Teaching and Social Care staff on behalf of the Scottish Government totalling £5.7m to thank them for their dedicated service during the Pandemic.

Further details on the Agency arrangements reflected within the accounts can be found in [Note 10](#)

The Council continued to maintain an adaptive response to the pandemic as we saw the gradual lifting of national restrictions such as social distancing, self-isolation, wearing of face coverings and testing. The Education service had delivered the highest quality provision possible while adhering to the Scottish Government restrictions through ensuring pupils had access to digital curriculum and maintaining as much staff contact with pupils as possible to encourage engagement. Scottish Government funding of £8.5m was spent during the year on education recovery, including provision of additional teaching and support staff. This funding was received in 2020/21 and drawn down during 2021/22 to fund the recovery costs. Now back in school premises, buildings, staffing and the acquisition of materials and resources became problematic, and focus was placed on mental wellbeing of pupils. Schools are making strong progress in focusing on missed learning.

Our leisure facilities within Live Life Aberdeenshire (LLA) were severely impacted by the pandemic, with long periods of closure resulting in significant losses in income and staff being redeployed to other areas such as health and social care. 2021/22 saw all facilities gradually reopening and becoming fully operational once again. However, the impact is still evident as returning customers' behaviours have changed resulting in lower numbers. This has been a challenge and the service have responded by changing the programme of services being offered and offering online booking via the new LLA App.

Throughout the pandemic, our waste, grounds and roads services continued to operate but there were additional costs associated with the crews requiring to keep a specific distance such as increased transport costs. Appointment systems were introduced for recycling centres which continued during 2021/22 and resulted in a reduction in the tonnage coming through our centres. The Council's Economic Development team provided businesses with support and assistance to get them back up and running as Town Centres reopened.

#### Response to the Storms

The importance of the Council being able to adapt and flex its resources in response to unplanned and unexpected incidents was highlighted again when Aberdeenshire was struck by the worst storm damage experienced for decades with winds reaching 90mph. Communities were devastated by damage caused by Storms Arwen, Barra, Malik, Corrie, Dudley, Eunice and Franklin which will take years to recover from. More than 35,000 properties were left without power and access to daily essentials, some up to 10 days.

At the meeting of Full Council on [13 January 2022](#) (item 13), Councillors heard about the impact of the storms across Aberdeenshire, the nature of the Council's response, the learning that had been identified and steps being taken towards recovery. The Council responded by setting up emergency advice and support and working with Communities groups and volunteers to reach those residents in critical need, including establishing a network of 17 welfare centres where people could get hot food, water and access to power. The rurality and large area of Aberdeenshire made this particularly challenging, with Council staff diverting from their normal duties to assist in the response under trying conditions. The cost of this relief effort and tree clearance works undertaken by our Landscapes Services Team to maintain safety on our road network amounted to £0.906m. This was below the threshold for a claim under the Bellwin Scheme

## Management Commentary

as reported to Business Services Committee on [21 April 2022](#) (item 5), which meant that these additional costs had to be funded from Council budgets.

An internal debriefing exercise and several Community Engagement Events have been held to identify improvements in the Council's response and has already resulted in revisions to our Emergency Planning arrangements and work is ongoing with communities to develop a Community Resilience Strategy. This will enhance the Council's response to any future emergency events

### Resettlement Schemes

The Council's Refugee Resettlement Team have continued to work closely with partners across council services, communities and third sector to deliver a comprehensive, complex, and successful resettlement programme as we welcome new Scots. Over a 5-year period, approximately 250 refugees have been resettled in Aberdeenshire, the focus in 2021/22, being on resettling Afghan families air lifted to the UK during the fall of Kabul.

The Homes for Ukraine scheme was launched on 14 March 2022 and on the 18 March 2022, the Scottish Government launched the Super Sponsor Scheme as part of the Warm Scotland initiative. Aberdeenshire saw one of the highest responses across the UK per capita, with over 700 residents offering their homes to displaced Ukrainians fleeing war and conflict. Over a 5-month period around 450 Ukrainians have been resettled in Aberdeenshire.

### Other Events

A highlight of the year was certainly working, together with Aberdeen City Council to welcome the final stage of the Tour of Britain professional cycle race. This event required numerous road closures and was a resounding success in showcasing what Aberdeenshire has to offer as it was televised globally.

Fraserburgh was awarded "Most improved Place in Scotland" at the 2021 Scotland's Urban Regeneration Forum (SURF) Awards.

Staff were once again taken away from their normal roles to be redeployed in the effort to remove dead birds from the Aberdeenshire's beaches following the Avian Flu outbreak in March.

The iconic Cambus O'May suspension bridge which was severely damaged by floods during Storm Frank in 2015 reopened following major repair works in April. This was funded by the Scottish Government and successful community fundraising.

## Our Finances

### General Fund

The Council agreed to freeze Council Tax at 2020/21 levels and accepted the compensation offered by Scottish Government of the equivalent of a 3% increase (£4.715m). Council proceeded to agree a balanced Revenue Budget on [17 March 2021](#) at £624.451m after £20.627m of savings and efficiencies. Recognising the continued challenges facing service delivery and the impact on our Communities associated with the Pandemic, funding was set aside in reserves as part of the budget setting process to help Tackle Poverty and Inequalities, to support children recover from the impact of the pandemic through a Holiday Recovery Programme delivered by the Council's Education and Life Live Aberdeenshire Services, as well as funding to support Recovery and Resilience.

The final settlement letter from Scottish Government provided an additional £15.652m of Covid-19 consequential funding. At its meeting on [24 June 2021](#) (item 10), Council agreed to use the funding to alleviate further identified financial pressures to allow for continued service delivery at the planned levels, to augment the existing Scottish Welfare Support allocation, and Discretionary Housing Payments, and to underpin Mental Health and Wellbeing work planned by the Health and Social Care Partnership. Funding was also provided to support the Council's Digital Strategy to bring about projects that would improve the online services for the residents of Aberdeenshire and improve the efficiency of internal processes. The funding was also allocated to postpone £1.263m of the previously agreed savings to provide services more time to deliver the anticipated service changes.

## Management Commentary

The revised revenue budget for 2021/22 was set at £666.684m. All Income and expenditure incurred by the Council associated with the General Fund and the Housing Revenue Account is recorded through the Comprehensive Income and Expenditure Statement (CIES) in the Accounts. This resulted in a net overbudget position for the financial year of £0.388m being reported. The income and expenditure detailed in the CIES differs from the financial performance information reported to Committees during the year due to accounting adjustments that are required for the Accounts to be presented in accordance with the CIPFA Code of Practice on local authority accounting. These accounting adjustments totalled £49.871m as shown in the table below and relate mainly to Capital and Pension adjustments required to show the true value of the Council's assets and liabilities.

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

		General Fund Outturn				Annual Accounts	
2021/22	Approved Budget £'000	In year Budget Movements £'000	Revised Budget £'000	Actual Net Expenditure £'000	Variance £'000	Accounting Adjustments £'000	Net Expenditure per the Annual Accounts £'000
Business Services	39,253	7,109	46,362	47,457	(1,095)	16,529	63,986
Communities	137,505	13,687	151,192	152,312	(1,120)	17,003	169,315
Education & Children's Services	344,773	18,126	362,899	362,747	152	(2,549)	360,198
Infrastructure Services	58,175	1,992	60,167	61,612	(1,445)	37,741	99,353
Housing Revenue Account	0	0	0	0	0	8,996	8,996
<b>Net Cost of Services</b>	<b>579,706</b>	<b>40,914</b>	<b>620,620</b>	<b>624,128</b>	<b>(3,508)</b>	<b>77,720</b>	<b>701,848</b>
Other Expenditure	43,167	(13,404)	29,763	32,499	(2,736)	46,007	78,506
Transfers to/from Reserves	1,578	14,723	16,301	13,860	2,441	(13,860)	0
Income	(624,451)	(42,233)	(666,684)	(670,099)	3,415	(59,996)	(730,095)
<b>Deficit on Provision of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>388</b>	<b>(388)</b>	<b>49,871</b>	<b>50,259</b>

The overbudget position of £0.388m was due to the following:

**Business Services Committee** – a reduction in both Housing Benefit subsidy income and the recovery of Housing Benefits debt resulting in an overbudget position of £1.452m due to the budget assumptions around these areas not coming to fruition.

Due to the withdrawal of the planning application for the development of Inverurie Town Hall, sunk costs of £0.34m were required to be met from revenue budgets during the year, and a review of the recoverable Support Costs to the Housing Revenue Account resulted in a reduction in income to Business Services of £0.523m. These budget pressures were partially offset due to reductions in staffing and Office Accommodation costs arising from staff vacancies and staff continuing to work from home.

**Communities Committee** – Live Life Aberdeenshire ended the year with a £1.752m over budget position. This was largely due to the ongoing impact of Covid-19 as outlined above with staff being redeployed to other areas and income levels being reduced due to numbers of visitors remaining low as cultural and leisure facilities only slowly beginning to re-open.

**Infrastructure Services Committee** – increases in winter maintenance costs resulted in an over budget position across the Council's Roads budgets. This was offset in part by underspends on the Waste Disposal service following a rise in the sale of recycling.

**Education & Children's Services Committee** – Delays in the opening of Inverurie Campus along with a milder winter resulted in underspends for our schools in relation to PFI and energy costs and School Transport routes were optimised with new short-term contracts resulting in a reduction in costs.

**Other Expenditure** – as detailed above, the Council incurred additional expenditure for dealing with the response and aftermath of the winter storms and Capital Financing costs were £1.1m lower than budget because of less borrowing required due to less capital spend.

**Income** – an increase in the number of households liable to Council Tax generated additional income of £1.871m. Additional General Revenue Grant funding of £1.448m was also received from the Scottish Government to alleviate general pressures in the year.

## Delivery of Savings

The original 2021/22 Revenue Budget included savings of £20.627m. These comprised of £9.389m service savings and £11.238m of cross service savings. As explained above, £1.263m of these savings were subsequently postponed leaving savings of £19.364m to be achieved.

	Budgeted Savings £'000	Reinstated Savings £000	Revised Savings £'000	Achieved Savings £'000
<b>Service</b>				
Business Services	1,215	-	1,215	761
Education and Children's Services	4,455	(603)	3,852	1,900
Environment & Infrastructure Services	3,719	(660)	3,059	2,433
<b>Total Service Savings</b>	<b>9,389</b>	<b>(1,263)</b>	<b>8,126</b>	<b>5,124</b>
<b>Cross Service</b>				
Reduction in Revenue Costs arising from Capital Projects	1,000	-	1,000	1,000
Treasury	3,499	-	3,499	3,499
Workforce	1,000	-	1,000	1,000
Voluntary Severance	2,739	-	2,739	1,658
Procurement	2,000	-	2,000	2,000
Review of Bad Debt Provision	1,000	-	1,000	1,000
<b>Total Cross Service Savings</b>	<b>11,238</b>	<b>-</b>	<b>11,238</b>	<b>10,157</b>
<b>Total Savings</b>	<b>20,627</b>	<b>(1,263)</b>	<b>19,364</b>	<b>15,281</b>

Most of the agreed budget savings were achieved except for the following:

### Business Services

A saving related to a reduction in staffing within Finance was not achieved due to difficulties in achieving both staffing reductions alongside turnover savings. Within Property and Facilities Management savings on estates rationalisation were not fully delivered due to delays in relinquishing some of the leased offices for operational reasons. It is expected this saving will be fully delivered in 2022/23.

### Education & Children's Services

Savings relating to the review of Soft Facilities Management in schools has been delayed until 2022/23, and savings from increasing Out of School Care charges were not achieved due to a reduction in the demand since services reopened following the pandemic.

### Infrastructure Services

Savings in relation to Waste Services reductions in agency and relief staff and opening hours were not fully achieved due to increased staff absences because of Covid-19 requiring cover. Actual fee income from Bereavement Services was also lower than budgeted.

### Cross Service Savings

All cross-service savings were achieved during the year except for the Voluntary Severance saving which only achieved £1.658m. It is anticipated that the remaining savings will be met in future years through Phases 3 and 4 of the programme.



### Reserves

The Council started the financial year with £57.970m in general fund reserves. A further £37.060m was transferred into reserves during the year and £23.668m was drawn down to fund expenditure, leaving a total of £71.362m at the end of 2021/22.

The 2021/22 budget setting process saw the creation of several reserves to support the recovery from the pandemic as well as support the resilience of services and the wider Aberdeenshire communities. The larger reserves created included Tackling Poverty and Inequalities (£3.5m), Roads Maintenance Fund (£3.819m), ECS Holiday Recovery Programme (£2m), Pay Award Reserve (£5.628m) and Digital Strategy Reserve (£2m).

The Tackling Poverty and Inequalities Reserve of £3.5m, will be used to support the Tackling Poverty and Inequalities Framework for Investment which was agreed at Communities Committee on the [14 October 2021](#) (Item 8 Appendix 3) This will include projects to improve digital inclusion, access to employability support and training, information and Money Advice services, childcare support as well as developing Community Food hubs.

Funding received from Scottish Government reduced the need to use the ECS Holiday Recovery Programme reserve, resulting in a use of £0.351m of an available £2m.

£0.051m was drawn down from the Digital Strategy Reserve during the year. The remainder of these funds are committed to meet planned costs of project delivery in the next financial year and beyond.

Ring Fenced Pupil Equity Funding was carried forward from 2020/21 of £1.473m for use in 2021/22 this was in addition to the funding allocation for 2021/22. Schools have encountered challenges in spending this funding, and this was considered by the Education and Children's Services Committee on 27 January 2022. £2.181m will be carried forward for use in 2022/23.

£0.458m Regeneration and Priority Town Reserve has been used to support the ongoing programme of regeneration in Fraserburgh. £2.561m will be carried forward for ongoing regeneration projects in Banff, Peterhead, Macduff and Fraserburgh.

The Recovery and Resilience Reserve was increased this year in recognition of the impact that COVID will have on Council Services, and the residents and business community in Aberdeenshire over the next few years. This reserve will help deal with financial pressures and support the building back of communities.

The use of reserves is one off and cannot be used to address long-term recurring budgetary pressures. The reserves and use thereof are shown in more detail in [Note 7](#) of the accounts.

### Housing Revenue Account

The Council owns or leases 13,167 housing properties, the income and expenditure associated with the management of these properties is reflected in the Housing Revenue Account (HRA), a statutory account that the Council must maintain separate to the General Fund. All expenditure incurred, and income received in the provision of rented accommodation must be included in the HRA, most income is from rents and service charges to tenants. This income must be sufficient to cover the expenditure on the HRA.

The HRA budget was set on [11 February 2021](#) (item 4) at £66.529m. At the end of the financial year a break-even position was achieved. Despite Rent Collection rates falling from 99.83% in 2020/21 to 99.55% in 2021/22, Aberdeenshire's collection rates remained significantly better than the Scottish Local Authorities average of 98.67%. Similarly, overall arrears performance remains relatively strong with Gross arrears equal to 4.98% of our total rent in 2021/22. Whilst this is a slight increase compared to the 4.88% reported in 2020/21, it is substantially less than the Scottish Local Authority average of 7.89% in 2021/22 and Aberdeenshire remained one of the strongest performers amongst Scottish Local Authorities on this measure.

### General Fund Capital Expenditure

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

The Council has a large Capital Plan which profiles planned expenditure on assets for the next 15 years. The Capital Budget for 2021/22 was set at £121.316m. £21.24m was rolled forward from 2020/21 and reprofiling between financial years of £2.986m took the revised budget to £145.542m. In 2021/22 the Council spent £91.255m on Capital projects which was an underspend of £54.287m or 37% lower than budget. The underspend extended across all projects within the capital plan due to the ongoing impact of Covid-19, shortage of labour, supply chain challenges, raw material availability and pricing. An underspend of note was the compensation claims that are still awaited from landowners in relation to the Western Peripheral Route amounting to £5.754m. These claims are not time bounded and therefore have to be provided for until liability has been extinguished. It was anticipated that the majority were going to be settled in 2021/22. The 2022/23 budget set out a revised detailed plan to utilise the Infrastructure Fund 2 which supports investment in projects such as Live Life Aberdeenshire facilities, bridge restoration and road improvements, which encountered delays in 2021/22 amounting to £12.914m, best value was a consideration before works progressed. An underspend of £2.202m was also noted in the Carbon Reduction - Non-Domestic Energy Efficiency Programme, as tender completion date was later than planned which will impact on the achievability of energy savings as works planned for 2022/23.

The projects that weren't achieved in 2021/22 may impact on the agreed 2022/23 programme, and it may be necessary to re-prioritise projects in 2022/23 to ensure that the plan remains affordable and within the overall capital plan financial envelope.

### Projects with the largest capital spend were:

Energy from Waste £19.495m



Vehicle Purchases £4.135m (61 vehicles)



Roads Resurfacing/Reconstruction £12.093m (we maintain 2,532km of roads)

Lifecycle Maintenance £7.622m



School Upgrades £8.354m

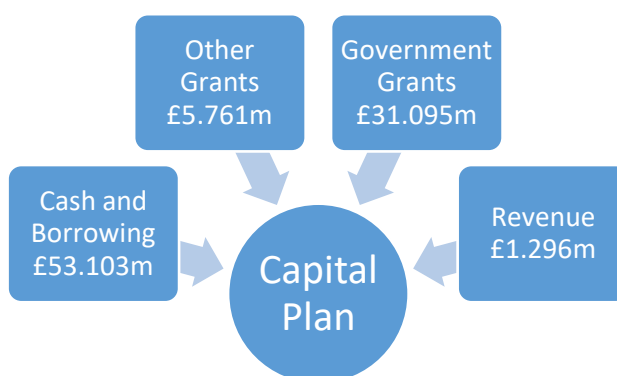


- ✓ **The Energy from Waste** plant being constructed in partnership with Aberdeen City and Moray Councils will be capable of processing 150,000 tonnes of waste annually to generate electricity.
- ✓ **School Upgrades** included window upgrades at Turriff Academy, changing rooms and toilet upgrades at Mackie Academy and Home Economics upgrades at Fraserburgh Academy, whilst new build nursery construction at Dales Park, Peterhead Nursery resulted in capacity for up to 120 children along with the new construction opened for Newmachar Nursery which can accommodate up to 80 children.
- ✓ **Asset improvements** under the Council's Lifecycle Maintenance programme included works carried out on the slope at Alford Ski Centre to allow it to be used during the winter period. Lighting and power upgrades were undertaken at Durnhythe Care Home, and boiler upgrades and improvements to changing rooms were carried out at Turriff Swimming Pool.

### Capital Projects completed this year include:

- ✓ **Stonehaven Flood Protection Scheme** – major construction works on five zones completed in the Autumn of 2021, leaving one zone to be completed in 2023.
- ✓ **Ellon Park and Ride** – upgrades included new bus shelters with digital timetables, additional parking spaces, addition of a turning circle and construction of a new bus road to improve access.
- ✓ **Bridge Street, Banff** – the road reopened in December 2021 after undergoing improvements as part of the Town Centre Regeneration Fund to create a pedestrian-friendly environment with a shared surface and reduced traffic speeds.
- ✓ **Woodhill House** – refurbishment of second floor
- ✓ **Gordon Schools** – creation of social and learning spaces

### Funding of the General Fund Capital Expenditure



## HRA Capital Expenditure

The HRA Capital Budget was set on [17 March 2021](#) (item 8) at £93.416m. Council agreed to carry forward £0.589m from 2020/21 taking the revised HRA capital budget to £94.005m. The actual expenditure incurred during the year was £59.980m or £34.025m less than budget. The reasons for the underspend were like the General Fund – mainly the ongoing impact of Covid-19, shortage of labour, supply chain challenges, raw material availability and pricing. The underspend in 2021/22 will be reprofiled for use in future years. Projects undertaken later than planned will have a cumulative effect for resources budgeted in the later years. Service delivery will be slower than originally planned but the projects will be completed and the work programmes reprofiled to take this into account. The Housing Improvement Programme delivery profile has changed, and the programme of works will be delivered over a longer time frame. Although there is not a financial cost of works taking place later than planned as the jobs are costed at the same level as when the original request is submitted.

A significant element of the underspend relates to the New Build programme where delays were encountered obtaining statutory permissions and site acquisition which means the programme of works will be undertaken later than originally planned

### Projects with the largest capital spend were:

New Build Programme £12.321m



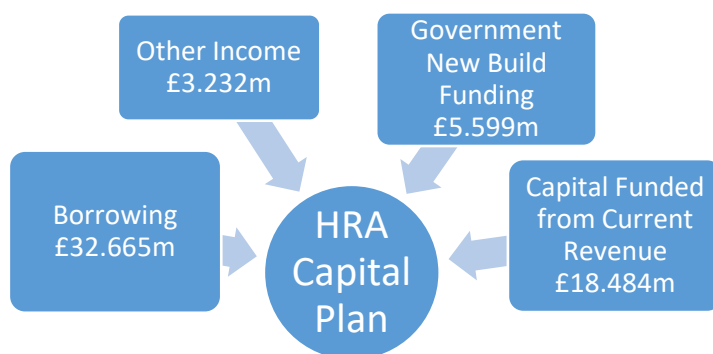
Housing Improvement Plan £36.002m

Smart Solar and Battery Storage £3.223m



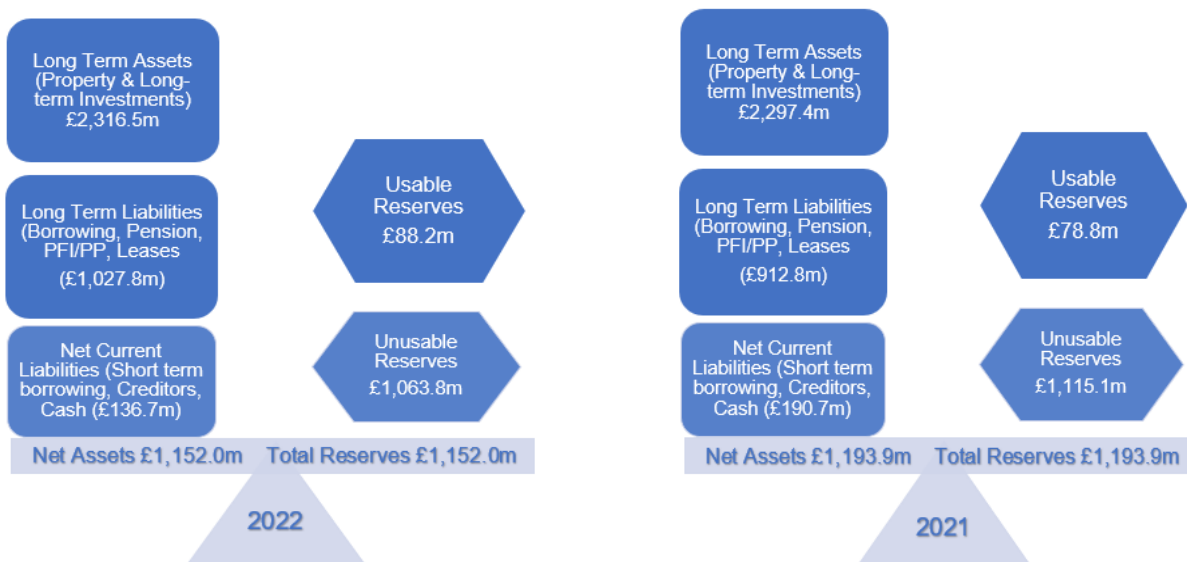
- ✓ 1,419 **Photovoltaic** systems installed
- ✓ 503-bathroom **upgrades** completed
- ✓ 555 **Kitchen upgrades** completed
- ✓ 1,188 **heating systems** upgraded
- ✓ 238 **window upgrades** completed

### Funding of HRA Capital Expenditure



## The Balance Sheet

The Balance Sheet records our assets (such as property, vehicles, investments, and cash) and liabilities (such as creditors, borrowing, pensions and PPP/PFI commitments) and is a snapshot of our financial position. The diagram below summarises the position as at 31 March 2022, with comparative information provided for last financial year.



More information on the component parts of the Balance Sheet can be found in the Notes to the Accounts.

In financial terms, Aberdeenshire remains in good health with a net worth of £1,152.093m (£1,193.936m in 2020/21).

The movement between years is an overall decrease in the net asset position of £41.843m

- Liabilities increased by £61m.**

Short term borrowing was reduced by £50.992m to mitigate the impact of expected interest rate rises and was replaced by long term borrowing. Overall, some additional long-term borrowing of £109.258m was undertaken to meet our overall planned borrowing requirements and reduce the temporary borrowing arrangements. There was a reduction in the Council's PFI/PPP liability of £5.518m because of payments made during the financial year.

- Assets increased by £19.1m**

This was because of additions and revaluations of the property, plant and equipment held.

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

## Financial Performance Indicators

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

Performance Indicator	Commentary	2020-21	2021-22
<b>Council Tax</b>			
Council Tax funding to overall level of taxation and non-specific grant funding	Reflection of the Council's capacity to vary expenditure by raising Council Tax income. For 2021/22 the rate was frozen at the same level as for 2020/21.	21.72%	22.11%
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt. Following the pandemic, less restrictions enabled services to resume the pursuing of debts	95.47%	96.55%
<b>Reserves</b>			
Uncommitted General Fund Balance as a percentage of the Council's annual budgeted revenue	Reflects the Uncommitted General Fund Balance and is linked to the actual outturn as a percentage of budgeted expenditure indicator below.	1.33%	1.38%
Total useable Reserves as a percentage of the Council's annual budgeted revenue	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is to hold £9m in the General Fund Working Balance, with any use of this reserve being replenished in the following year.	13.03%	14.13%
<b>Financial Management</b>			
Actual outturn as a percentage of budgeted expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The Council continues to stay largely within budget overall which ensures that services are being delivered within the resources available.	100.15%	100.06%
Number of invoices paid within 30 days	Indicates how timeous the Council is in meeting its commitment to pay its suppliers within 30 days of receiving invoices. Aberdeenshire's position is improving with increased collection rates which will aid the Council's cashflow.	93.00%	94.10%

These indicators reflect an improving position for 2021/22 of particular note is that the Council Tax collection rates remained high in 2021/22 due to accurate and timely billing, and the continued regular payments by most Aberdeenshire residents, an effective recovery timetable, early intervention for payments defaulted on, different payment methods and instalment plans and managing the Sheriff Officer. Budget holders continue to demonstrate good budget management and cost control, with the final outturn being only 0.06% higher than budgeted. In recognition of longer-term sustainability and acknowledging the ongoing impact of COVID Council agreed to increase its reserves to smooth the impact in future financial years.



## Treasury Management

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 there are sufficient funds to pay staff and suppliers throughout the year.

The Local Government (Scotland) Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an annual Investment Strategy which sets out the Council's policies for managing its investments. The Treasury Management Strategy can be found [here](#).

The Council is also required to review the performance of the Treasury Management Strategy at least twice per year. The annual review was reported to Business Services Committee on [28 September 2022](#) (item 6)

The following indicators provide an insight into the performance of the Treasury Management function

Performance Indicator	Commentary	Treasury Management Strategy	2021-22 Outturn
<b>Estimated Ratio of Financing Cost to Net Revenue Stream</b>			
General Fund	Indication of the percentage of revenue budget required to meet the cost of external borrowing for the General Fund	6.80%	6.61%
HRA	Indication of the percentage of revenue budget required to meet the cost of external borrowing for the HRA	12.70%	14.66%
<b>Net Borrowing &amp; Capital Financing Requirement</b>			
Net Borrowing	Estimated level of net external borrowing	£1,011m	£922m
Capital Financing Requirement	This shows the estimated total borrowing required to fund capital expenditure	£1,115m	£1,049m

The ratio of financing costs to net revenue stream for General Fund shows what percentage of our income from Council Tax and Government Grant is used to pay for the costs of borrowing. For the Housing Revenue Account, the ratio shows what percentage of house rents have been used to pay for the costs of borrowing. For the General Fund, the ratio is slightly lower than budgeted, mainly due to the net revenue stream being higher than anticipated. For the HRA, the ratio is higher than expected due to increased borrowing requirements compared to that estimated as being required for 2021/22..

The Capital Financing Requirement (CFR) shows how much the Council needs to borrow to fund its capital expenditure. Further details on the Capital Expenditure incurred in 2021/22 is shown in the [section](#) above. The actual CFR for the year is £66m less than budget due to a reduction in borrowing required to fund the 2021/22 capital programmes. This reflects the timing of spend across both the General Fund and HRA capital programmes, meaning that the Council needed to borrow less, this resulting in a reduction in the overall borrowing costs within the Income and Expenditure account

## Group Accounts

Aberdeenshire Council has a material interest in the Integration Joint Board (IJB) and in line with accounting regulations has incorporated the IJB into the group accounts. This resulted in an increase to the net assets on the balance sheet of £24.531m. The reserves held by the IJB are £49.062m, an increase of £28.566m largely as a result of the receipt of Scottish Government funding of £21,468m for Covid-19 and £3.786m Winter Pressure funding to be used for the recruitment of front-line staff.

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

The Local Government Elections took place in May 2022, and the Council's new administration are progressing with the development of their priorities and a revised Council plan, which will help shape the future revenue and capital spending plans.

We started the new Financial Year 2022/23 having undertaken a significant refresh of the Medium-Term Financial Strategy agreeing a Housing Revenue Account rent increase of 1.5% and setting a revenue budget which was balanced by a 3% increase in Council Tax, savings of £11.6m and the use of £3.8m reserves. Indicative budgets were set for the following 4 years to 2026/27, a cumulative out of balance position of £48m will require a focus on innovative ways of working, greater efficiencies, and savings, which are being developed through "Every Voice Counts", the staff suggestion scheme and the Transformation themes of Mobility, Ways of Working and Commercialisation.

Both the General Fund and the Housing Revenue Account plan significant levels of capital investment in 2022/23, £136.063m and £84.663m respectively, £630.612m, and £364.760m over the next 5 years. It is anticipated that delays will be encountered in 2022/23 in delivering the capital programmes as supply of labour and materials continues to cause difficulties across the country. Reviews of both General Fund and HRA capital programmes will be undertaken with a view to advancing their deliverability and affordability

The Council's [Risk Management Policy](#) was approved by Business Services Committee on 6 January 2022 (item 6). As part of the policy, there is a requirement for the Council to maintain Corporate, Directorate and Service Risk Registers. The [Corporate Risk Register](#) contains the high-level strategic risks at a Corporate Level and the associated mitigating actions. The table below shows some of the current issues falling under the identified categories of risk and the mitigations to alleviate them:

Identified Risk	Current issues	Actions including Controls & Mitigations
Changes in Government policy, legislation and regulation	National Care Service - implications in terms of funding re-allocations, governance, and operational delivery	Implications to be assessed as more information becomes available.
Workforce (attracting and retaining the right skills, performance, reward package)	UK employers responding to cost-of-living increases and labour market pressures by increasing pay. For the Council this has resulted in significant vacancies as employees move to higher paid positions.	The Real Living Wage to be implemented;  Review to be undertaken of pay and grading structure
Workforce (attracting and retaining the right skills, performance, reward package)	Increasing fuel prices resulting in employees required to use their personal vehicles for work struggling to afford the rising costs.	Steps are being taken to mitigate the impact including the introduction of a weekly payroll for mileage expenses, the application of geographical area mileage claiming for mobile employees and the reintroduction of pool cars.
Data Protection and Cyber Security	Non-compliance can lead to enforcement action being taken against the offending business or organisation by UK regulator. For serious breaches of the principles, the regulator can issue fines up to £17.5m or 4% of annual worldwide turnover, whichever is higher. Breaches can also result in reputational damage to the business or organisation, and distress and harm to the individuals whose personal data has been compromised	To mitigate this risk the Council has a dedicated Data Protection Officer to inform and advise the Council on its data protection obligations. All staff are required to undertake mandatory training and refresh this training at least every two years.
Environmental challenges e.g. extreme weather events, climate change	Preparedness for any future emergency events such as severe storms and power outages.	All recommendations included in the <a href="#">Storm Arwen Debrief Reports</a> (item 12) were adopted by Strategic Leadership team on 23 March 2022. An Emergency Planning and Resilience Framework and an Emergency Plan have also been developed.
Environmental challenges e.g. extreme weather events, climate change	Energy Efficiency and Heat Decarbonisation - the work to consider just the Council's operational buildings has produced an initial broad estimate that there is a minimum requirement for circa £177,300,000 in Capital expenditure for energy efficiency and heat decarbonisation across the Council estate. This figure only captures costs and does not include any Revenue implications from investment which some of the projects will deliver on. These could be positive or negative	Further work will be required to look at these alongside the estimated Revenue costs associated with the replacement technologies that may then be deployed. This figure is not included in the Capital Plan currently as it requires further detailed work.
Budget pressures	<b>External Funding</b> European Structural Fund programme funding is due to end in June 2023 Current projects provide	Other funding options are being explored including: • The UK Shared Prosperity Fund

## Management Commentary

	<p>Business Gateway services and Financial Information and Advice Services for households.</p>	<ul style="list-style-type: none"> <li>• Levelling Up Fund, for which a £20m bid has been submitted on the theme of Coastal Economy in the Banff &amp; Buchan parliamentary constituency</li> <li>• Crown Estate Scotland (c.£700k per year)</li> <li>Scottish Government's Rural Community Led Vision funds (c.£900k per year)</li> </ul>
	<p><b>Inflation</b> Current inflation rates are roughly 10.1% as of November 2022 with an expectation that this will increase. This will have an impact on the cost of all our services which in addition will have an impact on our customers.</p>	<p>Inflation will be considered as part of the Medium Term Financial Strategy and annual budget setting process, with customers ability to pay considered when reviewing charges and Council Tax bad debt provision.</p> <p>Costs are kept under review through regular budget monitoring and financial performance reporting by Strategic Leadership Team to Policy Committees and Full Council.</p>
	<p><b>Interest rates</b> The Bank of England raised Interest Rates to 3% in November 2022, the 8<sup>th</sup> increase since December 2021. This had an impact on the cost of borrowing. Furthermore, changes to borrowing influence the affordability of the Capital Plan within Aberdeenshire Council</p>	<p>HRA and General Fund Capital Plans will be reviewed as part of the MTFS and budget setting. The Treasury Management Strategy is revised and considered as part of the MTFS and annual budget setting process</p>
	<p><b>Rent Freeze</b> Responding to cost-of-living crisis, Scottish Government have imposed a rent freeze until 31 March 2023. If an extension is granted beyond the date stated, there will be an impact on the generated rent income by the Housing Revenue Account</p> <p>Thus, the 30-year business plan may be affected due to the impact on affordability</p>	<p>Rental scenarios are being modelled as part of the budget setting for 2023/24 to prepare for the impact of any further freeze on rent charges.</p> <p>The HRA Capital Plan is being reviewed as part of the revised MTFS to give consideration to the revenue funding available.</p>
	<p><b>Pay Awards</b> Pay Awards are budgeted within the council for a 3% increase.</p> <p>As of 22/23, this has been agreed to a 5% increase for local government staff, with teachers likely to be higher.</p> <p>There is a risk that pressure around pay awards could be created unless Scottish Government provide funding going forward.</p>	<p>There is currently a pay award reserve and the Scottish Government has given Councils flexibilities around some funding to allow for any shortfall to be addressed.</p>
	<p><b>General Revenue Funding</b> Scottish Government have advised all local authorities should expect a flat cash settlement for 23/24.</p> <p>This is a real term reduction given the impact of rising inflation and pay awards</p>	<p>The Scottish Government lays out its draft budget in December, with the settlement expected around the 19<sup>th</sup> December.</p> <p>Options for addressing the anticipated shortfall in funding is being developed as part of the MTFS for consideration by Politicians.</p>
	<p><b>Council Tax</b> There is a risk that Scottish Government reintroduce a cap on the amount local authorities can increase Council Tax.</p> <p>Any cap below 3% will create a significant budget pressure for Aberdeenshire Council.</p>	
	<p><b>Demographics</b> Demographic changes and increased complexity of care required has resulted in an increase to care packages for the elderly and adults with learning disabilities.</p>	<p>The needs of clients will continue to be addressed by aligning resources where they are most required by use of detailed forward looking data analysis projections and continued close working with our partner organisations</p>
	<p><b>Health and Social Care Reserves</b> £20.405m of funding received from Scottish Government in 2021/22 to address Covid-19 challenges was held in earmarked reserves by the Partnership. This was not able to be spent in full due to the late timing of the funding being received. Based on forecast expenditure to September 2022, The Scottish Government has requested that any unspent funds are to be returned to be redistributed across the sector. This could equate to around £11m for Aberdeenshire.</p>	<p>Discussions around the exact amount and the timing of the funding to be returned, as well as the governance arrangements for doing so are ongoing.</p>

## Management Commentary

	<p>Risk that if sufficient funding is not retained to pay for ongoing third sector sustainability claims, pressures will be put on existing budgetary allocations.</p> <p>Partners would be required to cover and funding shortfall – Aberdeenshire 38% NHS – Grampian 62%</p>	
	<p><b>Energy Prices</b> Energy Prices are expected to rise by up to 33%. This will have impact on all our services and how they operate. Highlights for this include our LLA facilities</p>	<p>Energy Management Team are monitoring energy prices and making use of forward purchasing where possible to ensure best prices achieved</p> <p>Energy consumption across local authority services and assets is being dynamically reviewed to allow for changes where fit.</p>

## Acknowledgements

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

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

Councillor Mark Findlater

Jim Savege

Mary Beattie

Leader of the Council

Chief Executive

Head of Finance

On Behalf of the Councillors and Strategic Leadership Team

15 December 2022

### Statement of Responsibilities

#### The Council's Responsibilities

##### The Council is required to:

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

Signed on behalf of Aberdeenshire Council

Councillor Mark Findlater  
Leader of the Council  
15 December 2022

#### 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 2022.

Mary Beattie, FCCA  
Head of Finance  
15 December 2022

## Annual Governance Statement

### Scope of Responsibility

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

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

This assurance statement relates to the governance framework in place within the Council for the year ended 31 March 2022 and up to the date of signature of the Council's Annual Accounts for 2021-22.

This Annual Governance Statement explains how the Council has complied with the Local Code and complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2021-22, which details the requirements for the Annual Governance Statement.

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

The Director of Business Services has responsibility to:

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

In terms of fulfilling these responsibilities the Director of Business Services is assured that the implementation of the [Local Code](#) has been done effectively for a number of reasons. Many of the practical, evidence-based ways the [Local Code](#) has been implemented are set out at paragraph 2.2 in Table 1. That sets out a range of officer and councillor activities, reinforces good practice in our ways of working and evidences these through a variety of formal reporting arrangements. The 2021/22 Statement has built on solid foundations from the previous year. Noticeable progress has been made in performance reporting and in further enhancing the Council scrutiny activity in particular - accepting more work still needs to be done. A new Council has been formed following the May elections and it will be important to sustain the progress made, while respecting the new Council's right to set its own priorities. The foundations established and the framework in place will help provide some continuity.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the approval of the annual accounts.



## Identification of Key Governance Arrangements

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

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

Code of Corporate Governance Principle	How the Council demonstrates compliance
Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> <li>• The <a href="#">Scheme of Governance</a> including the <a href="#">Financial Regulations</a></li> <li>• <a href="#">Councillors Code of Conduct</a></li> <li>• One Aberdeenshire Principles (see Appendix 1 for details)</li> <li>• Corporate Integrity Group (see Appendix 1 for details)</li> <li>• Financial and Legal Monitoring Officers</li> <li>• <a href="#">Counter Fraud Strategy</a></li> <li>• Integrated Impact Assessments</li> <li>• Fairer Scotland Duty</li> </ul>
Principle 2: Ensuring openness and comprehensive stakeholder engagements	<ul style="list-style-type: none"> <li>• <a href="#">Council Plan</a></li> <li>• <a href="#">Local Outcome Improvement Plan</a></li> <li>• Directorate and Area Plans</li> <li>• <a href="#">Engagement &amp; Participation Policy</a></li> <li>• <a href="#">Participation Requests</a></li> <li>• Participatory Budgeting</li> <li>• Live webcasting of public meetings</li> <li>• Minimising the number of exempt reports</li> <li>• Partnership Reviews and Reporting</li> <li>• <a href="#">Engage Aberdeenshire</a></li> <li>• Community Impact Assessments</li> </ul>
Principle 3: defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• <a href="#">Council Plan</a> and <a href="#">Strategic Priorities</a></li> <li>• <a href="#">Performance Reporting</a></li> <li>• Community Benefits in Procurement</li> <li>• <a href="#">Carbon Budget</a></li> <li>• <a href="#">Climate Change Commitment</a></li> <li>• Aberdeenshire's <a href="#">Digital Strategy</a></li> <li>• <a href="#">Procurement Strategy</a></li> </ul>
Principle 4: determining the interventions necessary to optimise the achievements of the intended outcomes	<ul style="list-style-type: none"> <li>• Legal and Financial Monitoring</li> <li>• Integrated Impact Assessments</li> <li>• Budget Setting Process</li> <li>• Medium Term Financial Strategy</li> <li>• Performance Reporting</li> <li>• Financial Performance Reports</li> <li>• Capital Plan Monitoring</li> <li>• Carbon Budget</li> <li>• <a href="#">Directorate</a> and <a href="#">Corporate</a> Risk Registers</li> <li>• <a href="#">Policy Review</a></li> </ul>
Principle 5: Developing the entity's capacity including the capability of its leadership and the individual within it	<ul style="list-style-type: none"> <li>• Councillors Roles and Responsibilities</li> <li>• Multi Member Ward Guidance</li> <li>• Training and CPD for Councillors</li> <li>• Committee Workshops</li> <li>• Leadership Forum (see Appendix 1 for details)</li> <li>• Learning and Development programme</li> <li>• ALDO (Aberdeenshire Learning &amp; Development Online) training</li> <li>• Workforce Strategy</li> <li>• HR Policies and Procedures</li> </ul>

Code of Corporate Governance Principle	How the Council demonstrates compliance
Principle 6: Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> <li>• <a href="#">Corporate Risk Management Steering Group</a></li> <li>• Corporate, Directorate &amp; Operational Risk Registers</li> <li>• Committee Reports</li> <li>• Financial Performance Reporting</li> <li>• Audit Committee</li> <li>• Internal Audit</li> <li>• Scheme of Governance</li> <li>• Financial Regulations</li> <li>• <a href="#">Capital Plan</a></li> <li>• Strategic Leadership Team</li> <li>• Strategic Change Board</li> <li>• <a href="#">Contracts Register</a></li> </ul>
Principle 7: implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> <li>• Live Webcasting of Committee Meetings</li> <li>• Annual Performance Report</li> <li>• Corporate Improvement Plan</li> <li>• Scrutiny Reports</li> <li>• Performance Reporting</li> <li>• <a href="#">Internal Audit Charter</a></li> <li>• Notices of Motion</li> <li>• Audit Committee</li> <li>• External Audit Reports to Committee</li> <li>• Committee Review Process</li> </ul>

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 is subject to regular ongoing review to ensure it remains fit for purpose and reactive to the environment the Council is operating in. An Annual Review of the Scheme of Governance was presented to Full Council on [23 February 2022](#) and was considered on [28 April 2022](#).

Aberdeenshire Councillors agreed a revised [Council Plan 2020-2022](#) on 7 October 2020. At a meeting held on [23 July 2020](#) Full Council formally closed down the Council Plan 2017-2022 and associated priorities. In recognition of the circumstances faced by the Council new priorities were adopted and officers commissioned to draft a new Council plan on that basis. The Annual Performance Report was presented to Full Council on [23 September 2021](#) providing closing performance data on previous priorities and the first annual report on the new priorities.

The plan is centred around three pillars, Our People, Our Environment and Our Economy. Under those sit [strategic priorities](#) and these are supported by directorate and area plans. Directorate plans provide detail around how outcomes will be delivered and focus on performance and improvement including performance measures, benchmarking and accountability for delivery. Area plans demonstrate alignment between community planning and Council priorities as well as providing additional local level scrutiny, accountability and transparency in terms of area reporting. A robust performance management framework was approved by Full Council on [24 June 2021](#). Directorate and Area Plans are reported to respective Policy and Area Committees in June and November. Quarterly performance reporting to Strategic Leadership Team commenced in May 2022. The development of Directorate and Area Plans has been an iterative process. Performance indicators have now been agreed across all Directorates and Areas. The strategic framework that has been developed and implemented provides a robust foundation for the new Council and development of the new Council Plan.

The Council's revised Medium Term Financial Strategy 2022-23 (MTFS) was agreed by Councillors on [18 November 2021](#) with an update position reported to Full Council on [9 March 2022](#). The MTFS is the financial embodiment of the Council Plan. It is a key part of the Council's budget setting framework which aims to ensure that all financial resources are directed towards the delivery of the Council's Priorities.

In accordance with the governance framework the Council conforms with the

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

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

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

At the onset of the pandemic the Council moved to fully online meetings. The position was reviewed by Full Council on [29 April 2021](#). It was agreed to continue with virtual meetings as the default until a further review on [23 September 2021](#) and to develop an options appraisal for hybrid meetings.

Full Council agreed a transition to a choice based blended model for fully virtual and hybrid meetings on [23 September 2021](#). This means that all Members have the choice as to whether they attend a meeting online or in person. On [13 January 2022](#) Full Council agreed to revert to fully virtual meetings following a pilot of hybrid meetings between September and December 2021 and as a result of public health advice to return to home working in light of the Omicron variant of Covid-19. The improving public health situation allowed further hybrid meetings in March and April 2022. A review of arrangements was considered by Full Council on [28 April 2022](#). Throughout the pandemic the Council has adapted swiftly to the changing environment, making best use of technology available in order to ensure the continuation of the democratic process.

## Evaluation of the effectiveness of governance

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

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

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

The approach has been condensed this year to take account of the Local Elections on 5 May 2022. Following advice from External Auditors, SLT agreed that the Annual Governance Statement should be prepared and signed off before Local Elections take place. Due to the timescales involved it has not been possible to take a draft of the Annual Governance Statement to Policy Committees before Audit Committee. The draft Statement was considered by Councillors at a meeting on 22 April with an opportunity to provide feedback. The Statement will be considered by Audit Committee at its meeting on 29 June 2022 prior to submission to Audit Scotland.

Aberdeenshire Council adopted the Public Service Improvement Framework (PSIF) self-evaluation model in November 2021 and a corporate self-evaluation programme was agreed in December 2021. A pilot self-evaluation was carried out in Customer & Digital Services in February 2022 with a Council-wide exercise being undertaken during March and April 2022.

The self-assessment indicated the Local Code is being complied with. The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities. The following main strengths and areas for improvement during 2022/23 have been identified through the self-assessment exercise against the Local Code:

## Annual Governance Statement

Issue	Strengths	Weaknesses
<b>Service Planning</b>	We have policies, strategies and plans that reflect best value and are clearly linked to outcomes in the Council Plan, the Local Outcome Improvement Plan and locality plans	We need to get better at workforce planning – this one was by the most common theme throughout but is already being dealt with in other corporate plans
<b>Service planning</b>	We are good at financial planning	We need to get better at participatory budgeting and demonstrating the positive impacts of this. The significant progress made in delivery of Participatory Budgeting in the year to 31 March 2022 is recognised.
<b>Service planning</b>	Our structure delivers outcomes and priority activities efficiently and effectively	We need to get better at analysing our data
<b>Service planning</b>	We have effectively embedded environmental sustainability in our service delivery	
<b>Leadership (Elected Members &amp; Officers)</b>	We effectively manage risk and have sound financial management	Our leaders (Elected Members and Officers) need to engage more with communities in the setting of budgets
<b>Partnership and Resources</b>		Our procurement strategy needs to be reviewed to ensure efficient and effective use of resources and environmental sustainability
<b>Staff results</b>		We need to be better at showing how our results link to our priorities
		There is inconsistency around management of poor employee performance across the organisation

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

Issue	Improvement action
<b>Partnerships &amp; resources</b>	We have a procurement strategy that ensures resources are used effectively and efficiently with a focus on climate change and sustainability
<b>Impact on communities</b>	Build community resilience using tools such as participatory budgeting, community asset transfers
<b>Service planning</b>	Better use of data to inform continuous improvement activities
	A more consistent approach to dealing with poor employee performance
	Following voluntary severance exercises, develop a strategy to deal with increased workload and manage expectations of customers and Councillors
<b>Staff</b>	Update the corporate induction including support for new managers and employees who change role
<b>Staff</b>	Increase awareness across the organisation of corporate initiatives and individual responsibility and resilience

### Risk

The Council's senior management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Chief Internal Auditor has the responsibility to review these independently, and report to the Audit Committee annually on the adequacy and effectiveness of the Council's framework of governance, risk management and control. In the Chief Internal Auditor's opinion, Aberdeenshire Council had an adequate framework for governance, risk management and control, covering the period 1 April 2021 to 31 March 2022. On balance, most of the audited areas were operating as anticipated, with some areas of good practice, improvement, and procedural compliance identified. Most recommendations made by Internal Audit during 2021/22 related to general improvements to procedures, and the requirement to consistently evidence adherence to them. However, as in previous years, major and significant risks have been identified throughout the year, including breaches of the Council's financial and procurement regulations, and in the application of the Protecting Vulnerable Groups scheme. Improvements were also recommended to controls over payroll processes.

Whilst the foregoing indicates various risk areas, over 99% of recommendations made by Internal Audit have been agreed by services, which have committed to appropriate action to improve controls and compliance to address the identified risks. "Major" actions from previous years were still outstanding at the end of the year, including actions relating to services' application of the Council's charging policy framework, and procurement compliance. The outcome of these audits, along with others, and the scale of implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year, and management has explained the reasons for delays. A substantial number of actions have however been progressed and concluded during the year.

The Chief Internal Auditor has advised that, except to the extent that work has been impacted by COVID-19, there has been no limitation to the scope of Internal Audit's work during 2021/22.

### **Impact of Covid-19 on Risk**

During 2021/22 services continued to manage their risks using the current Risk Management process. Services have continued to update and refresh Operational Risk Registers and Directorate Management Teams have continued to maintain Directorate Risk Registers and have full ownership, oversight and management of risks of operational significance. Any risks which require strategic direction have continued to be reported to Strategic Leadership Team.

A full Risk Management review has been completed and an improvement plan is currently being consulted with each Directorate Service. The Risk Management review took into account compliance with ISO Standards, best practice guidance and is looking at strategy, framework, policies, procedures, processes, assurance, accountability, risk appetite and risk registers. A Report on the outcome of the Risk Management Review was submitted to Audit Committee on [1 July 2021](#), having previously been reported to Directorate Management Teams, the Corporate Risk Management Steering Group and Strategic Leadership Team.

The recommendations from the Risk Management Review informed the development of the Risk Management Policy, which was approved by Business Services Committee on 6 January 2022, following consultation with the Area and Policy Committees. Work is ongoing to develop a risk appetite statement, guidance and digital risk registers to underpin the Risk Management Policy.

During 2021/22 the staffing structure of the Risk and Resilience Team was finalised and the permanent staffing complement of the Team now stands at 5 full-time equivalents. A Report was submitted to Business Services Committee on [21 April 2022](#), updating Committee members on the work of the Team during the course of the preceding 15 months.

A Report was submitted to Full Council on [13 January 2022](#) on the impact of Storm Arwen and a Debrief Report on all 4 storms has been discussed and endorsed by the Council's Strategic Leadership Team.

Work is ongoing to develop a revised Emergency Planning and Resilience Framework, which will be subject to consultation with Directorate Management Teams, Corporate Risk Management Steering Group, Strategic Leadership Team, Area and Policy Committees before being submitted to Business Services Committee for approval.

### **Best Value Assurance Report**

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

### **Health & Social Care Integration**

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

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

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

## Aberdeenshire Council Budget

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

## Accountability and action plans

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

Issue	Improvement action	Progress
<b>Embedding a performance management culture</b>	A performance management framework has been developed following the agreement of new Council priorities in September 2020. Training modules will be developed and regular meetings of performance Leads across the organisation will create a culture of positive performance management across the organisation. Work is underway to review the self-evaluation framework to ensure a more rounded and corporate approach and to embed this within performance processes.	Complete.  The performance management framework is underpinned by the development of SMART performance measures with clear, measurable outcomes. Training has been delivered to Officers and Councillors and is also available on ALDO. The Performance Officer Network has been re-established and is meeting every 6 weeks. A new self-evaluation model was agreed by Audit Committee in November 2021 and a corporate programme of self-evaluation agreed in December 2021. A pilot self-evaluation was undertaken in Customer & Digital Services in February 2022 and a Council wide evaluation in March/April 2022.
<b>Embedding a performance management culture</b>	Develop a corporate data hub to promote robust data analysis as well as smart service design based on the needs of our citizens across partner organisations	In progress.  An invitation to quote was published in January 2022 for a consultant to undertake a discovery and develop a full business case for a data platform. A supplier was appointed in February 2022 and work is currently underway with workshops being led by the supplier across all services to understand the data landscapes across the organisation. This work was concluded during summer 2022 and work is progressing toward the platform build.
<b>Embedding a performance management culture</b>	Implement new self-evaluation framework aligned to the Code of Corporate Governance	Complete  Audit Committee in November 2021 agreed that the Council would adopt the Public Service Improvement Framework self-evaluation model. A corporate programme of self-evaluation agreed in December 2021. A pilot self-evaluation was undertaken in Customer & Digital Services in February 2022 and a Council wide evaluation in March/April 2022.



## Annual Governance Statement

Issue	Improvement action	Progress
<b>Embedding risk management</b>	A review of the Risk Management Strategy and related processes has been undertaken during 2020/21 along with a refresh of the Corporate and Directorate Risk Registers. The review has ensured that risk management practices are embedded in everything that the Council does through Service and Team risk processes.	The Risk Management Policy was approved by Business Services Committee on <a href="#">6 January 2022</a> . Work is ongoing to develop a risk appetite statement, guidance and digital risk registers to underpin the Risk Management Policy
<b>Impact on the local community</b>	Promote service design approach by involving customers in our decision-making and shaping service delivery	Complete.  A dedicated service design post was created and filled in January 2022 and sits within Customer and Digital Services, working across the wider organisation. Activity since has focused on establishing the role and developing a workplan which will focus on embedding a service design culture across the organisation and in our communities. The Service Designer is currently working directly with services to demonstrate the value of customer insight in the codesign and redesign of user journeys in key areas such as financial transactions and customer services.
<b>Impact on the local community</b>	Work with citizens to help them to realise their digital aspirations through delivery of the Digital Strategy	The Digital Inclusion Group (DIG) (formed April 2021) brought together cross service and Aberdeenshire Health & Social Care Partnership leads to determine the need and identify opportunities to build digital community capacity. DIG identified the need to strengthen data to achieve a better appreciation of the scale and nature of digital exclusion in Aberdeenshire. For our communities and residents, recommendations for action are grouped into three workstreams: <ul style="list-style-type: none"> <li>• Digital access – infrastructure and kit</li> <li>• Digital access – affordability</li> <li>• Digital confidence – developing skills and opportunities</li> </ul> Actions are being identified to making sure that all our residents and communities can engage effectively online and access services and support that help drive down the incidence of poverty in all its forms, tackle poor health and wellbeing outcomes and the lack of access to opportunities. The Group is linked to Tackling Poverty & Inequality Group and the Digital Strategy Board.
<b>Working together across services</b>	Develop and implement governance frameworks to support and promote cross service working and collaborative projects	Complete  The Collaboration Board formed April 2021 undertakes tasks and activities as directed by SLT, to cover consideration and development of the MTFS and budget strategy, improvement and change. The group also recognises the continuing influence of Covid-19 and supports Service Recovery and Reform and will assess and respond to future emerging risks.  The Board facilitates safe space for cross service peer challenge and consequence, adopting a fluid and responsive approach to timeline priorities, looks outward to support the organisation by building capacity and capability. Inclusiveness, openness and transparency are core principles where Board members are responsible for sharing outputs with colleagues reporting to Directorate Management Teams and Boards.  The Collaboration Board is Accountable to Strategic Leadership Team.

### 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 Mark Findlater  
Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council  
15 December 2022

## Remuneration Report

### Introduction

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

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

The term Senior Employee means any local authority employee:

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

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

### Arrangements for Remuneration

The 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 needs to consider the requirement to recruit, retain and motivate suitably able and qualified people to deliver the policies and services of the Council.

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

The remuneration of Senior Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 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 2021/22 the salary for the Leader of Aberdeenshire Council is £43,412 (2020/21 £41,662). 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 2021/22 totalled £550,646 (2020/21 £523,798) 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.

## Remuneration Report

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.

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 32 and the costs identified on page 29 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:

2020/21 £'000	Type of Remuneration	2021/22 £'000
1,428	Salaries	1,492
12	Expenses	5
<b>1,440</b>	<b>Totals</b>	<b>1,497</b>

The annual return of Councillors' salaries and expenses for 2021/22 is available on the Council's [website](#).

## Remuneration Report

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

Total Remuneration 2020/21 £	Pension Contributions 2020/21 £	Name	Salaries, Fees and Allowances 2021/22 £	Total Remuneration 2021/22 £	Pension Contributions 2021/22 £	Accrued Pension Benefits		
							As at 31 March 2022 £'000	Difference from 31 March 2021 £'000
23,435	4,523	Rosemary Bruce	24,419	24,419	4,713	Pension	2	-
						Lump Sum	-	-
27,341	5,277	Isobel Davidson	28,489	28,489	5,498	Pension	7	1
						Lump Sum	2	-
31,248	6,031	Gillian Owen	32,560	32,560	6,284	Pension	9	2
						Lump Sum	2	-
23,435	4,523	Alistair McKelvie	24,419	24,419	4,713	Pension	3	1
						Lump Sum	-	-
27,342	-	Ron McKail	28,490	28,490	-	Pension	-	-
						Lump Sum	-	-
27,341	-	Wendy Agnew	28,489	28,489	-	Pension	-	-
						Lump Sum	-	-
31,248	6,031	William Howatson	32,560	32,560	6,284	Pension	9	1
						Lump Sum	2	-
31,248	6,031	Ross Cassie	32,560	32,560	6,284	Pension	4	-
						Lump Sum	-	-
23,435	4,523	Mark Findlater	24,419	24,419	4,713	Pension	4	-
						Lump Sum	-	-
31,248	6,031	Elizabeth Stirling	32,560	32,560	6,284	Pension	8	1
						Lump Sum	2	-
32,592	6,290	Andrew Kille	43,412	43,412	8,379	Pension	3	1
						Lump Sum	-	-
27,341	5,277	Norman Smith	28,489	28,489	1,833	Pension	4	1
						Lump Sum	-	-
23,435	4,523	John Cox	24,419	24,419	4,713	Pension	4	-
						Lump Sum	-	-
31,248	6,031	Peter Argyle	32,560	32,560	6,284	Pension	6	1
						Lump Sum	-	-
<b>391,937</b>	<b>65,091</b>	<b>CARRIED FORWARD</b>	<b>417,845</b>	<b>417,845</b>	<b>65,982</b>		<b>71</b>	<b>9</b>

# Remuneration Report

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

Total Remuneration 2020/21 £	Pension Contributions 2020/21 £	Name	Salaries, Fees and Allowances 2021/22 £	Total Remuneration 2021/22 £	Pension Contributions 2021/22 £
391,937	65,091	<b>BROUGHT FORWARD</b>	417,845	417,845	65,982
19,122	3,691	Doreen Mair	28,489	28,489	5,498
22,979	4,435	Gwyneth Petrie	24,419	24,419	4,713
4,998	965	John Latham	28,489	28,489	5,498
5,040	973	Judy Whyte	24,419	24,419	4,713
-	-	Dominique Lonchay	26,985	26,985	5,208
<b>444,076</b>	<b>75,155</b>	<b>TOTALS</b>	<b>550,646</b>	<b>550,646</b>	<b>91,612</b>

Accrued Pension Benefits		
	As at 31 March 2022 £'000	Difference from 31 March 2021
	71	9
Pension	2	-
Lump Sum	-	-
Pension	2	-
Lump Sum	-	-
Pension	4	1
Lump Sum	-	-
Pension	2	1
Lump Sum	-	-
Pension	2	1
Lump Sum	-	-
	<b>83</b>	<b>12</b>

## Remuneration Report

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

Name	Post Title	Period in Office
Andrew Kille	Council Leader	From 19 November 2020
Andrew Kille	Chair – Business Services Committee	From 19 November 2020
Peter Argyle	Deputy Council Leader Chair – Infrastructure Services Committee	From 18 May 2017 From 18 May 2017
William Howatson	Provost	From 18 May 2017
Gwyneth Petrie	Leader of the Main Opposition	From 08 April 2020
Ross Cassie	Chair – Audit Committee	From 18 May 2017
Gillian Owen	Chair – Education and Children's Services Committee	From 18 May 2017
Anne Stirling	Chair – Communities Committee	From 18 May 2017
Norman Smith	Chair - Buchan Area Committee	From 6 June 2017
Isobel Davidson	Chair – Formartine Area Committee	From 13 June 2017
Fergus Hood	Chair - Garioch Area Committee	From 1 April 2016 until 24 March 2021
Dominique Lonchay	Chair - Garioch Area Committee	From 20 April 2021

Name	Post Title	Period in Office
Mark Findlater	Vice Chair – Business Services Committee	From 26 September 2019
John Cox	Vice Chair – Infrastructure Services Committee	From 18 May 2017
Ron McKail	Deputy Provost	From 18 May 2017
Alistair McKelvie	Vice Chair – Audit Committee	From 18 May 2017
Rosemary Bruce	Vice Chair – Education and Children's Services Committee	From 26 September 2019
Judy Whyte	Vice Chair – Communities Committee	From 14 January 2021
Doreen Mair	Chair - Banff and Buchan Area Committee	From 15 December 2020
John Latham	Chair - Marr Area Committee	From 26 January 2021
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 year.
- Note 3: No Senior Councillor received any remuneration from a subsidiary body as a representative of the Council.
- Note 4: For 2021/22 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: The above table reflects the position at 31 March 2022, but following elections in May 2022, Mark Findlater is now the Leader of the Council.



Table C: Remuneration and Pension Benefits of Senior Employees

Total Remuneration 2020/21 £	Pension Contributions 2020/21 £	Name and Post Title	Salaries, Fees and Allowances 2021/22 £	Total Remuneration 2021/22 £	Pension Contributions 2021/22 £
154,426	28,056	Jim Savage: Chief Executive	166,045	166,045	30,175
124,763	24,079	Laurence Findlay: Director of Education and Children's Services	127,533	127,533	24,234
93,572	18,059	Stephen Archer: Director of Infrastructure Services until 31 December 2020	-	-	-
124,763	24,079	Ritchie Johnson: Director of Business Services	127,783	127,783	24,234
98,707	19,050	Alan Wood: Head of Service (Finance) until 17 January 2021 and Director of Infrastructure Services from 18 January 2021	125,563	125,563	24,234
17,810	3,437	Mary Beattie: Head of Service (Finance) from 22 January 2021	93,397	93,397	17,914
92,177	17,759	Karen Wiles: Head of Service (Legal and People)	95,357	95,357	17,914
-	-	Leigh Jolly: Chief Social Work Officer (from 5th July 2021)	68,823 (full year equivalent 91,813)	68,823	13,283
<b>706,218</b>	<b>134,519</b>	<b>TOTALS</b>	<b>804,501</b>	<b>804,501</b>	<b>151,988</b>

Accrued Pension Benefits		
	As at 31 March 2022 £'000	Difference from 31 March 2021
Pension	22	3
Lump Sum	-	-
Pension	57	3
Lump Sum	-	-
Pension	92	-
Lump Sum	-	-
Pension	57	3
Lump Sum	78	-
Pension	54	11
Lump Sum	84	18
Pension	33	9
Lump Sum	45	13
Pension	22	3
Lump Sum	-	-
Pension	27	3
Lump Sum	25	1
	<b>596</b>	<b>67</b>

**Notes to Table C:**

The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2022 includes £13,427 received as the Returning Officer for Aberdeenshire in respect of the Scottish Parliamentary Election on 6<sup>th</sup> May 2021.

The Head of Service (Legal and People), Head of Service (Finance), Director of Education and Children's Services and Director of Business Services also received payments relating to the Scottish Parliamentary Election on 6<sup>th</sup> May 2021 of £2,540, £580, £1,970 and £2,220 respectively during the year ended 31 March 2022.

For 2021/22 there was no payment for Bonuses, Taxable Expenses, and Non-Cash Benefits. Therefore, no information on these has been included in the table above.

The Chief Social Work Officer is appointed by Aberdeenshire Council and the post holder, Iain Ramsay, was employed by NHS Grampian until 5 July 2021, NHS Grampian met the costs of his substantive role as a Partnership Manager in Aberdeenshire's Health and Social Care Partnership, with Aberdeenshire Council meeting the additional salary paid (£1,353) (2020-21 £3,944) 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. Leigh Jolly, who is employed by Aberdeenshire Council, was appointed as the Chief Social Work Officer on 5 July 2021.

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

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

No of Employees 2020/21	Remuneration Bands	No of Employees 2021/22
293	£50,000 - £54,999	289
176	£55,000 - £59,999	182
100	£60,000 - £64,999	105
37	£65,000 - £69,999	32
6	£70,000 - £74,999	5
8	£75,000 - £79,999	6
7	£80,000 - £84,999	5
15	£85,000 - £89,999	12
6	£90,000 - £94,999	6
1	£95,000 - £99,999	1
-	£100,000 - £104,999	-
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
3	£120,000 - £124,999	-
-	£125,000 - £129,999	3
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
-	£145,000 - £149,999	-
1	£150,000 - £154,999	-
-	£155,000 - £159,999	-
-	£160,000 - £164,999	-
-	<b>£165,000 - £169,999</b>	<b>1</b>
<b>653</b>	<b>TOTALS</b>	<b>647</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 31 March 2015, the scheme's normal retirement age for both councillors and employees is 65. For benefits accrued after 1 April 2015 the scheme's retirement age for both councillors and employees will be his or her "Normal Pension Age".

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

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

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

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

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

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

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

A Scheme member's pension contribution depends on their actual pay. From 1 April 2009, employee contributions are based on tiered rates. Bandings for 2021/22 and 2020/21 are disclosed below.

Contribution Rates	Pensionable Pay 2021/22	Pensionable Pay 2020/21
5.50%	Earnings up to and including £22,300	Earnings up to and including £22,200
7.25%	On earnings above £22,301 and up to £27,300	On earnings above £22,201 and up to £27,100
8.50%	On earnings above £27,301 and up to £37,400	On earnings above £27,101 and up to £37,200
9.50%	On earnings above £37,401 and up to £49,900	On earnings above £37,201 and up to £49,600
12.00%	On earnings above £49,901	On earnings above £49,601

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 2021/22</b>				
Up to £19,999	14	49	29	227
£20,000 up to £39,999	3	88	15	422
£40,000 up to £59,999	-	-	2	112
£60,000 up to £79,999	-	-	8	543
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	1	127
£150,000 up to £199,999	-	-	1	153
£200,000 up to £249,999	-	-	-	-
£250,000 up to £299,999	-	-	-	-
£300,000 up to £349,999	-	-	-	-
£350,000 up to £399,999	-	-	-	-
	<b>17</b>	<b>137</b>	<b>56</b>	<b>1,584</b>
<b>Total</b>				<b>1,721</b>
<b>Bandings 2020/21</b>				
Up to £19,999	12	15	54	547
£20,000 up to £39,999	-	-	31	845
£40,000 up to £59,999	-	-	6	305
£60,000 up to £79,999	-	-	6	414
£80,000 up to £99,999	1	95	6	551
£100,000 up to £149,999	-	-	5	581
£150,000 up to £199,999	-	-	2	338
£200,000 up to £249,999	-	-	-	-
£250,000 up to £299,999	-	-	-	-
£300,000 up to £349,999	-	-	-	-
£350,000 up to £399,999	-	-	1	363
	<b>13</b>	<b>110</b>	<b>111</b>	<b>3,944</b>
<b>Total</b>				<b>4,054</b>

### Trade Union Facility Time

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

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

	Non-teaching	Teaching
Trade union representatives:	25	7
FTE trade union representatives:	20.94	6

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

	All
0%	0
1-50%	22
51-99%	0
100%	5

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

	Non-teaching	Teaching
Total pay bill:	£282,175,096	£163,534,758
Total cost of facility time:	£115,257	£61,286
Percentage of pay spent on facility time:	0.04%	0.04%

**Table I: Paid trade union activities**

	Non-teaching	Teaching
Hours spent on paid facility time:	6,768	1,748
Hours spent on paid trade union activities:	285	103
Percentage of total paid facility time hours spent on paid TU activities:	4.21%	5.89%

Councillor Mark Findlater  
Leader of the Council

Jim Savege  
Chief Executive

On behalf of the Councillors and Officers of Aberdeenshire Council

15 December 2022

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

### Reporting on the audit of the financial statements

#### Opinion on financial statements

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 2022 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, the Common Good Funds Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

#### Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

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

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

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

The 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 decisions of users taken on the basis of these financial statements.



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

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

### Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

In 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

15 December 2022

## Expenditure and Funding Analysis for year ended 31 March 2022

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 2020/21 £'000	Adjustments Between the Funding and Accounting Basis 2020/21 £'000	Net Expenditure in the CIES 2020/21 £'000		Net Expenditure Chargeable to the General Fund and HRA Balances 2021/22 £'000	Adjustments Between the Funding and Accounting Basis 2021/22 £'000	Net Expenditure in the CIES 2021/22 £'000	Notes Ref
			<b>Aberdeenshire Services</b>				
42,110	18,565	60,675	Business Services Committee	47,457	16,529	63,986	
152,608	12,868	165,476	Communities Committee	152,312	17,003	169,315	
352,086	14,153	366,239	Education and Children's Services Committee	362,747	(2,549)	360,198	
67,094	33,682	100,776	Infrastructure Services Committee	61,612	37,741	99,353	
-	2,318	2,318	Housing Revenue Account	-	8,996	8,996	
<b>613,898</b>	<b>81,586</b>	<b>695,484</b>	<b>NET COST OF SERVICES</b>	<b>624,128</b>	<b>77,720</b>	<b>701,848</b>	
(647,815)	(10,030)	(657,845)	Other (Income) and Expenditure	(637,600)	(13,989)	(651,589)	
<b>(33,917)</b>	<b>71,556</b>	<b>37,639</b>	<b>(Surplus)/Deficit</b>	<b>(13,472)</b>	<b>63,731</b>	<b>50,259</b>	5
(24,780)			Opening General Fund and HRA Balance at 1 April	(59,970)			
(33,917)			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year	(13,472)			
(1,273)			Transfers to/(from) Statutory Reserves	80			
<b>(59,970)</b>			<b>Closing General Fund and HRA balance at 31 March</b>	<b>(73,362)</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 2021/22	Adjustments for Capital Purpose £'000	Net Change for the Pension Adjustments £'000	Other Statutory Differences £'000	Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Total Adjustments £'000
Business Services Committee	8,306	7,386	14	15,706	156	667	16,529
Communities Committee	3,770	11,983	(1,127)	14,626	3,401	(1,024)	17,003
Education and Children's Services Committee	8,556	12,138	292	20,986	17,659	(41,194)	(2,549)
Infrastructure Services Committee	28,535	7,685	34	36,254	1,346	141	37,741
Housing Revenue Account	4,700	1,964	(87)	6,577	7,016	(4,597)	8,996
<b>Net Cost of Services</b>	<b>53,867</b>	<b>41,156</b>	<b>(874)</b>	<b>94,149</b>	<b>29,578</b>	<b>(46,007)</b>	<b>77,720</b>
Other (Income) and Expenditure	(63,024)	3,808	(780)	(59,996)	-	46,007	(13,989)
<b>Difference Between General Fund Deficit and CIES Deficit on Provision of Services</b>	<b>(9,157)</b>	<b>44,964</b>	<b>(1,654)</b>	<b>34,153</b>	<b>29,578</b>	<b>-</b>	<b>63,731</b>

Adjustments from General Fund to Arrive at CIES Amounts 2020/21	Restated Adjustments for Capital Purposes £'000	Net Change for the Pension Adjustments £'000	Other Statutory Differences £'000	Restated Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Restated Total Adjustments £'000
Business Services Committee	9,535	8,402	(23)	17,914	174	477	18,565
Communities Committee	3,488	6,065	(29)	9,524	3,498	(154)	12,868
Education and Children's Services Committee	29,829	4,621	(248)	34,202	18,694	(38,743)	14,153
Infrastructure Services Committee	28,199	3,905	137	32,241	1,642	(201)	33,682
Housing Revenue Account	6,008	1,286	(156)	7,138	1,680	(6,500)	2,318
<b>Net Cost of Services</b>	<b>77,059</b>	<b>24,279</b>	<b>(319)</b>	<b>101,019</b>	<b>25,688</b>	<b>(45,121)</b>	<b>81,586</b>
Other (Income) and Expenditure	(61,327)	6,940	(764)	(55,151)	-	45,121	(10,030)
<b>Difference Between General Fund Deficit and CIES Deficit on Provision of Services</b>	<b>15,732</b>	<b>31,219</b>	<b>(1,083)</b>	<b>45,868</b>	<b>25,688</b>	<b>-</b>	<b>71,556</b>

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

**Explanations of Adjustment Columns Above:**

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

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

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

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

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

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

# Comprehensive Income and Expenditure Statement

## Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2022

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

Council			Group		Council			Group	
Gross Expenditure 2020/21 £'000	Income 2020/21 £'000	Net Expenditure 2020/21 £'000	Net Expenditure 2020/21 £'000	Aberdeenshire Services	Gross Expenditure 2021/22 £'000	Income 2021/22 £'000	Net Expenditure 2021/22 £'000	Net Expenditure 2021/22 £'000	Notes Ref
101,583	(40,908)	60,675	60,675	Business Services Committee	100,428	(36,442)	63,986	63,986	
386,978	(221,502)	165,476	165,476	Communities Committee	411,712	(242,397)	169,315	169,315	
412,482	(46,243)	366,239	366,239	Education and Children's Services Committee	410,159	(49,961)	360,198	360,198	
118,900	(18,124)	100,776	100,776	Infrastructure Services Committee	124,115	(24,762)	99,353	99,353	
70,204	(67,886)	2,318	2,318	Housing Revenue Account	77,062	(68,066)	8,996	8,996	
1,090,147	(394,663)	695,484	695,484	COST OF SERVICES	1,123,476	(421,628)	701,848	701,848	EFA
-	(214)	(214)	(214)	(Gains)/Losses on the Disposal of Non Current Assets and AHfS	520	-	520	520	5
-	(214)	(214)	(214)	Other Operating (Income)/Expenditure	520	-	520	520	
31,486	-	31,486	31,486	Interest Payable and Similar Charges	30,715	-	30,715	30,715	20
6,940	-	6,940	6,940	Net Interest on Net Defined Benefit Liability	3,808	-	3,808	3,808	34
140	-	140	140	Changes in the Fair Value of Investment Properties	186	-	186	186	15
-	(276)	(276)	(276)	Interest Receivable and Similar Income	-	(279)	(279)	(279)	20
1,220	-	1,220	1,220	Impairment Losses	808	(1,000)	(192)	(192)	
-	-	-	(10,224)	Share of Integration Joint Board (Surplus)/Deficit	-	-	-	(14,248)	
39,786	(276)	39,510	29,286	Financing and Investment Income and Expenditure	35,517	(1,279)	34,238	19,990	
		(697,141)	(697,141)	Taxation and Non-Specific Grant Income			(686,347)	(686,347)	8
		37,639	27,415	Deficit on Provision of Services			50,259	36,011	5
		42,114	42,114	Surplus on revaluation of Non Current assets and AHfS			25,594	25,594	
		(145,457)	(145,457)	Actuarial (gains)/losses on pension assets/liabilities			(34,010)	(34,010)	34
		(103,343)	(103,343)	Other Comprehensive (Income) and Expenditure			(8,416)	(8,416)	
		(65,704)	(75,928)	Total Comprehensive (Income) and Expenditure			41,843	27,595	

## Balance Sheet as at 31 March 2022

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

Council 2020/21 £000	Group 2020/21 £000		Council 2021/22 £000	Group 2021/22 £000	Note Ref
2,284,027	2,284,027	Property, Plant and Equipment	2,303,268	2,303,268	13
1,944	1,944	Heritage Assets	1,944	1,944	14
1,310	1,310	Investment Properties	1,124	1,124	15
749	749	Intangible Assets	713	713	16
77	77	Long Term Investments	77	77	20
9,302	9,302	Long Term Debtors	9,367	9,367	20, 23
<b>2,297,409</b>	<b>2,297,409</b>	<b>Long Term Assets</b>	<b>2,316,493</b>	<b>2,316,493</b>	
-	-	Short Term Investments	-	-	20
296	296	Assets Held for Sale	296	296	17
4,845	4,845	Inventories	6,075	6,075	22
67,666	67,666	Short Term Debtors	67,925	67,925	23
-	10,283	Investment in Joint Venture	-	24,531	37
41,124	41,124	Cash and Cash Equivalents	40,343	40,343	20, 24
<b>113,931</b>	<b>124,214</b>	<b>Current Assets</b>	<b>114,639</b>	<b>139,170</b>	
(185,695)	(185,695)	Short Term Borrowing	(134,703)	(134,703)	20
(117,998)	(117,998)	Short Term Creditors	(115,513)	(115,513)	25
(267)	(267)	Provisions	(484)	(484)	26
(637)	(637)	Revenue Grants Receipts in Advance	(589)	(589)	
<b>(304,597)</b>	<b>(304,597)</b>	<b>Current Liabilities</b>	<b>(251,289)</b>	<b>(251,289)</b>	
(621,503)	(621,503)	Long Term Borrowing	(730,761)	(730,761)	20
(3,282)	(3,282)	Long Term Creditors	(2,098)	(2,098)	25
(6,656)	(6,656)	Provisions	(7,256)	(7,256)	26
(163,658)	(163,658)	Pension Liabilities	(174,612)	(174,612)	34
(2,910)	(2,910)	Finance Leases	(2,905)	(2,905)	
(99,476)	(99,476)	PFI and PPP Liabilities	(93,958)	(93,958)	19
(15,322)	(15,322)	Capital Grants Receipts in Advance	(16,160)	(16,160)	27
<b>(912,807)</b>	<b>(912,807)</b>	<b>Long Term Liabilities</b>	<b>(1,027,750)</b>	<b>(1,027,750)</b>	
<b>1,193,936</b>	<b>1,204,219</b>	<b>Net Assets</b>	<b>1,152,093</b>	<b>1,176,624</b>	
(78,884)	(78,884)	Usable Reserves	(88,263)	(88,263)	MIRS
-	(10,283)	Share of Usable Reserves of Subsidiary and Joint Venture	-	(24,531)	37
(1,115,052)	(1,115,052)	Unusable Reserves	(1,063,830)	(1,063,830)	28
<b>(1,193,936)</b>	<b>(1,204,219)</b>	<b>Total Reserves</b>	<b>(1,152,093)</b>	<b>(1,176,624)</b>	

The unaudited accounts were issued on 29 June 2022 and the audited accounts were authorised for issue on 15 December 2022.

Mary Beattie, FCCA  
Head of Finance  
15 December 2022



# Movement in Reserves Statement

## Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2022

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

	Restated General Fund Balance £'000	Housing Revenue Account £'000	Repairs and Renewals Fund £'000	Insurance Fund £'000	Capital Reserves £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000	Restated Total Council Reserves £'000	Group Usable Reserves £'000	Group Unusable Reserves £'000	Total Group Reserves £'000	Notes Ref
<b>Balance as at 31 March 2020 Carried Forward</b>	(22,780)	(2,000)	(1,098)	(1,225)	(19,419)	(46,522)	(1,081,710)	(1,128,232)	(46,581)	(1,081,710)	(1,128,291)	
<b>Movement in Reserves During 2020/21</b>												
Total Comprehensive Income and Expenditure	33,610	4,029	-	-	-	37,639	(103,343)	(65,704)	27,415	(103,343)	(75,928)	
Depreciation Charged to Revaluation Reserve	(24,008)	(1,680)	-	-	-	(25,688)	25,688	-	(25,688)	25,688	-	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(43,516)	(2,352)	-	-	1,555	(44,313)	44,313	-	(44,313)	44,313		6
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>(33,914)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>1,555</b>	<b>(32,362)</b>	<b>(33,342)</b>	<b>(65,704)</b>	<b>(42,586)</b>	<b>(33,342)</b>	<b>(75,928)</b>	
Transfers to/(from) Statutory Reserves	(1,276)	3	1,098	(346)	521	-	-	-	-	-	-	
<b>Balance as at 31 March 2021</b>	<b>(57,970)</b>	<b>(2,000)</b>	<b>-</b>	<b>(1,571)</b>	<b>(17,343)</b>	<b>(78,884)</b>	<b>(1,115,052)</b>	<b>(1,193,936)</b>	<b>(89,167)</b>	<b>(1,115,052)</b>	<b>(1,204,219)</b>	
<b>Movement in Reserves During 2021/22</b>												
Total Comprehensive Income and Expenditure	44,008	6,251	-	-	-	50,259	(8,416)	41,843	36,011	(8,416)	27,595	
Depreciation Charged to Revaluation Reserve	(22,562)	(7,016)	-	-	-	(29,578)	29,578	-	(29,578)	29,578		
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(35,902)	1,749	-	-	4,093	(30,060)	30,060	-	(30,060)	30,060		6
<b>Decrease/(Increase) before Transfers to Statutory Reserves</b>	<b>(14,456)</b>	<b>984</b>	<b>-</b>	<b>-</b>	<b>4,093</b>	<b>(9,379)</b>	<b>51,222</b>	<b>41,843</b>	<b>(23,627)</b>	<b>51,222</b>	<b>27,595</b>	
Transfers to/(from) Statutory Reserves	1,064	(984)	(1,300)	360	860	-	-	-				
<b>Balance as at 31 March 2022 Carried Forward</b>	<b>(71,362)</b>	<b>(2,000)</b>	<b>(1,300)</b>	<b>(1,211)</b>	<b>(12,390)</b>	<b>(88,263)</b>	<b>(1,063,830)</b>	<b>(1,152,093)</b>	<b>(112,794)</b>	<b>(1,063,830)</b>	<b>(1,176,624)</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 2022**

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.

2020/21 £'000		2021/22 £'000	Notes Ref
<b>(37,639)</b>	<b>Net deficit on the provision of services</b>	<b>(50,259)</b>	
173,110	Adjust net deficit on the provision of services for non cash movements	149,496	
(36,737)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,423	
<b>98,734</b>	<b>Net Cash Flows from Operating Activities</b>	<b>100,660</b>	36
	<b>Investing Activities:</b>		
(116,133)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(155,434)	
-	Purchase of Short and Long Term Investments	(50,000)	
(500)	Other Payments for Investing Activities	-	
-	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-	
47,895	Other Receipts from Investment Activities	51,384	
<b>(68,738)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(154,050)</b>	
	<b>Financing Activities:</b>		
220,963	Cash Receipts of Short Term and Long Term Borrowing	259,988	
(4,098)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(5,694)	
(262,170)	Repayments of Short Term and Long Term Borrowing	(201,685)	
<b>(45,305)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>52,609</b>	
<b>(15,309)</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>(781)</b>	
56,433	Cash and cash equivalents at 1 April	41,124	
<b>41,124</b>	<b>Cash and cash equivalents at 31 March</b>	<b>40,343</b>	24

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

Notes to the Financial Statements

Note	Description	Page
Note 1	<a href="#">Significant Accounting Policies</a>	57
Note 2	<a href="#">Accounting Standards Not Yet Adopted</a>	70
Note 3	<a href="#">Critical Judgements Applied</a>	69
Note 4	<a href="#">Future Assumptions</a>	70
Note 5	<a href="#">Expenditure and Income Analysed by Nature</a>	72
Note 6	<a href="#">Accounting/Funding Basis Adjustments</a>	75
Note 7	<a href="#">Usable Reserves and Earmarked Balances</a>	75
Note 8	<a href="#">Taxation and Non-Specific Grant Income</a>	76
Note 9	<a href="#">Prior Year Adjustments</a>	77
Note 10	<a href="#">Agency Services</a>	77
Note 11	<a href="#">External Audit Fees</a>	77
Note 12	<a href="#">Capital Expenditure and Financing</a>	78
Note 13	<a href="#">Property, Plant and Equipment</a>	79
Note 14	<a href="#">Heritage Assets</a>	82
Note 15	<a href="#">Investment Properties</a>	83
Note 16	<a href="#">Intangible Assets</a>	84
Note 17	<a href="#">Assets Held for Sale</a>	85
Note 18	<a href="#">Leases</a>	85
Note 19	<a href="#">PFI and Similar Contracts</a>	87
Note 20	<a href="#">Financial Instruments</a>	88
Note 21	<a href="#">Nature and Extent of Risks Arising from Financial Instruments</a>	90
Note 22	<a href="#">Inventories</a>	93
Note 23	<a href="#">Debtors</a>	93
Note 24	<a href="#">Cash and Cash Equivalents</a>	94
Note 25	<a href="#">Creditors</a>	94
Note 26	<a href="#">Provisions</a>	95
Note 27	<a href="#">Grant Income</a>	96
Note 28	<a href="#">Unusable Reserves</a>	97
Note 29	<a href="#">Capital Grants and Receipts Unapplied Account</a>	101
Note 30	<a href="#">Events after the Balance Sheet Date</a>	101
Note 31	<a href="#">Contingent Liabilities</a>	102
Note 32	<a href="#">Contingent Assets</a>	103
Note 33	<a href="#">Pension Schemes Accounted for as Defined Contribution Pension Schemes</a>	103
Note 34	<a href="#">Defined Benefit Pension Schemes</a>	104
Note 35	<a href="#">Related Parties</a>	110
Note 36	<a href="#">Cash Flow Statement – Operating Activities</a>	113
Note 37	<a href="#">Summarised Financial Information of Group Entities</a>	114

**Note 1 – Significant Accounting Policies**

**1.1 General Principles**

The Annual Accounts summarise transactions of the Council and its Group for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 (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.

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

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

**1.5 Employee Benefits**

**(i) Benefits Payable During Employment**

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

**(ii) Termination Benefits**

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

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

**(iii) Retirement Benefits**

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

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

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

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

Liabilities are included in the Balance Sheet on an actuarial basis using the 'projected unit credit method' i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount (currently 2.8%) based on an average of high quality corporate bonds.

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

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

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

**1.6 Events after the Balance Sheet Date**

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

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

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

**1.7 Fair Value Measurement**

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

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

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

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

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

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

**1.8 Financial Instruments**

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

**(i) Financial Liabilities**

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

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

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

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

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.



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

**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 & Receipts Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants & Receipts Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**1.11 Group Accounts**

Group Accounts are required to be prepared under the Code where the Council has interests in subsidiaries, associates and/or joint ventures, unless the interest is considered immaterial. The Council has a material interest in a number of entities with its interest in the Integrated Joint Board included in the Council's Group Accounts. A Group Cash Flow Statement has not been prepared on the basis that it would, effectively, be the same as the single entity Cash Flow Statement.

**1.12 Heritage Assets**

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

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

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

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

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

**1.13 Intangible Assets**

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

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

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

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

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

**1.14 Inventories and Work in Progress**

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

**1.15 Investment Properties**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the MIRS and posted to the Capital Adjustment Account and (for sale proceeds greater than £10,000) the Capital Grants and Receipts Unapplied Account.

**1.16 Leases**

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

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

**(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.

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

**1.18 Prior Year Adjustments**

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

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

**1.19 Property, Plant and Equipment**

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

**(i) Recognition**

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

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

**(ii) Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

**(iii) Impairment**

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

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

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

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

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;
- ☐ Infrastructure – straight-line allocation over the useful life of the asset (between 10 and 60 years) as advised by a suitably qualified officer;

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

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

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

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

**(vi) Componentisation**

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

**(vii) Derecognition of Infrastructure Assets**

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

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

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

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

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

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

- ☐ fair value of the services received during the year – debited to the relevant service in the CIES;
- ☐ finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the four PFI and similar contracts held by Aberdeenshire Council are as follows:
  - o Robertson Education (Aberdeenshire) Limited 8.69%
  - o Elgin Education (Aberdeenshire2) Limited 5.18%
  - o Hub North Scotland (Alford) Limited 7.59%
  - o Hub North Scotland (Inverurie) Limited 5.98%
- ☐ contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- ☐ payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- ☐ lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

**1.21 Provisions, Contingent Liabilities and Contingent Assets**

**(i) Provisions**

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

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

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.



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

**1.22 Reserves**

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

**Usable Reserves**

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

**Unusable Reserves**

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

**1.23 Revenue Expenditure Funded from Capital under Statute**

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

**1.24 VAT**

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

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

The following Accounting Standards will be adopted by the Code in 2022/23. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

- ☐ Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
  - o IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - o IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - o IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - o IFRS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances
- ☐ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

**Note 3 – Critical Judgements in Applying Accounting Policies**

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

Funding

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

**Note 3 – Critical Judgements in Applying Accounting Policies (continued)**

• Private Finance Initiative

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

Council Acting as Principal or Agent.

- If the Council has no discretion over utilisation of funding it receives it is deemed to be acting as an Agent. During 21/22 the Council has acted as an Agent for the Scottish Government for areas including Covid related Grants, and other External Agencies. Details can be found in Note 10 Agency Services. If the Council was deemed not to be acting as an Agent, the income would be recorded in the CIES.

Investment Properties.

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

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

The Annual Accounts 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
<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. The value of assets is measured by an internal valuer in accordance with the policies set out in Note 1.19 (ii) and the impact recorded in the accounts. The Council is currently one year through a 10 year programme of maintenance spend on existing assets.	If the useful life of assets (PPE, Assets Held for Sale, Heritage, Intangibles and Investment Property) is reduced, depreciation increases or the asset may be impaired, and the carrying amount of the assets falls, it is estimated that the annual depreciation charge for buildings would increase by £6.123m if useful lives were to be reduced by one year, and increase by £15.464m if they were to reduce by 2 years. Current asset value is £2,307m.

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

<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 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.	A change in market conditions has led to a revaluation exercise in 21-22, and the Adjustment Factor has been revised to the rate assumed of 58.62%. It is estimated that the dwellings with value of £525m would fall in value by £12.706m if the adjustment factor was to be increased by 1% to a new rate of 59.62%, and by £25.413m if this was to increase further to 60.62%.
<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>Fair value of Assets &amp; Liabilities</b>	Financial liabilities and financial assets represented by current and long term debtors and creditors are carried in the Balance Sheet at amortised cost.	Note 20 Financial Instruments provides further detail on the calculation of fair values and assumptions behind this.
<b>Specialised Property</b>	Specialised properties are reported at current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.	Note 1 Significant Accounting Policies covers specialised properties (Section 1.19 – Property, Plant & Equipment.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the years beyond the forthcoming financial year are as follows:

<b>Provision – Asset Decommissioning</b>	The Council has made a provision of £6.656m for asset decommissioning costs relating to a number of assets owned by Aberdeenshire Council. Asset decommissioning costs were recognised at the end of financial year 2015/16 for the first time.  The provision is an estimate of costs to dismantle, remove items and to restore the related sites for 18 HWRC sites; 8 waste transfer sites; 5 landfill sites and 2 quarries.	While the associated decommissioning costs were not settled in 2021/22 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:

<b>Total 2020/21 £'000</b>		<b>Total 2021/22 £'000</b>
458,899	Employee Expenses	496,987
532,133	Other Service Expenses	528,114
2,978	Support Service Recharges	2,501
97,357	Depreciation, Amortisation & Impairment	96,682
38,426	Interest Payments	34,523
140	Loss on Investments	186
-	Loss on Disposal of Non- Current Assets & Ahfs	520
<b>1,129,933</b>	<b>Total Expenditure</b>	<b>1,159,513</b>
(275,667)	Fees, Charges & Other Service Income	(296,397)
(276)	Interest & Investment Income	(279)
(231,380)	Income from Council Tax and Business Rates	(256,632)
(584,757)	Government Grants & Contributions	(555,946)
(214)	Gain on Disposal of Non- Current Assets & Ahfs	-
<b>(1,092,294)</b>	<b>Total Income</b>	<b>(1,109,254)</b>
<b>37,639</b>	<b>Deficit on the Provision of Services</b>	<b>50,259</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.

2021/22	General Fund Balance	Housing Revenue Account	Capital Reserves	Total Usable Reserves	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation and impairment of non current assets	(39,528)	(27,358)	-	(66,886)	66,886
Revaluation losses on PPE and AHfS	(7,997)	(476)	-	(8,473)	8,473
Movements in the market value of Investment Properties	(186)	-	-	(186)	186
Amortisation of intangible assets	(208)	(10)	-	(218)	218
Grants and contributions used to fund capital expenditure	36,588	8,776	-	45,364	(45,364)
Revenue expenditure funded by Capital under Statute	(8,424)	-	-	(8,424)	8,424
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(2,176)	(55)	-	(2,231)	2,231
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the repayment of debts	20,846	4,664	-	25,510	(25,510)
Capital expenditure charged against the General Fund and HRA balances	1,296	18,482	-	19,778	(19,778)
<b>Adjustment involving the Capital Grants and Receipts Unapplied Account:</b>					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	3,212	-	(3,212)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,016	9,016	(9,016)
Capital Receipts transferred to the Capital Grants and Receipts Unapplied Account	1,663	48	(1,711)	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	780	183	-	963	(963)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(84,958)	(4,326)	-	(89,284)	89,284
Employer's pensions contributions and direct payments to pensioners payable in the year	42,403	1,917	-	44,320	(44,320)
<b>Adjustment involving the Employee Statutory Adjustment Account:</b>					
Movement in annual leave earned but not used by 31 March	787	(96)	-	691	(691)
<b>Total Adjustments</b>	<b>(35,902)</b>	<b>1,749</b>	<b>4,093</b>	<b>(30,060)</b>	<b>30,060</b>

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

2020/21	Restated General Fund Balance	Housing Revenue Account	Capital Reserves	Restated Total Usable Reserves	Restated Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'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	(45,302)	(26,069)	-	(71,371)	71,371
Revaluation losses on PPE and AHfS	(24,111)	-	-	(24,111)	24,111
Movements in the market value of Investment Properties	(140)	-	-	(140)	140
Amortisation of intangible assets	(265)	(33)	-	(298)	298
Grants and contributions used to fund capital expenditure	33,299	5,187	-	38,486	(38,486)
Revenue expenditure funded by Capital under Statute	(7,732)	-	-	(7,732)	7,732
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(680)	(43)	-	(723)	723
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the repayment of debts	19,711	3,968	-	23,679	(23,679)
Capital expenditure charged against the General Fund and HRA balances	1,163	16,126	-	17,289	(17,289)
<b>Adjustment involving the Capital Grants and Receipts Unapplied Account:</b>					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	8,251	-	(8,251)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	10,744	10,744	(10,744)
Capital Receipts transferred to the Capital Grants and Receipts Unapplied Account	657	281	(938)	-	-
<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	764	191	-	955	(955)
<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)	(70,936)	(4,244)	-	(75,180)	75,180
Employer's pensions contributions and direct payments to pensioners payable in the year	41,643	2,318	-	43,961	(43,961)
<b>Adjustment involving the Employee Statutory Adjustment Account:</b>					
Movement in annual leave earned but not used by 31 March	162	(34)	-	128	(128)
<b>Total Adjustments</b>	<b>(43,516)</b>	<b>(2,352)</b>	<b>1,555</b>	<b>(44,313)</b>	<b>44,313</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 2021/22:

	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
<b>Earmarked Balances:</b>							
Affordable Housing - LTE and Second Homes Council Tax	(3,764)	-	(1,985)	(5,749)	984	(1,850)	(6,615)
Earmarked Grants	(3,277)	1,112	(1,504)	(3,669)	1,357	(3,796)	(6,108)
<b>Total Earmarked Balances</b>	<b>(7,041)</b>	<b>1,112</b>	<b>(3,489)</b>	<b>(9,418)</b>	<b>2,341</b>	<b>(5,646)</b>	<b>(12,723)</b>
<b>Other Commitments:</b>							
Devolved School Management (DSM)	-	1,000	(3,847)	(2,847)	2,729	(4,899)	(5,017)
Pupil Equity Funding	(1,166)	1,166	(1,473)	(1,473)	1,473	(2,181)	(2,181)
Regeneration Reserve	(3,544)	591	(66)	(3,019)	458	-	(2,561)
Renewable Energy	(395)	45	-	(350)	25	-	(325)
AWPR Reserve	(1,319)	-	-	(1,319)	1,319	-	-
Supporting Council Priorities	-	-	(700)	(700)	-	-	(700)
Additional Scottish Government Funding (Covid-19)	-	-	(19,472)	(19,472)	13,633	(875)	(6,714)
Resilience and Recovery Fund	-	-	(11,000)	(11,000)	435	(3,780)	(14,345)
Reserve to support Estate and Infrastructure Improvements (IF2)	-	-	-	-	-	(700)	(700)
Tackling Poverty and Inequalities Reserve	-	-	-	-	-	(3,500)	(3,500)
Roads Maintenance	-	-	-	-	732	(3,819)	(3,087)
Repairs and Maintenance	-	-	-	-	-	(500)	(500)
ECS Holiday Recovery Programme Reserve	-	-	-	-	351	(2,000)	(1,649)
Pay Award Reserve	-	-	-	-	-	(5,628)	(5,628)
2022/23 Funding Allocations (Council 6/21)	-	-	-	-	-	(780)	(780)
Digital Strategy Reserve	-	-	-	-	52	(2,000)	(1,948)
Other Commitments (each less than £500,000)	(315)	-	-	(315)	120	(197)	(392)
<b>Total</b>	<b>(6,739)</b>	<b>2,802</b>	<b>(36,558)</b>	<b>(40,495)</b>	<b>21,327</b>	<b>(30,859)</b>	<b>(50,027)</b>
<b>Total Commitments</b>	<b>(13,780)</b>			<b>(49,913)</b>			<b>(62,750)</b>
<b>General Fund Working Balance</b>	<b>(9,000)</b>			<b>(8,057)</b>			<b>(8,612)</b>
<b>Total General Fund Balance</b>	<b>(22,780)</b>			<b>(57,970)</b>			<b>(71,362)</b>

**Explanatory Note of Reserves:**

- **General Fund Balance** - The General Fund Balance increased by £13.392m in 2021/22 giving a balance at the end of the year of £71.362m. Once the commitments of £62.750m shown above are set against this, an uncommitted working balance of £8.612m remains at 31 March 2022. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.
- **Affordable Housing – Long Term Empty (LTE) & Second Homes Council Tax** – Scottish Government legislation requires that a proportion of income collected from Council Tax on second homes and long term empty properties is utilised to fund Affordable Housing. This reserve represents the balance of funds collected compared to those used.
- **Earmarked Grants** – The balance held relates to situations where the paying agency allows retention of unspent grant. In order to recognise that the grant is ring-fenced, the element of the balance relating to the unspent grant has been earmarked.
- **Devolved School Management (DSM)** – Amounts carried forward by schools permitted under DSM Scheme.

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

- **Pupil Equity Funding (PEF)** – Scottish Government Funding to improve attainment in schools. Monies drawn down when spent in schools.
- **Regeneration Reserve** – Funding for regeneration projects in Banff, Peterhead, Macduff and Fraserburgh.
- **Renewable Energy Reserve** – Balance of funding set aside in the 2016/17 Budget to fund renewable energy initiatives.
- **AWPR Reserve** – Funding to restore non trunk roads in Aberdeenshire.
- **Supporting Council Priorities** – Funds set aside as part of Medium Term Financial Strategy towards achieving our strategic priorities and the significant work required to address the impacts on our communities and businesses, from COVID-19, Brexit, the economic crisis and climate change.
- **Additional Scottish Government Funding (Covid-19)** – The Council received one off Scottish Government funding in 2020/21 to fund the additional costs associated with the COVID-19 pandemic and its recovery. The recovery is ongoing therefore any unspent funding has been transferred to an earmarked reserve to draw down against costs in 2022/23.
- **Resilience and Recovery Fund** - Additional Scottish Government Funding was received in 2020/21. Full Council agreed at its meeting on 17 March 2021 to transfer this funding to a new Resilience and Recovery Fund to be used to provide support and aid the recovery from the COVID-19 Pandemic.
- **Reserve to support Estate and Infrastructure Improvements (IF2)** – New earmarked reserve set up to fund the borrowing costs associated with IF2. IF2 is a programme of works has been developed to commit to tackling backlog maintenance issue within our current estate and infrastructure assets.
- **Tackling Poverty and Inequalities Reserve** – New reserve created to provide continued support to families and individuals impacted by Covid-19.
- **Roads Maintenance** – New reserve created to provide for any unexpected pressures on the Roads Maintenance budgets
- **Repairs and Maintenance** – New reserve created to provide for any unexpected pressures on the Repairs and Maintenance budgets.
- **ECS Holiday Recovery Programme Reserve** – New reserve created to provide activities for young people during the school holidays to help them re-connect following lockdown.
- **Pay Award Reserve** – New reserve to cover any pay award that is agreed over and above the 3% currently budgeted for in 2021/22.
- **2022/23 Funding Allocations (Council 6/21)** – New reserve for previously agreed savings postponed for 2 years for HWRC (£258k); Flooding (£282k) and Supporting Local Bus Service (£120k) and for Funding to Enhance Demand Responsive Transportation over 2 years (£240k). The reserve relates to Year 2 of the saving and funding to be drawn down in 2022/23.
- **Digital Strategy Reserve** – New reserve aimed at improving efficiencies, making council services accessible to customers, removing barriers which impact on ability to transform service delivery, building digital confidence through the workforce and supporting capacity building/strengthening resilience and recovery from Covid in the long term.
- **Other Commitments** – Number of minor commitments with balances less than £500,000 each.

The above Roads Maintenance and Repairs and Maintenance reserves were set up and agreed as part of the budget setting process for 2021/22. These are separate from the Repairs and Renewals Fund held and reflected in the Movement in Reserves Statement. The Council hold the Repairs and Renewals Fund solely for Winter Maintenance. As at 31 March 2022 this Fund had a balance of £1,300,000.

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

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

2020/21 £'000		2021/22 £'000
(151,268)	Council Tax Income	(151,765)
(80,112)	Business Rates	(104,867)
(405,376)	Non-Ring-Fenced Government Grants	(381,139)
(13,648)	Non-Specific Grant Income – Revenue	-
(46,737)	Non-Specific Grant Income – Capital	(48,576)
<b>(697,141)</b>	<b>Total</b>	<b>(686,347)</b>



#### Note 9 – Prior Years Adjustments

**Note 35** - Related parties note has been amended to reflect the 2020/21 audited values for the Grampian Joint valuation board (movement of £52,000)

**Movement in Reserves Statement (MIRS)** - There has been a restatement of £461,000 within the Movement in Reserves Statement. This is in relation to Book Value Disposals being incorrectly included as a depreciation charge to the revaluation reserve in the 2020/21 accounts.

Within the General Fund Balance, the depreciation charged to the Revaluation Reserve was reduced from £24,469 to £24,008 and The Adjustments between accounting basis & funding basis under regulations was also amended from £43,055 to £43,516 (Note 6)

Within the Unusable Reserves the depreciation charged to the Revaluation Reserve was reduced from £26,149 to £25,688 and The Adjustments between accounting basis & funding basis under regulations was also amended from £43,852 to £44,313.

The EFA Note and Note 6 have also been amended to correctly reflect the revised totals.

#### Note 10 – Agency Services

The council is the billing authority for NDR in Aberdeenshire and, in this role, acts as an agent of the Scottish Government. During 2021/22, the council billed £106.7m (2020/21 £99.2m) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the council contributed £101.0m to the National Non-Domestic Rates Pool (2020/21 £90.8m) and received back from the pool £104.9m in income (2020/21 £80.1m).

The council bills and collects domestic water and sewerage charges on behalf of Scottish Water from households within the authority. During 2021/22 the council received £682,000 for providing this service (2020/21 £682,000).

Business Improvement District Levies (BIDS) are collected by the Council on behalf of the BIDS projects within Aberdeenshire. Two BIDS projects are currently active: Peterhead and Inverurie. The Council receives a fee associated with BIDS collections at a rate of £5 per property and received £2,000 in 2021/22 (2020/21 £2,000).

During 2021/22 the Council acted as an agent for the Scottish Government to distribute support grants to businesses and individuals in response to the Covid-19 pandemic totalling £33.156m (2020/21 £65.098m). The Council received £1,020,000 from the Scottish Government to cover the administrative costs of distributing the grants (2020/21 £659,000).

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 £826m to secure the Region's economic vision. More information on the deal can be found in the latest annual report [2021-22 Aberdeen City Region Deal Annual Report](#).

Aberdeenshire Council acts as the Accountable Body for the Aberdeen City Region Deal Joint Committee which includes the role of providing a bank account, processing grant claims for relevant expenditure, and transferring funds received from Scottish Government to third party partners. A total of £33.054m was transferred to third parties in 2021/22 (2020/21 £28.731m) on behalf of the Scottish Government.

#### Note 11 – External Audit Costs

The Council incurred fees of £416,000 (2020/21 £411,000) for the statutory audit of the Annual Accounts by Audit Scotland. These fees include £7,000 (2020/21 £7,000) in relation to audit requirements for the charities' accounts of Local Authorities.

**Note 12 – Capital Expenditure and Capital Financing**

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

2020/21 £'000		2021/22 £'000
896,656	<b>Opening Capital Financing Requirement</b>	987,905
	<b>Capital Investment</b>	
173,585	Property, Plant and Equipment	152,004
130	Intangible Assets	182
7,732	Revenue Expenditure Funded by Capital under Statute	8,423
	<b>Sources of Finance</b>	
-	Capital Receipts	-
(49,230)	Government Grants and Other Contributions	(54,380)
	Sums Set Aside from Revenue:	
(17,289)	Capital Financed from Current Revenue	(19,778)
(23,679)	Loans Fund Principal Repayments	(25,510)
987,905	<b>Closing Capital Financing Requirement</b>	1,048,846
	<b>Explanation of movements in year</b>	
38,964	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	60,942
52,285	Assets Acquired under PFI/PPP Contracts	
91,249	<b>Increase in Capital Financing Requirement</b>	60,942

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

Movements in 2021/22	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2021</b>	<b>539,050</b>	<b>1,374,799</b>	<b>123,042</b>		<b>1,082</b>	<b>126,341</b>	<b>11,360</b>	<b>2,175,674</b>	<b>219,010</b>
Additions	34,457	17,728	30,422	30,940	30	38,427	-	152,004	2,594
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve	(27,913)	(96,561)	-	-	-	-	1,023	(123,451)	(8,666)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	307	(8,088)	-	-	-	-	(692)	(8,473)	-
Derecognition – Disposals	(55)	(1,498)	(2,819)	-	-	(1,744)	(2,568)	(8,684)	-
Assets Reclassified (to)/from AHFS	-	(301)	-	-	-	-	-	(301)	-
Transfers or Reclassifications of Assets	10,438	5,856	2,539	55	16	(21,000)	2,096	-	-
<b>At 31 March 2022</b>	<b>556,284</b>	<b>1,291,935</b>	<b>153,184</b>		<b>1,128</b>	<b>142,024</b>	<b>11,219</b>	<b>2,186,769</b>	<b>212,938</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2021</b>	<b>(30,470)</b>	<b>(45,198)</b>	<b>(71,198)</b>		<b>(13)</b>	<b>(37,914)</b>	<b>(701)</b>	<b>(185,494)</b>	<b>(10,877)</b>
Depreciation Charge	(20,445)	(36,471)	(12,604)	(13,221)	-	-	(79)	(82,820)	(5,231)
Accumulated Depreciation & Impairment written out	48,264	69,461	-	-	-	-	256	117,981	8,665
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(4,797)	(575)	-	-	-	(8,110)	(165)	(13,647)	-
Impairment Losses recognised in the RR	(16,545)	(2,209)	-	-	-	(1,246)	(123)	(20,123)	-
Derecognition - Disposals	-	1,470	2,742	-	-	1,744	797	6,753	-
Assets Reclassified to/(from) AHFS	-	-	-	-	-	-	-	-	-
Other Movements in Depreciation & Impairment	(6,511)	65	1,204	-	-	6,511	(1,269)	-	-
<b>At 31 March 2022</b>	<b>(30,504)</b>	<b>(13,457)</b>	<b>(79,856)</b>		<b>(13)</b>	<b>(39,015)</b>	<b>(1,284)</b>	<b>(177,350)</b>	<b>(7,443)</b>
<b>Net Book Value at 31 March 2022</b>	<b>525,780</b>	<b>1,278,478</b>	<b>73,328</b>	<b>311,623</b>	<b>1,115</b>	<b>103,009</b>	<b>9,935</b>	<b>2,303,268</b>	<b>205,495</b>

Infrastructure asset values are disclosed in accordance with the Scottish Government's Finance Circular 9/2022 Statutory Override - Accounting for Infrastructure Assets. The Net Book Value of these assets as at 31 March 2022 is £311.623m (2020/21 £293.847m), and is included in the total disclosed for Property, Plant and Equipment total in the Balance Sheet.

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

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

Movements in 2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Restated Total PPE £'000	PFI Assets included in PPE £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	<b>508,866</b>	<b>1,371,681</b>	<b>119,426</b>		<b>1,303</b>	<b>50,035</b>	<b>11,591</b>	<b>2,062,902</b>	<b>173,632</b>
Additions	30,227	69,163	14,201	11,643	323	48,028	-	173,585	54,067
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve		(8,180)	-	-	-	-	(1,525)	(9,705)	4,340
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	-	(22,882)	-	-	-	-	(1,229)	(24,111)	(15,595)
Derecognition – Disposals	(43)	(3,541)	(10,155)	-	-	(426)	(1,199)	(15,364)	-
Assets Reclassified (to)/from AHfS	-	-	-	-	-	-	-	-	-
Transfers or Reclassifications of Assets	-	(31,442)	(430)	(10)	(544)	28,704	3,722	-	2,566
<b>At 31 March 2021</b>	<b>539,050</b>	<b>1,374,799</b>	<b>123,042</b>		<b>1,082</b>	<b>126,341</b>	<b>11,360</b>	<b>2,187,307</b>	<b>219,010</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2020</b>	<b>-</b>	<b>(12,881)</b>	<b>(69,054)</b>		<b>(13)</b>	<b>(2,457)</b>	<b>(815)</b>	<b>(85,220)</b>	<b>(6,816)</b>
Depreciation Charge	(11,154)	(36,685)	(12,691)	(14,554)	-	-	(118)	(75,202)	(4,061)
Accumulated Depreciation & Impairment written out		3,869	-	-	-	-	53	3,922	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(9,380)	(1,595)	-	-	-	(10,863)	(18)	(21,856)	-
Impairment Losses recognised in the RR	(9,936)	(2,559)	-	-	-	(23,837)	-	(36,332)	-
Derecognition - Disposals	-	3,417	10,155	-	-	426	642	14,640	-
Assets Reclassified to/(from) AHfS	-	-	-	-	-	-	-	-	-
Other Movements in Depreciation & Impairment	-	1,236	392	-	-	(1,183)	(445)	-	-
<b>At 31 March 2021</b>	<b>(30,470)</b>	<b>(45,198)</b>	<b>(71,198)</b>		<b>(13)</b>	<b>(37,914)</b>	<b>(701)</b>	<b>(200,048)</b>	<b>(10,877)</b>
<b>Net Book Value at 31 March 2021</b>	<b>508,580</b>	<b>1,329,601</b>	<b>51,844</b>	<b>293,847</b>	<b>1,069</b>	<b>88,427</b>	<b>10,659</b>	<b>2,284,027</b>	<b>208,133</b>

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

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2022/23 and future years budgeted to cost £87,003,000. Similar commitments at 31 March 2021 were £132,446,000. The major commitments are:

Project Title	£'000
East Area - All Housing Projects - HIP Framework	10,246
North Area - All Housing Projects - HIP Framework	9,380
Central Area - All Housing Projects - HIP Framework	8,623
South Area - All Housing Projects - HIP Framework	8,302
Deveron Road, Huntly - New Build Housing	4,654
Merryhillock, Fraserburgh – New Build Housing	3,559
Former Ellon Academy – New Build Housing	2,694
Reactive Heating Contract	819
Kinbroom, Rothienorman – New Build Housing	815
Gordon Primary School – Toilet Refurbishment	624
Aboyne Primary School – Toilet Refurbishment	587
Energy from Waste	24,171
Stonehaven Flooding Scheme	4,494
Aberdeen Western Peripheral Route (AWPR)	5,754
Commitments on Projects < £500K	2,281
<b>Total</b>	<b>87,003</b>

During 2021/22, the Council has recognised an impairment loss of £42,242,000 in relation to its PPE, which are detailed in the Table below:

2020/21 £'000		2021/22 £'000
58,188	Consumption Loss	33,770
24,112	Economic Loss	8,472
<b>82,300</b>		<b>42,242</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	30,353	380,957	292,100	<b>703,410</b>
Valued at fair value as at:				
31 March 2022	525,931	817,640	9,861	<b>1,353,432</b>
31 March 2021	-	7,294	-	<b>7,294</b>
31 March 2021	-	6,444	36,535	<b>42,979</b>
1 April 2018	-	29,613	42	<b>29,655</b>
1 April 2017	-	49,987	12	<b>49,999</b>
<b>Total Cost or Valuation</b>	<b>556,284</b>	<b>1,291,935</b>	<b>338,550</b>	<b>2,186,769</b>

\*Gross Book Value for Infrastructure Assets, removed in the 2021/22 movements table applying the statutory overrides, have also been removed in the table above.

**Note 14 – Heritage Assets**

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

	<b>Human History £'000</b>	<b>Archaeology £'000</b>	<b>Fine Art £'000</b>	<b>Total Assets £'000</b>
<b>Cost or Valuation at 31 March 2021</b>	<b>1,504</b>	<b>320</b>	<b>120</b>	<b>1,944</b>
Revaluations	-	-	-	-
<b>Cost or Valuation at 31 March 2022</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 2022;
- ☐ Kindrochit Castle, Braemar, is included at £214,000, being the historical cost of the improvements carried out in 2014/15 and 2015/16; and
- ☐ 18 Neolithic carved stone balls are included at a value of £360,000. These have been revalued in 2016/17 and the value is based on similar items that have been sold at auction in recent years. The value of £20,000 per stone ball is a median value.

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

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

##### 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.

##### 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:

2020/21 £'000		2021/22 £'000
1,450	Balance at 1 April	1,310
(140)	Net Gains from Fair Value Adjustments	(186)
-	Reclassified as Property, Plant and Equipment	-
<b>1,310</b>	<b>Balance at 31 March</b>	<b>1,124</b>

##### Fair Value Measurement

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

Other Significant Observable Inputs (Level 2) 2020/21 £'000		Other Significant Observable Inputs (Level 2) 2021/22 £'000
	<b>Recurring fair value measurements using:</b>	
14	Residential (Market Rental) Property	15
650	Residential Development Land	650
634	Commercial Development Land	447
12	Agricultural Land	12
<b>1,310</b>	<b>Balance at 31 March</b>	<b>1,124</b>

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

There were no transfers between Levels during the year.

## Note 15 – Investment Properties (continued)

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

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

### Valuation Process for Investment Properties

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

## Note 16 – Intangible Assets

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

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

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

2020/21 £'000		2021/22 £'000
	<b>Balance at 1 April:</b>	
9,495	Gross carrying amounts	9,625
(8,578)	Accumulated amortisation	(8,876)
<b>917</b>	<b>Net Carrying amount at 1 April</b>	<b>749</b>
130	Additions - Purchases	182
(298)	Amortisation for the year	(218)
<b>749</b>	<b>Net carrying amount at 31 March</b>	<b>713</b>
	<b>Comprising:</b>	
9,625	Gross carrying amounts	9,807
(8,876)	Accumulated amortisation	(9,094)
<b>749</b>	<b>Net carrying amount at 31 March</b>	<b>713</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:

2020/21 £'000		2021/22 £'000
296	<b>Balance Outstanding at 1 April</b>	296
	Assets Newly Classified as Held for Sale:	
-	Property, Plant and Equipment	301
	Assets Declassified as Held for Sale:	
-	Assets Sold	(301)
296	<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:

2020/21 £'000		2021/22 £'000
812	Not later than one year	821
2,090	Later than one year and not later than five years	1,896
5,897	Later than five years	4,808
<b>8,799</b>	<b>Minimum Lease Payments</b>	<b>7,525</b>

The total expenditure during the year in relation to these leases was £365,000 (2020/21: £510,000) which comprised Minimum Lease Payments of £349,000 (2020/21: £494,000) and Contingent Rentals of £16,000 (2020/21: £16,000).

**The Council as Lessor - Finance Leases**

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

2020/21 £'000		2021/22 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1	Current	1
423	Non-current	422
3,226	Unearned finance income	3,170
<b>3,650</b>	<b>Gross investment in the lease</b>	<b>3,593</b>

**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 2020/21 £'000	Minimum Lease Payments 2020/21 £'000		Gross Investment in the Lease 2021/22 £'000	Minimum Lease Payments 2021/22 £'000
56	56	Not later than one year	56	56
225	225	Later than one year and not later than five years	225	225
3,369	3,369	Later than five years	3,312	3,312
<b>3,650</b>	<b>3,650</b>	<b>Total</b>	<b>3,593</b>	<b>3,593</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 2021/22, £10,000 contingent rents were receivable by the Council (2020/21: £10,000).

**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:

2020/21 £'000		2021/22 £'000
2,897	Not later than one year	3,472
8,321	Later than one year and not later than five years	9,729
20,124	Later than five years	20,742
<b>31,342</b>	<b>Minimum Lease Payments</b>	<b>33,943</b>

In 2021/22, £498,000 contingent rents were receivable by the Council (2020/21: £425,000).

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

**Education PFI Schemes**

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

**Payments**

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

Payments remaining to be made under the PFI contracts at 31 March 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

<b>Obligations Payable</b>	<b>Operating Costs £'000</b>	<b>Interest Charges £'000</b>	<b>Contingent Rentals £'000</b>	<b>Liability Repayment £'000</b>	<b>Lifecycle Maintenance £'000</b>	<b>Total Unitary Charge £'000</b>
2022/23	5,236	6,261	2,122	5,517	2,222	21,358
Between 2023/24 and 2026/27	21,769	20,830	11,752	28,358	6,219	88,928
Between 2027/28 and 2031/32	17,588	16,985	10,207	22,763	6,313	73,856
Between 2032/32 and 2036/37	6,028	11,591	164	15,929	6,157	39,869
Between 2037/38 and 2041/42	5,941	6,056	(926)	17,225	9,124	37,420
Between 2042/43 and 2045/46	2,644	1,183	(450)	9,683	4,278	17,338

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

<b>Total Liability 2020/21 £'000</b>		<b>Total Liability 2021/22 £'000</b>
(58,072)	Balance Outstanding at 1 April	(105,164)
5,193	Payments During the Year	5,689
(52,285)	Capital Expenditure During the Year	-
<b>(105,164)</b>	<b>Balance Outstanding at 31 March</b>	<b>(99,475)</b>

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

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
(5,688)	Short Term Creditors	(5,517)
(99,476)	Long Term Liabilities	(93,958)
<b>(105,164)</b>	<b>Balance Outstanding at 31 March</b>	<b>(99,475)</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 2020/21 £'000	Current 2020/21 £'000	Balance Sheet Category		Long Term 2021/22 £'000	Current 2021/22 £'000
			<b>Financial Assets</b>		
77	-	Investments	Financial Assets at amortised cost	77	-
9,302	41,566	Debtors	Financial Assets at amortised cost	9,367	43,017
-	41,124	Cash and Cash Equivalents	Financial Assets at amortised cost	-	40,343
<b>9,379</b>	<b>82,690</b>		<b>Total Financial Assets</b>	<b>9,444</b>	<b>83,360</b>
			<b>Financial Liabilities</b>		
(621,503)	(185,695)	Borrowing	Financial liabilities at amortised cost	(730,761)	(134,703)
(3,282)	(117,998)	Creditors	Financial liabilities at amortised cost	(2,098)	(115,513) *
<b>(624,785)</b>	<b>(303,693)</b>		<b>Total Financial Liabilities</b>	<b>(732,859)</b>	<b>(250,216)</b>

\*At 31 March 2022 accrued interest of £5,413,000 (£5,154,000 at 31 March 2021) on borrowing is included in the current creditors figure at 31 March 2022 of £117,034,000.

**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 £2,661,000 (2020/21: £2,528,000) hence the increase in the discounted amount during the year was £133,000 (2020/21: £127,000).

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

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

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

	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
<b>Comparative Figures 31 March 2021</b>			
Interest Expense	(31,247)	-	(31,247)
Gains	-	(264)	(264)
Fee Expense	(238)	-	(238)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(31,485)</b>	<b>(264)</b>	<b>(31,749)</b>
Interest Income	-	276	276
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>276</b>	<b>276</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(31,485)</b>	<b>12</b>	<b>(31,473)</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 2022 of 1.91% to 2.59% for loans from the PWLB and 2.35% to 2.62% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- ☐ no early repayment or impairment is recognised;
- ☐ where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- ☐ the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

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

The value of liabilities is as follows:

- ☐ Early borrowing rates fair value is £1,230,909,000 (2020/21: £1,254,878,000) and the carrying amount is £984,596,000 (2020/21: £928,478,000).
- ☐ New repayment methodology fair value is £1,057,482,000 (2020/21: £1,090,320,000) and the carrying amount is £984,596,000 (2020/21: £928,478,000).

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

- ☐ Early repayment methodology fair value of £1,046,091,000
- ☐ New borrowing rates fair value is £920,589,000

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 2022) arising from a commitment to pay interest to lenders below current market rates.

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

The value of assets is as follows:

Fair value is £39,761,000 (2020/21: £39,952,000) and the carrying amount is £39,761,000 (2020/21: £39,952,000).

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

☐ Fair value of £39,761,000

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.  
[2021/22 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 £25,000,000 of its surplus balances to any one institution, with the exception of the Debt Management Office where the limit is not capped and UK government backed institutions and the Council's bankers, where the limit is £30,000,000. The Council currently has its banking services with Virgin Money, the brand name now used by the Clydesdale Bank. Recent results have shown that Virgin Money Group has returned to profitability with rating agencies upgrading their outlook. As with other UK banks, their long and short-term outlooks moved from a negative to stable outlook.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £39,750,000 (2020/21 £39,950,000), 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 2022 that this was likely to crystallise.

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

31-Mar-21 £'000		31-Mar-22 £'000
39,950	Call Accounts	39,750
-	Fixed Term Deposits	0
-	Money Market Funds	0
<b>39,950</b>	<b>Total</b>	<b>39,750</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.

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 2022 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2022 %	Estimated maximum exposure to default and collectability at 31 March 2022 £'000	Estimated maximum exposure at 31 March 2022 £'000
	A	B	C	(A X C)	
Customers	12,972	23.14%	23.14%	3,002	3,300
Housing Rents	3,069	74.71%	74.71%	2,293	2,234
	<b>16,041</b>			<b>5,295</b>	<b>5,534</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.

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

31-Mar-21 £'000		31-Mar-22 £'000
4,240	Less than Three Months	4,421
292	Three to Six Months	395
366	Six Months to One Year	563
1,248	More than One Year	1,782
<b>6,146</b>	<b>Total</b>	<b>7,161</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. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowing from the money markets and the Public Works Loans Board. There is no significant risk that the Council will be unable to meet its commitments under financial instruments.

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of 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:

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

	31-Mar-21 £'000	31-Mar-22 £'000
Less than one year	(185,695)	(134,703)
Between one and two years	(20,197)	(20,214)
Between two and five years	(57,689)	(69,686)
Between five and ten years	(107,793)	(90,641)
Between ten and twenty years	(15,100)	(42)
More than 20 Years	(420,724)	(550,178)
<b>Total</b>	<b>(807,198)</b>	<b>(865,464)</b>

**Market Risk – Interest Rate Risk**

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

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

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

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

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

	31-Mar-22 £'000
Increase in interest receivable on variable rate investments	608
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>608</b>
<b>Share of overall impact debited to the HRA</b>	<b>143</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 2021/22 £'000	Maintenance Materials/ Raw Materials 2021/22 £'000	Client Services/ Work in Progress 2021/22 £'000	Total 2021/22 £'000
<b>Balance at 1 April</b>	<b>2,257</b>	<b>1,791</b>	<b>797</b>	<b>4,845</b>
Purchases	4,727	3,648	4,229	12,604
Recognised as an Expense in Year	(3,704)	(3,542)	(4,229)	(11,475)
Written off balances	(186)	185	102	101
<b>Balance at 31 March</b>	<b>3,094</b>	<b>2,082</b>	<b>899</b>	<b>6,075</b>

	Consumable Stores/ Finished Goods 2020/21 £'000	Maintenance Materials/ Raw Materials 2020/21 £'000	Client Services/ Work in Progress 2020/21 £'000	Total 2020/21 £'000
<b>Balance at 1 April</b>	<b>2,248</b>	<b>1,673</b>	<b>929</b>	<b>4,850</b>
Purchases	4,351	4,462	2,562	11,375
Recognised as an Expense in Year	(4,358)	(4,456)	(2,562)	(11,376)
Written off balances	16	112	(132)	(4)
<b>Balance at 31 March</b>	<b>2,257</b>	<b>1,791</b>	<b>797</b>	<b>4,845</b>

**Note 23 – Debtors**

Balance at 31 March 2021 £'000	Cumulative Soft Loan Adjustment at 31 March 2021 £'000	Fair Value Amortised Costs at £'000	Long Term Debtors at 31 March	Balance at 31 March 2022 £'000	Cumulative Soft Loan Adjustment at 31 March 2022 £'000	Fair Value Amortised Costs at £'000
3,743	(1,215)	2,528	Osprey Housing	3,743	(1,083)	2,660
5,417	-	5,417	Create Homes Aberdeenshire LLP	5,417	-	5,417
424	-	424	Leasing	424	-	424
1,059	(35)	1,024	Other Long Term Debtors (each less than £500,000)	986	(49)	937
<b>10,643</b>	<b>(1,250)</b>	<b>9,393</b>		<b>10,570</b>	<b>(1,132)</b>	<b>9,438</b>
		(91)	Repayments due within one year			(71)
		<b>9,302</b>	<b>Balance at 31 March</b>			<b>9,367</b>

**Note 23 – Debtors (continued)**

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.

2020/21 £'000	Short Term Debtors	2021/22 £'000
21,872	Central Government Bodies	18,859
1,784	Other Local Authorities	6,043
6,593	NHS Bodies	7,094
1,160	Public Corporations and Trading Funds	880
36,257	Other Entities and Individuals	35,049
<b>67,666</b>	<b>Total Short-Term Debtors</b>	<b>67,925</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 2022 is £31,032,000 (31 March 2021 £30,241,000). The outstanding amounts have been impaired for doubtful debts of £16,534,000 31 March 2022, (£15,439,000 31 March 2021).

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

	31 March 2021 £'000	31 March 2022 £'000
Current year outstanding – up to 1 year old	5,004	3,760
Previous year outstanding – More than one year	9,798	10,738
	<b>14,802</b>	<b>14,498</b>

**Note 24 – Cash and Cash Equivalents**

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

2020/21 £'000		2021/22 £'000
33	Cash held by the Council	23
41,091	Bank Current Accounts	40,320
<b>41,124</b>		<b>40,343</b>

**Note 25 – Creditors**

2020/21 £'000	Short Term Creditors - due within one year	2021/22 £'000
(22,498)	Central Government Bodies	(23,549)
(15,578)	Other Local Authorities	(12,100)
(788)	NHS Bodies	(986)
(1,586)	Public Corporations and Trading Funds	(1,063)
(77,548)	Other Entities and Individuals	(77,815)
<b>(117,998)</b>	<b>Total Short Term Creditors</b>	<b>(115,513)</b>

**Note 25 – Creditors (continued)**

2020/21 £'000	Long Term Creditors – due in more than one year	2021/22 £'000
(3,282)	Other Entities	(1,665)
-	Central Government Bodies	(433)
<b>(3,282)</b>	<b>Total Long-Term Creditors</b>	<b>(2,098)</b>

**Note 26 – Provisions**

**(i) Specific Provisions**

	Balance at 31 March 2021 £'000	Provision Made in Year £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2022 £'000
Asset Decommissioning	(6,656)	-	-	-	(6,656)
Other Provisions (each less than £500,000)	(267)	(817)	-	-	(1,084)
<b>Total</b>	<b>(6,923)</b>	<b>(817)</b>	<b>-</b>	<b>-</b>	<b>(7,740)</b>
Provisions anticipated to be utilised within 12 months, shown as Current Provisions	267	217	-	-	484
<b>Non-Current Provisions at 31 March</b>	<b>(6,656)</b>	<b>(600)</b>	<b>-</b>	<b>-</b>	<b>(7,256)</b>

The provisions above are for liabilities which exist at 31 March 2022 but are likely to be incurred in financial years 2022/23 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 material provision is as follows:

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

**(ii) Debtors Provision**

	Balance at 31 March 2021 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2022 £'000
<b>Debtors Provision</b>			
General Debtors	(3,300)	298	(3,002)
Revenues	(15,440)	(1,095)	(16,535)
Housing Rents	(3,220)	121	(3,099)
<b>Total</b>	<b>(21,960)</b>	<b>(676)</b>	<b>(22,636)</b>

Estimates have been made of possible losses on the non-collection of debts. These estimates have increased 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 tenants' rents. At March 2022, the total rent arrears was £3,069,000 for HRA tenants (£2,933,000 2020/21) and £870,000 for Temporary Accommodation tenants (£1,063,000 2020/21).

Note 27 – Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2021/22

Restated 31 March 2021 £'000		31 March 2022 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	<b>Revenue Grant Income</b>	
(405,376)	Revenue Support Grant	(381,139)
(80,112)	NDR Receipts from Pool	(104,867)
(11,109)	Revenue Non Specific Grant Income – Other Government Grants	-
(2,539)	Revenue Non Specific Grant Income – Health Authority	-
	<b>Capital Grant Income</b>	
(25,052)	Scottish Government General Capital Grant	(18,897)
(1,835)	Education – Primary Replacement & Enhancement	(1,033)
-	Education – Secondary Replacement & Enhancement	(655)
(6,900)	Early Learning and Childcare	-
(5,187)	Housing Revenue Account	(8,776)
(2,029)	Roads and Transport Services – Network and Traffic Management	(2,989)
(1,050)	Town Centre Fund	(573)
(3,599)	Digital Infrastructure (City Region Deal)	(2,232)
(174)	REFCUS Grant (City Region Deal/AWPR)	(11,457)
(911)	Other Capital Grants (each less than £500,000)	(1,964)
<b>(545,873)</b>	<b>Total</b>	<b>(534,582)</b>
	<b>Credited to Services</b>	
(1,869)	Alford Campus – Scottish Government Funding	(1,877)
(4,460)	Inverurie Academy	(4,475)
(619)	Active Schools	(597)
(1,394)	Foundation Apprenticeships	(2,077)
(530)	COVID-19 Free School Meals	-
(1,911)	COVID-19 Teacher Recruitment	-
(1,396)	COVID-19 Discretionary Fund	-
(529)	COVID-19 Children's Services Winter Plan for Social Protection	-
(2,910)	Scottish Attainment Fund	(3,490)
(25,754)	Early Years Expansion	(28,838)
(3,174)	Criminal Justice Service Grant	(3,407)
(1,147)	Home Energy Efficiency Programme for Scotland	(3,511)
(701)	Nestrans	(2,907)
(31,138)	Housing Benefits	(28,794)
(552)	Private Sector Housing Grant	(1,164)
(13,384)	NHS Social Care Funding	(13,384)
(700)	NHS Integrated Care Fund	(551)
(11,709)	NHS Resource Transfer	(13,287)
(1,009)	NHS Delayed Discharge	(1,009)
(660)	NHS Elderly Service Redesign	-
(512)	Young Persons Guarantee scheme	-
(924)	Syrian Vulnerable Persons Resettlement Programme	(441)
(644)	North Aberdeenshire Local Action Group Payment LEADER	(151)
(748)	South Aberdeenshire Local Action Group Payment LEADER	(173)
-	DWP Kickstart	(740)
-	Heritage Lottery Funding	(819)
-	Scottish Crown Estate	(716)
(7,043)	Other grants (each less than £500,000)	(8,685)
<b>(115,417)</b>	<b>Total</b>	<b>(121,093)</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 2021 £'000	Short Term Liabilities – Revenue Grants Receipts in Advance	31 March 2022 £'000
(637)	Other grants (each less than £500,000)	(589)
<b>(637)</b>	<b>Total</b>	<b>(589)</b>

31 March 2021 £'000	Long Term Liabilities – Capital Grants Receipts in Advance	31 March 2022 £'000
(15,322)	Developer Obligations	(16,160)
<b>(15,322)</b>	<b>Total</b>	<b>(16,160)</b>

**Note 28 – Unusable Reserves**

The Unusable Reserves can be analysed as follows:

2020/21 £'000		2021/22 £'000
(964,902)	Revaluation Reserve	(908,350)
(335,527)	Capital Adjustment Account	(350,157)
8,750	Financial Instruments Adjustment Account	7,787
163,658	Pensions Reserve	174,612
12,969	Employee Statutory Adjustment Account	12,278
<b>(1,115,052)</b>	<b>Total</b>	<b>(1,063,830)</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.

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

Restated 2020/21 £'000	Revaluation Reserve	2021/22 £'000
<b>(1,033,165)</b>	<b>Balance at 1 April</b>	<b>(964,902)</b>
5,782	Upward Revaluation of Assets	5,471
36,332	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	20,123
<b>42,114</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>25,594</b>
25,688	Difference Between Fair Value Depreciation and Historical Cost Depreciation	29,578
461	Accumulated Gains on Assets Sold or Scrapped	1,380
<b>(964,902)</b>	<b>Balance at 31 March</b>	<b>(908,350)</b>

**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 2021/22.

**Capital Adjustment Account**

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

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

Restated 2020/21 £'000	Capital Adjustment Account	2021/22 £'000
<b>(349,243)</b>	<b>Balance at 1 April</b>	<b>(335,527)</b>
	<b>Reversal of items relating to Capital Expenditure debited or credited to the CIES:</b>	
71,371	Charges for Depreciation and Impairment of Non-Current Assets	66,886
24,111	Revaluation losses on PPE and AHFS	8,473
298	Amortisation of Intangible Assets	218
7,732	Revenue Expenditure Funded by Capital Under Statute	8,424
723	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	2,231
(461)	Adjusting amounts written out of the Revaluation Reserve	(1,380)
<b>103,774</b>		<b>84,852</b>
	<b>Capital Financing Applied in the Year:</b>	
-	Use of Capital Receipts to finance new Capital Expenditure	-
(38,486)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(45,364)
(10,744)	Application of Grants to Capital Financing from the Capital Grants & Receipts Unapplied Account	(9,016)
(23,679)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(25,510)
(17,289)	Capital Expenditure charged against the General Fund and HRA Balances	(19,778)
<b>(90,198)</b>		<b>(99,668)</b>
<b>140</b>	<b>Movements in the Market Value of Investment Properties debited or credited to the CIES</b>	<b>186</b>
<b>(335,527)</b>	<b>Balance at 31 March</b>	<b>(350,157)</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 2022 will be charged to the General Fund over the next 35 years.

2020/21 £'000	Financial Instruments Adjustment Account	2021/22 £'000
<b>9,705</b>	<b>Balance at 1 April</b>	<b>8,750</b>
(782)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(782)
(173)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(181)
<b>8,750</b>	<b>Balance at 31 March</b>	<b>7,787</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.

2020/21 £'000	Pensions Reserve	2021/22 £'000
<b>277,896</b>	<b>Balance at 1 April</b>	<b>163,658</b>
(145,457)	Actuarial (gains) or losses on pensions assets and liabilities	(34,010)
75,180	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	89,284
(43,961)	Employer's pensions contributions and direct payments to pensioners payable in the year	(44,320)
<b>163,658</b>	<b>Balance at 31 March</b>	<b>174,612</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.

2020/21 £'000	Employee Statutory Adjustment Account	2021/22 £'000
13,096	Balance at 1 April	12,969
(13,096)	Settlement or cancellation of accrual made at the end of the preceding year	(12,969)
12,969	Amounts accrued at the end of the current year	12,278
(127)	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	(690)
12,969	Balance at 31 March	12,278

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

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

2020/21			Capital Grants and Receipts Unapplied Account	2021/22		
Capital Grants Unapplied £'000	Capital Receipts for Transformation Projects £'000	Total £'000		Capital Grants Unapplied £'000	Capital Receipts for Transformation Projects £'000	Total £'000
(18,994)	-	(18,994)	Opening Balance	(16,502)	(416)	(16,918)
(8,251)	(938)	(9,189)	Additions	(3,212)	(1,711)	(4,923)
10,744	521	11,265	Applied	9,016	859	9,875
(16,501)	(417)	(16,918)	Closing Balance	(10,698)	(1,268)	(11,966)

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

The unaudited accounts were issued on 29 June 2022 by Mary Beattie, FCCA, Head of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973. Where events taking place before the balance sheet date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

**Note 31 – Contingent Liabilities**

**Guarantor in relation to 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.

**Equal Pay Claims**

A number of equal pay claims are still outstanding but 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.

**Energy from Waste**

Negotiations are ongoing with the contractor for the Energy From Waste plant following their submission of a Compensation Event claim arising from the impact of Covid-19. Until negotiations progress to a later stage it is not possible to quantify the liability, which Aberdeenshire Council would share with project partners Aberdeen City Council and Moray Council.

## Note 32 – 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.

### Defects Claim

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

### Truck Cartel Claim

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

### Stonehaven Flood Protection

A dispute has been raised against the external contractors. It is expected the claim will be concluded in April 2023.

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

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an executive agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2021/22 the Council paid £27,970,485 in respect of teacher's retirement benefits representing 23% of pensionable pay. (£27,893,451 and 23% in 2020/21). Contributions remaining payable at the year end were of £3,377,102 (£3,324,341 in 2020/21).

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers pensions' use a notional fund as the basis for calculating the employers' contribution paid by local authorities. However, it is not possible for the Council to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside the terms of the teachers scheme. For 2021/22 these amounted to £22,262 or 0.02% of pensionable pay (£26,069 and 0.02% in 2020/21).

**Note 34 – Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

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

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

North East Scotland Pension Fund (NESPF)

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

Scottish Teachers' Pension Scheme

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

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

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

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

**Discretionary Post-Retirement Benefits**

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

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

**Transactions Relating to Post-employment Benefits**

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

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

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

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

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 2022, the Council makes up 44.13% (2020/21: 44.7%) of the total membership of the scheme.

**Note 34 – 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	Teachers Additional Unfunded Pensions	Total		NESPF	Teachers Additional Unfunded Pensions	Total
2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Cost of Services:</b>			
62,964	-	62,964	Current Service Cost	83,980	-	83,980
60	-	60	Past Service Costs	-	-	-
4,817	-	4,817	Loss from Curtailments	1,496	-	1,496
399	-	399	Loss from Settlements	-	-	-
			<b>Financing and Investment Income and Expenditure:</b>			
5,706	436	6,142	Net Interest Expense	2,583	388	2,971
798	-	798	Administration Expenses	837	-	837
<b>74,744</b>	<b>436</b>	<b>75,180</b>	<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>88,896</b>	<b>388</b>	<b>89,284</b>
			<b>Other Post Employment Benefit charged to the CIES</b>			
(146,500)	1,043	(145,457)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	(34,125)	115	(34,010)
<b>(71,756)</b>	<b>1,479</b>	<b>(70,277)</b>	<b>Total Post Employment Benefit charged to the CIES</b>	<b>54,771</b>	<b>503</b>	<b>55,274</b>
			<b>Movement in Reserves Statement</b>			
(74,744)	(436)	(75,180)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code	(88,896)	(388)	(89,284)
			Actual amount charged against the General Fund Balance for pensions in the year:			-
42,798			Employers' Contributions Payable to the Scheme	43,156		43,156
	1,163		Retirement Benefits Payable to Pensioners		1,164	1,164

**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.

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

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

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

NESPF		Teachers			NESPF	Teachers	
Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions	Total		Funded Benefits	Additional Unfunded Pensions	Total
2020/21	2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£'000	£'000	£'000	£'000		£'000	£'000	£'000
1,949,805	22,263	19,076	1,991,144	Present value of the defined benefit obligation	2,002,081	21,072	2,041,568
(1,827,486)	-	-	(1,827,486)	Fair value of plan assets	(1,866,956)	-	(1,866,956)
122,319	22,263	19,076	163,658	<b>Net liability arising from defined benefit obligations</b>	135,125	21,072	174,612

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

NESPF		Teachers			NESPF	Teachers	
Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions	Total		Funded Benefits	Additional Unfunded Pensions	Total
2020/21	2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£'000	£'000	£'000	£'000		£'000	£'000	£'000
1,604,710	23,436	18,760	1,646,906	Opening Balance at 1 April	1,949,805	22,263	1,991,144
62,964	-	-	62,964	Current Service Cost	83,980	-	83,980
38,173	546	436	39,155	Interest Cost	40,609	453	41,450
11,897	-	-	11,897	Contributions from Scheme Participants	12,472	-	12,472
				Remeasurement (gains) and losses:			
(20,435)	(2,697)	(515)	(23,647)	Actuarial experience (gains)/losses	4,987	61	5,101
295,743	2,420	1,685	299,848	Actuarial (gains)/losses arising from changes in financial assumptions	(36,480)	(239)	(36,527)
(4,569)	(59)	(127)	(4,755)	Actuarial (gains)/losses arising from changes in demographic assumptions	(10,178)	(102)	(10,410)
(40,226)	(1,383)	(1,163)	(42,772)	Benefits Paid	(44,610)	(1,364)	(47,138)
60	-	-	60	Past Service Cost	-	-	-
4,817	-	-	4,817	Losses on Curtailments	1,496	-	1,496
(3,329)	-	-	(3,329)	Losses on Settlements	-	-	-
1,949,805	22,263	19,076	1,991,144	<b>Closing Balance at 31 March</b>	2,002,081	21,072	2,041,568

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

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

NESPF		Teachers			NESPF		Teachers	
Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions	Total		Funded Benefits	Unfunded Benefits	Additional Unfunded Pensions	Total
2020/21	2020/21	2020/21	2020/21		2021/22	2021/22	2021/22	2021/22
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,369,010	-	-	1,369,010	Opening fair value scheme assets at 1 April	1,827,486	-	-	1,827,486
33,013	-	-	33,013	Interest Income	38,479	-	-	38,479
416,903	-	-	416,903	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	(7,826)	-	-	(7,826)
(798)	-	-	(798)	Administration expenses	(837)	-	-	(837)
41,415	1,383	1,163	43,961	Contributions from employer	41,792	1,364	1,164	44,320
11,897	-	-	11,897	Contributions from employees into the scheme	12,472	-	-	12,472
(3,728)	-	-	(3,728)	Loss on Settlements	-	-	-	-
(40,226)	(1,383)	(1,163)	(42,772)	Benefits paid	(44,610)	(1,364)	(1,164)	(47,138)
<b>1,827,486</b>	<b>-</b>	<b>-</b>	<b>1,827,486</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>1,866,956</b>	<b>-</b>	<b>-</b>	<b>1,866,956</b>

**North East Pension Scheme Assets Comprised:**

Asset category	Sub-category	31 March 2021 £'000	31 March 2022 £'000
Equities:	Quoted	726,061	788,976
	Pooled	354,898	330,451
Bonds:	Government fixed	19,736	-
	Government indexed	72,003	153,090
	Other	10,234	-
	Corporate	6,944	-
Property:	UK Direct	103,984	121,726
Alternatives:	Private Equity	97,040	115,565
	Private Debt	44,042	44,060
	Private Equity Infrastructure	35,636	34,352
	Infrastructure Pooled Funds	33,808	32,298
	Private Equity Real Estate	23,209	23,524
	Multi Asset Credit Fund	138,158	167,839
	Diversified Growth Funds	107,822	-
Cash:	Cash instruments	53,911	55,075
<b>Total</b>		<b>1,827,486</b>	<b>1,866,956</b>



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

**Basis for Estimating Assets and Liabilities**

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

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

The significant assumptions used by the actuary have been:

NESPF		Teachers Additional Unfunded Pensions 2020/21		NESPF		Teachers Additional Unfunded Pensions 2021/22
Funded Benefits 2020/21	Unfunded Benefits 2020/21			Funded Benefits 2021/22	Unfunded Benefits 2021/22	
			Mortality Assumptions:			
			Longevity at 65 for Current Pensioners:			
21.5	21.5	21.5	Men	21.5	21.5	21.5
24.2	24.2	24.2	Women	24.2	24.2	24.2
			Longevity at 65 for Future Pensioners:			
23.1	-	-	Men	23.0	-	-
26.3	-	-	Women	26.3	-	-
2.70%	2.70%	2.70%	Rate of Inflation	3.30%	3.30%	3.50%
4.20%	-	-	Rate of Increase in Salaries	4.80%	-	-
2.80%	2.80%	2.80%	Rate of Increase in Pensions	3.40%	3.40%	3.60%
2.10%	2.10%	2.10%	Rate for Discounting Scheme Liabilities	2.80%	2.80%	2.80%
-	-	-	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	-	-	-

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

	Increase in Assumption £'000	Decrease in Assumption £'000
<b>Impact on the Defined Benefit Obligation in the scheme</b>		
Longevity (increase or decrease in 1 year)	60,542	(60,452)
Rate of inflation (increase or decrease by 0.1%)	36,746	(36,746)
Rate of increase in salaries (increase or decrease by 0.1%)	4,240	(4,240)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(36,090)	36,090

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

**Funding Strategy Statement**

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

Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment returns is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However, the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment returns from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The asset proportions of the Fund at 31 March 2022 were: equities, including alternatives 82.3% (2020/21: 85.4%), bonds 8.2% (2020/21: 5.9%), property 6.5% (2020/21: 5.7%) and cash 3.0% (2020/21: 3.0%).

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £41,761,000. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2020 valuation is 18 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 2020/21 £'000	Aberdeenshire Share 2020/21 £'000		Total 2021/22 £'000	Aberdeenshire Share 2021/22 £'000
(8)	(4)	Grampian Valuation Joint Board	502	224

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

**Note 35 – Related Parties**

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

**Scottish Government**

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from the Scottish Government are set out in the subjective analysis in Note 5 on Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2022 are shown in Note 27.

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

**Councillors**

Councillors have direct control over the Council's financial and operating policies. The total of Councillors' allowances paid in 2021/22 is shown in the Remuneration Report. Councillors have involvement with 312 outside bodies, 169 of which are in a decision-making role and 143 in an observational role as reported to Full Council on 18 May 2017, updated for new appointments. During 2021/22, works and services to the value of £3,254,430 were commissioned from companies in which 16 Councillors' had an interest (2020/21 £5,440,480 and 19 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £744,191 were awarded to voluntary organisations in which 13 Councillors had positions on the governing body (2020/21 £489,505 and 9 Councillors). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Councillors did not take part in any discussion or decision relating to the grants. Details of all the declarations of interest are recorded in the Register of Councillors' Interest, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.

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

Please note the current declaration of interests refer to the forms submitted by members who were elected as a result of the Local Elections on 5 May 2022.

**Officers – Key Management Personnel**

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report. These officers have responsibility for planning, directing and controlling the activities of the Council. Their scope of influence is determined by the Scheme of Delegation and Financial Regulations. During 2021/22 there were no material amounts commissioned from companies in which Chief Officials and their family members had an interest and no grant payments of material value. On this basis the Council is satisfied that appropriate controls are in place to manage and monitor the influence of the Council's Key Management Personnel. Details of Chief Officers declarations of interest are recorded in the Register of Interests for Chief Officers which is available on the Council's website.

<http://publications.aberdeenshire.gov.uk/dataset/register-of-interests-for-chief-officers>

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

Grampian Valuation Joint Board

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and 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 2022, the total comprehensive income and expenditure statement shows a deficit of £259,000 (2020/21 surplus £4,331,000) and the net assets of £739,000 (2020/21 net asset £998,000). The Board is funded by requisitions from the three Councils. The nature of transactions included within the Council's financial statements are shown in the following table:

2020/21 Expenditure £'000	2020/21 Income £'000	2020/21 Debtors £'000	Nature of transaction	2021/22 Expenditure £'000	2021/22 Income £'000	2021/22 Debtors £'000
2,104	(185)	185	Requisition Payments and Income/Debtor adjustment for expected rebate based on unaudited GVJB accounts	2,160	(225)	225

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.

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

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 2022, the total comprehensive income and expenditure statement was a surplus of £1,853,000 (2020/21 surplus £59,000) and the net assets were £1,691,000 (2020/21 Net Liability £162,000). The two Councils fund the Partnership. 2020/21 accounts were restated to reflect Nestrans' contribution to the Kintore Station project in the year the station became operational. The nature of transactions included within the Council's financial statements are shown in the following table:

Restated 2020/21 Expenditure £'000	Restated 2020/21 Debtors £'000	Nature of transaction	2021/22 Expenditure £'000	2021/22 Debtors £'000
2,189	2,387	Expenditure - Requisition Payment and Capital Funding Debtors balance held - Owed to Council	1,672	5,103

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 2022, the net assets were £7,699,000 (2020/21 £7,589,000) for Trusts and £7,603,000 (2020/21

£8,643,000) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages [115-117](#). The Trusts and Common Good Funds had £4,440,000 (2020/21 £4,603,000) invested in the Council's loans fund at 31 March 2022. 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.

Aberdeenshire Integration Joint Board

Aberdeenshire Integration Joint Board (the Board) of the 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 2022, the total comprehensive income and expenditure statement shows a surplus of £28,496,000 (2020/21 £20,449,000 surplus). £3,311,000 was transferred to Reserves as a general fund balance with £25,186,000 being classed as Earmarked Reserves.

The net assets are £49,062,000 (2020/21 £20,566,000) of which £25,186,000 is reserves described in the paragraph above along with the balance brought forward from 2020/21 of £20,566,000. The Board is funded by the Council and NHS Grampian. In the year, the following Aberdeenshire Council Financial transactions were made in relation to integrated health and social care functions:

2020/21 £'000	Nature of Transactions	2021/22 £'000
120,230	Contribution Made to Aberdeenshire Integration Joint Board	132,337
30,568	Resource Transfer	30,940
17,989	Other Income and Social Care Fees and Charges	16,390
(168,787)	Services Commissioned from Aberdeenshire Council	(179,667)
5,986	Balance Owed to IJB (IJB Reserve held as Creditor)	7,930

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

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

2020/21 £'000		2021/22 £'000
(37,639)	<b>Net Deficit on the Provision of Services</b>	<b>(50,259)</b>
	<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>	
97,059	Depreciation and Impairment	96,467
24,111	Downward Revaluations	8,473
298	Amortisation	218
(2,367)	Soft Loans (non subsidiary) - Interest adjustment credited to CIES during year	(8)
(42)	Adjustments for Effective Interest Rates	(45)
(806)	Increase/(Decrease) in Interest Creditors	259
23,461	Increase/(Decrease) in Creditors	(557)
72	(Increase)/Decrease in Interest and Dividend Debtors	(9)
(1,037)	(Increase)/Decrease in Debtors	(2,276)
5	(Increase)/Decrease in Inventories	(1,230)
31,226	Movement in Pension Liability	44,970
267	Contributions to/ (from) Provisions	817
723	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,231
140	Movement in Investment Property Values	186
<b>173,110</b>		<b>149,496</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(46,737)	Capital Grants credited to surplus or deficit on the provision of services	(48,577)
10,000	Net Adjustment from the Sale of Short and Long Term Investments	50,000
-	Proceeds from the sale of property plant and equipment and intangible assets	-
<b>(36,737)</b>		<b>1,423</b>
<b>98,734</b>	<b>Net Cash Flows from Operating Activities</b>	<b>100,660</b>

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
(2,019)	Interest Received	262
(32,334)	Interest Paid	(30,501)

**Note 37 – Summarised Financial Information of Group Entities**

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

The Aberdeenshire Integration Joint Board has been consolidated as a joint venture. The accounting year end for this entity is 31 March 2022.

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

2020/21 £'000		2021/22 £'000
(10,224)	(Surplus)/Deficit on Operating Activities	(14,248)
10,283	Current Assets	24,531

**Aberdeenshire Integration Joint Board**

Details of the Aberdeenshire Integration Joint Board are given in Note 35 on Related Parties. The funding contribution provided by the Council to the Board in 2021/22 was £132,337,000 (2020/21: £120,230,000). 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.

2020/21 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2021/22 £'000	Notes Ref
	<b>Expenditure</b>		
19,934	Repairs and Maintenance	19,032	
11,812	Supervision and Management	12,543	
27,782	Depreciation, Amortisation and Impairment of Non-Current Assets	34,862	
10,676	Other Expenditure	10,625	
<b>70,204</b>	<b>Total Expenditure</b>	<b>77,062</b>	
	<b>Income</b>		
(55,117)	Dwelling Rents	(57,272)	
(1,152)	Non-dwelling Rents	(1,183)	
(11,617)	Other Income	(9,611)	
<b>(67,886)</b>	<b>Total Income</b>	<b>(68,066)</b>	
<b>2,318</b>	<b>Net Cost of HRA Services as Included in the CIES</b>	<b>8,996</b>	
368	HRA Services' Share of Corporate and Democratic Core	203	
141	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	27	
<b>2,827</b>	<b>Net Expenditure for HRA Services</b>	<b>9,226</b>	
	<b>HRA Share of the Operating Income and Expenditure Included in the CIES</b>		
(238)	(Gain)/Loss on Sale of HRA Non Current Assets	7	
5,460	Interest Payable and Similar Charges	5,157	
(12)	Interest and Investment Income	(11)	
373	Net Interest on Net Defined Benefit Liability (Asset)	158	
(5,187)	Non-specific Grant Income	(8,777)	
806	Movement in Allowance for Bad Debts	491	
<b>4,029</b>	<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>6,251</b>	
HRA Notes			2-5

2020/21 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2021/22 £'000	Notes Ref
<b>(2,000)</b>	<b>Balance on the HRA at 1 April</b>	<b>(2,000)</b>	
4,029	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	6,251	
(1,680)	Depreciation charged to the Revaluation Reserve	(7,016)	
(2,352)	Adjustments Between Accounting Basis and Funding Basis Under Statute	1,749	6~
(3)	Net Decrease/(Increase) before transfers to/from reserves	984	
3	Transfer (from)/to reserves	(984)	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 67-68](#)

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

2020/21 £'000		2021/22 £'000
-	Transfer from General Fund	(984)
3	Transfer to Insurance Fund	-
<b>3</b>	<b>Total</b>	<b>(984)</b>

**HRA Note 2 – Housing Stock**

The Council's housing stock at 31 March 2022 was 13,167 (13,111 at 31 March 2021) in the following categories:

2020/21	Types of dwellings:	2021/22
1,509	- Sheltered Housing	1,505
72	- 1 apartment	72
3,796	- 2 apartment	3818
5,111	- 3 apartment	5124
2,468	- 4 apartment	2488
155	- 5 + apartment	160
<b>13,111</b>	<b>Total Housing Stock as at 31 March</b>	<b>13,167</b>

The Council's housing stock includes 24 properties (2020/21: 32 properties) that are not in the ownership of the Council.

**HRA Note 3 – Rent Arrears**

Rent arrears at 31 March 2022 were £3,069,000 (£2,933,000 at 31 March 2021).

**HRA Note 4 – Impairment of Debtors**

In 2021/22 an impairment of £2,293,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £59,000 from the provision in 2020/21.

**HRA Note 5 – Void Properties**

The loss on void properties in 2021/22 was £2,690,000 compared to a loss on void properties of £2,562,000 in 2020/21



**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.

2020/21 £'000		2021/22 £'000	Notes Ref
(178,496)	<b>Gross Council Tax Levied and Contributions in Lieu</b>	(180,366)	
	Less:		
9,434	Council Tax Reduction Scheme	8,903	
19,126	Other Discounts and Reductions	19,106	
1,589	Write Off of Uncollectable Debts and Allowance for Impairment	1,633	
<b>30,149</b>		<b>29,642</b>	
(936)	Adjustments to Previous Years'	808	
(1,985)	Second Homes Council Tax – In Year	(1,849)	
<b>(151,268)</b>	<b>Transfer to CIES</b>	<b>(151,765)</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	2020/21 Proportion of Band D	2020/21 Council Tax	2021/22 Proportion of Band D	2021/22 Council Tax
<b>A</b>	Up to £27,000	0.6667	£867.21	0.6667	£867.21
<b>B</b>	£27,001 – £35,000	0.7778	£1,011.74	0.7778	£1,011.74
<b>C</b>	£35,001 – £45,000	0.8889	£1,156.28	0.8889	£1,156.28
<b>D</b>	£45,001 - £58,000	1.0000	£1,300.81	1.0000	£1,300.81
<b>E</b>	£58,001 - £80,000	1.3139	£1,709.12	1.3139	£1,709.12
<b>F</b>	£80,001 - £106,000	1.6250	£2,113.82	1.6250	£2,113.82
<b>G</b>	£106,001 - £212,000	1.9583	£2,547.42	1.9583	£2,547.42
<b>H</b>	Above £212,000	2.4500	£3,186.98	2.4500	£3,186.98

Council Tax

CT Note 2 – Calculation of Council Tax Base 2021/22

BAND	Band A*	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Properties	20,528	16,286	14,608	18,458	22,312	17,199	11,147	625	121,163
Less:									
Exemptions	1,541	695	560	471	362	207	119	11	3,966
Discount - 25%	2,678	1,829	1,372	1,481	1,303	716	350	15	9,744
Discount - 50%	432	254	224	209	186	114	76	14	1,509
Number of chargeable dwellings subject to disabled reduction	(54)	(39)	(18)	(58)	22	48	93	6	0
Number of adjusted chargeable dwellings	15,931	13,547	12,470	16,355	20,439	16,114	10,509	579	105,944
Ratio to Band D	0.6667	0.7778	0.8889	1	1.3139	1.625	1.9583	2.45	
<b>Number of Band D equivalents for RSG purposes</b>	10,617	10,537	11,085	16,355	26,855	26,185	20,580	1,419	123,633
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2021/22									7
Less: Adjustment to base for Council Tax Reduction Scheme									7,390
<b>COUNCIL TAX BASE 2021/22</b>									<b>116,250</b>

COUNCIL TAX BASE 2020/21

114,660

\* Of the 10,617 Band A properties, 31 receive a discount in the ratio 5/9 relating to disabled relief.

**Business Rates Income Account**

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

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 2021/22 the rate poundage was 49p (49.8p in 2020/21). Properties with a rateable value of over £95,000 attract a Higher Property Rate (formerly Large Business Supplement) of 2.6p on top of the poundage (2.6p in 2020/21). Properties with a rateable value of between £51,000 and £95,000 will now only be charged an additional 1.3p on rates on top of the standard poundage.

Properties with a rateable value of up to £18,000 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 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. However, this scheme was temporarily suspended for both 2020/21 and 2021/22.

2020/21 £'000		2021/22 £'000	Notes Ref
(151,379)	Gross Rates Levied and Contributions in Lieu	(150,669)	
	Less:		
52,189	Reliefs and Other Deductions	43,865	
-	Payment of Interest	-	
9	Write Off of Uncollectable Debts and Allowance for Impairment	114	
(99,181)	Net Business Rate Income	(106,690)	
8,398	Adjustments to Previous Year's Business Rates	5,697	
(90,783)	Total Business Rate Income (before Council Retentions)	(100,993)	
-	Business Rate Income Retained by the Council (BRIS)	-	
(90,783)	<b>Contribution to National Non-Domestic Rate Pool</b>	<b>(100,993)</b>	
(80,112)	<b>Sum due from Central Rates Pool</b>	<b>(104,867)</b>	
-	Business Rate Income Retained by the Council (BRIS)	-	
-	Adjustments for prior years – reliefs	-	
(80,112)	<b>Income Credited to Comprehensive Income and Expenditure Statement</b>	<b>(104,867)</b>	
	Business Rates Income Account Note		1

Business Rates Disclosures

BR Note 1 – Rateable Values and Number of Entries at 1 April 2021

As at 1/4/20 Number of Entries	As at 1/4/20 Rateable Value £'000		As at 1/4/21 Number of Entries	As at 1/4/21 Rateable Value £'000
1,994	40,932	Shops	2,001	40,255
103	2,619	Public Houses	103	2,590
1,529	40,254	Offices (Including Banks)	1,526	40,200
225	8,036	Hotel, Boarding Houses etc.	221	7,633
3,481	114,925	Industrial and Freight Transport Subjects	3,510	115,083
1,296	10,606	Leisure, Entertainment, Caravans and Holiday Sites	1,328	10,650
384	3,938	Garage and Petrol Stations	383	3,884
57	762	Cultural	57	746
2,272	2,060	Sporting Subjects	2,245	1,802
265	21,316	Education and Training	262	20,635
748	14,458	Public Services Subjects	744	13,659
45	5,379	Communications (Non Formula)	47	5,278
218	1,438	Quarries, Mines etc.	218	1,432
15	16,376	Petrochemical	15	15,452
441	2,012	Religious	441	2,054
137	4,277	Health Medical	140	4,242
1,099	1,760	Other	1,100	1,700
126	4,698	Care Facilities	123	4,627
18	64	Advertising	16	58
41	2,793	Undertaking	42	2,963
<b>14,494</b>	<b>298,703</b>	<b>Total</b>	<b>14,522</b>	<b>294,943</b>

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

Trusts and Endowments

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

The Council administers 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 2022 and details of how these balances were invested at that date are shown below.

INCOME AND EXPENDITURE STATEMENT

All Trusts 2020/21 £'000	Charitable Trusts 2020/21 £'000		All Trusts 2021/22 £'000	Charitable Trusts 2021/22 £'000	Notes Ref
		<b>Expenditure</b>			
56	56	Administrative Costs	57	57	2
174	170	Donations, Grants etc.	221	211	
4	-	Other Costs	1	-	
<b>234</b>	<b>226</b>	<b>Total Expenditure</b>	<b>279</b>	<b>268</b>	
		<b>Income</b>			
(104)	(87)	Investment Income	(109)	(91)	
(91)	(77)	Other Income	(83)	(77)	2
<b>(195)</b>	<b>(164)</b>	<b>Total Income</b>	<b>(192)</b>	<b>(168)</b>	
<b>39</b>	<b>62</b>	<b>(Surplus)/Deficit for the year</b>	<b>87</b>	<b>100</b>	

BALANCE SHEET

Restated All Trusts 2020/21 £'000	Charitable Trusts 2020/21 £'000		All Trusts 2021/22 £'000	Charitable Trusts 2021/22 £'000	Notes Ref
		<b>Current Assets</b>			
23	22	Other	23	22	
4,552	3,096	Investments	4,748	3,349	
3,029	1,758	Loans Fund Balance	3,021	1,736	
<b>7,604</b>	<b>4,876</b>	<b>Total Current Assets</b>	<b>7,792</b>	<b>5,107</b>	
		<b>Current Liabilities</b>			
(15)	(15)	Creditors	(93)	(93)	
<b>7,589</b>	<b>4,861</b>	<b>Net Current Assets</b>	<b>7,699</b>	<b>5,014</b>	
<b>7,589</b>	<b>4,861</b>	<b>Total Net Assets</b>	<b>7,699</b>	<b>5,014</b>	
		<b>Financed by:</b>			
(6,429)	(4,509)	Capital	(6,539)	(4,675)	3
(1,160)	(352)	Revenue Balance	(1,160)	(339)	3
<b>(7,589)</b>	<b>(4,861)</b>	<b>Reserves</b>	<b>(7,699)</b>	<b>(5,014)</b>	
		Trusts & Endowments Notes			1, 3

The unaudited accounts were issued on 29 June 2022 and the audited accounts were authorised for issue on 15 December 2022.

**Trusts and Endowments (Continued)**

**SUMMARY OF FUNDS**

Total Funds 2020/21 £'000	Charitable Trusts 2020/21 £'000		Total Funds 2021/22 £'000	Charitable Trusts 2021/22 £'000	Notes Ref
		<b>Education Trusts</b>			
4,285	4,285	Aberdeenshire Educational Trust	4,460	4,460	
		<b>Other Trusts</b>			
2,204	483	General	2,106	460	
162	93	Libraries	164	94	
		<b>Endowment Funds</b>			
522	-	Educational Endowments	537	-	
416	-	Social Work Endowments	432	-	
<b>7,589</b>	<b>4,861</b>	<b>Total</b>	<b>7,699</b>	<b>5,014</b>	

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

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

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

With the exception of the Other Trusts, the investments of the Trusts, apart from property superiorities, were transferred on 1 April 1977 to a Central Investment Fund. The quoted investments of this Fund were revalued to market value at 31 March 2022 and the resultant gain on revaluation has been credited to the various Trusts in proportion to their holding in the Central Fund.

**TF Note 2 – Administrative Costs**

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

**TF Note 3 – Prior Year Restatement**

Within the above Balance Sheet the 2020/21 Financed by figures split between capital and revenue has been altered by £180,000. This is in relation to a previous year change to the allocation of EEIF (Education Endowments Investment Fund) required by Audit in which was made to Capital in error.

**TF Note 4 – Further Details**

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

Common Good Funds

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

Income and Expenditure Account for the Year Ended 31 March 2022

Net Expenditure 2020/21 £'000	Services	Net Expenditure 2021/22 £'000	Notes Ref
-	Donations, Grants etc.	22	
84	Depreciation	61	3
105	Repairs to Assets	629	
-	Other Expenditure	58	3
<b>189</b>	<b>Expenditure</b>	<b>770</b>	
(20)	Rental Income	(20)	
(6)	Interest Receivable and Similar Income	(3)	
(105)	Grants Receivable	(628)	
(9)	Other Income	-	
<b>(140)</b>	<b>Income</b>	<b>(651)</b>	
49	(Surplus)/Deficit on the Provision of Services	119	
(82)	Transfer from Revaluation Reserve	(59)	
<b>(33)</b>	<b>Decrease/(Increase) in the Year</b>	<b>60</b>	
Common Good Fund Notes			1

Balance Sheet as at 31 March 2022

2020/21 £'000		2021/22 £'000	Notes Ref
7,169	Property, Plant and Equipment	6,129	3
<b>7,169</b>	<b>Long Term Assets</b>	<b>6,129</b>	
14	Short Term Investments	15	
1,574	Cash and Cash Equivalents	1,603	
<b>1,588</b>	<b>Current Assets</b>	<b>1,618</b>	
(114)	Creditors	(144)	
<b>(114)</b>	<b>Current Liabilities</b>	<b>(144)</b>	
<b>8,643</b>	<b>Net Assets</b>	<b>7,603</b>	
	Usable Reserves:		
(1,276)	Revenue	(1,275)	
(378)	Capital	(378)	
	Unusable Reserves:		
(6,989)	Revaluation Reserve	(5,950)	3
<b>(8,643)</b>	<b>Total Reserves</b>	<b>(7,603)</b>	
Common Good Fund Notes			2

The unaudited accounts were issued on 29 June 2022 and the audited accounts were authorised for issue on 15 December 2022.

Mary Beattie, FCCA  
Head of Finance  
15 December 2022

**Common Good Funds Disclosures (Continued)**

**Common Good Fund Disclosures**

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

**CG Note 2 – Summary of Balances**

The balances in the Common Good Funds are as follows:

Restated Total Funds 2020/21 £'000		Total Funds 2021/22 £'000
1,355	Macduff	1,339
3,267	Banff	3,629
4	Rosehearty	4
5	Portsoy	5
4	Aberchirder	4
65	Fraserburgh	65
465	Peterhead	466
158	Turriff	98
5	Oldmeldrum	5
2,923	Inverurie	1,594
25	Kintore	25
105	Stonehaven	105
57	Inverbervie	57
37	Laurencekirk	37
132	Huntly	134
36	Banchory	36
0	Ballater	0
<b>8,643</b>	<b>Total</b>	<b>7,603</b>

**CG Note 3 – Community Group Transfer**

The transfer of Turriff Municipal Buildings to a Community Group in November 2019 had not previously been accounted for. Due to materiality this has been reflected in the 2021/22 figures. A movement of £58,000 has been adjusted for which is reflected in the downward movement of the Revaluation Reserve.



Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Annex – MIRS – Analysis of Capital Reserves**

The table below provides an analysis of the capital reserves:

	Capital Receipts Deferred £'000	Capital Fund £'000	Capital Grants & Receipts Unapplied Account £'000	Total Capital Reserves £'000
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(425)</b>		<b>(18,994)</b>	<b>(19,419)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
<b>Adjustment involving the Capital Grants &amp; Receipts Unapplied Account:</b>				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(8,251)	(8,251)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	10,744	10,744
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account	-	-	(938)	(938)
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>			<b>1,555</b>	<b>1,555</b>
Transfers to/(from) Statutory Reserves			521	521
<b>(Increase)/Decrease in 2020/21</b>			<b>2,076</b>	<b>2,076</b>
<b>Balance at 31 March 2021 Carried Forward</b>	<b>(425)</b>	-	<b>(16,918)</b>	<b>(17,343)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
<b>Adjustment involving the Capital Grants &amp; Receipts Unapplied Account:</b>				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account			(3,212)	(3,212)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account			9,016	9,016
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account			(1,711)	(1,711)
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>			<b>4,093</b>	<b>4,093</b>
Transfers to/(from) Statutory Reserves	1		859	860
<b>(Increase)/Decrease in 2021/22</b>	<b>1</b>		<b>4,952</b>	<b>4,953</b>
<b>Balance at 31 March 2022 Carried Forward</b>	<b>(424)</b>		<b>(11,966)</b>	<b>(12,390)</b>

**Annex – Note 14 – Heritage Assets**

**Further Information on Museums Collections**

Live Life Aberdeenshire Museums Service collections are managed in accordance with policies that are approved by the Sub-Committee of Live Life Aberdeenshire. Further information is provided in the Museum Service's Collections Development Policy 2015-2020 <https://www.aberdeenshire.gov.uk/media/18773/collections-development-policy-2015-2020.pdf> A planned review of the policy has been delayed due to the on-going Covid-19 Pandemic.

As explained in this document, items in the collection are only disposed of when, in the opinion of the Museums Development Co-ordinator/Collections Management Officer and with the approval of the governing body, an item does not contribute to the interest and diversity of the Museum Service's collection. The Museum Service maintains a database of items in the collections. The Adlib collections management system records all accessioned items and will ultimately be the Museum Service's final register for the collections. As of 31 March 2022, Live Life Aberdeenshire Museums Service has approximately 24,000 objects recorded in the Adlib database.

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

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

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

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

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

**(iii) Vertical Aerial Photograph Collection**

This collection consists of three sets of vertical aerial imagery:

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

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

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

**(iv) Photograph and Slide Collection**

The slide collection consists of an estimated 23,000 images of archaeological sites taken either on the ground or via the former aerial photography programme undertaken by the Archaeology Service over the years since 1975. The collection is currently undergoing a digitisation programme to allow greater public access to it, and to provide backup as part of the disaster management plan.

To produce physical reproductions of the images would average £0.63 per image, making the collection value an estimated £14,000. However the content of collection would be impossible to replicate given the nature of how it was formed.

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

**Education PFI Schemes**

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

The contract involves:

- (1) Design, construction and service provision of a new academy at Oldmeldrum.
- (2) Design, refurbishment and service provision of Banff Primary.
- (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 and Meldrum Primary was 18 February 2002, and the contract will run for 25 years. The effective date of service commencement for the academy at Oldmeldrum was 1 August 2002, and the contract will also terminate on 17 February 2027.

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

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

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

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

The fourth contract, which was entered into in April 2018, is with Hub North Scotland Limited (DBFM Co) to design, build and provide maintenance services to a new community campus which includes a secondary school, replacement special school facility, community swimming pool, and dry leisure facilities. The service commencement date was 29 February 2020, and the contract will end on 28 February 2045.

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

Commonly Used Abbreviations

Abbreviation	Expansion
AHfS	Assets Held for Sale
BR	Business Rates
BRIS	Business Rates Incentivisation Scheme
CG	Common Good Funds
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
CT	Council Tax
EFA	Expenditure Funding Analysis
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 2021/22
VAT	Value Added Tax