

Annual Accounts 2020/21

For the Year to 31 March 2021



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Introduction

Welcome to the financial statements for Aberdeenshire Council and its group for the year ended 31 March 2021. These financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

This Commentary is an opportunity for the reader to gain an understanding of Aberdeenshire Council, the environment in which it operates and the community it serves. It provides key messages regarding the Council's performance over the financial year as well as highlighting the risks and challenges which the Council has encountered and faces in the future. It provides an overview of our priorities, our finances, our governance and how we assess our performance.

It assists in the interpretation and understanding of the Statement of Accounts themselves and highlights the complex financial operations that are involved in the running of the Council: –

- Revenue Expenditure which is supported predominantly by grant funding, council tax, rent and fees and charges, and
- Capital Expenditure which is supported by grant funding, a treasury management operation for loans and investments and the operation of the Housing Revenue Account.

During 2020/21 the Council incurred just under £646 million of revenue expenditure delivering a wide range of services across Aberdeenshire and this was supported by just over £79 million of capital investment, but all of this took place against the backdrop of COVID-19.

Coronavirus (COVID-19)

On 23 March 2020, as the previous financial year was ending, the global COVID-19 pandemic resulted in an extensive range of restrictions being brought in at very short notice by the UK and Scottish Governments. The impact on Council services and the communities we serve was immediate and significant, resulting in the closure of services like leisure and libraries and construction sites, the stand down of all but essential frontline services, learning and education all moved online and office-based staff being required to work from home.

Differing levels of government restrictions and lockdown arrangements continued throughout 2020-21 with all aspects of society continuing to be affected by the exceptional circumstances.

In responding to COVID-19 elected members and staff right across the Council adapted to new and unfamiliar ways of working, took on new roles in for example health and social care settings, the Grampian Assistance Hub and as cleaners. There were also a range of new grant schemes that had to be administered, with existing systems and technologies being developed and adapted to ensure swift and accurate payment to those that were eligible. There was no area of the Council's priorities, governance and service delivery that was untouched by COVID-19.

The impact of the COVID-19 outbreak was considered by the CIPFA-LASAAC Code Board in respect of adjustments to the Code. It was concluded that full application of the Code for 2019-20 would apply and this continues in 2020-21. Due to the COVID-19 outbreak, as with 2019-20, the Local Authority Accounts (Scotland) Regulations 2014 have been amended in respect of approval and publication of 2020-21 annual accounts. Under Regulation 5 of the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 dates for publishing Annual Accounts may be extended up to 15 November 2021. The Council has determined that it wishes to work to a revised timetable for completion of the draft accounts and for the audit process and publishing of Annual Accounts.

Our Response to COVID-19

As Category 1 Responders under the Civil Contingencies Act, the Council activated emergency response mode in line with the national public health strategy. This involved an immediate reprioritisation of activities and services, resulting in a redeployment of staff to support the emergency response. A range of Council facilities and buildings including schools were closed, however accessibility to services for the residents of Aberdeenshire were sustained through digital, remote, online and homeworking solutions.

Council Staff, Partners and Community Groups were mobilised to provide critical services for the residents of Aberdeenshire and to protect the most vulnerable. The [Grampian Assistance Hub](#) was formed to signpost residents to health and wellbeing advice, financial assistance, support for communities and businesses and general assistance like collecting prescriptions, food shopping and dog walking. This was all achieved thanks to the huge support offered by an army of volunteers who stepped forward to assist in their local communities. Staff resources were mobilised, new systems and processes developed to enable timeous payments of the broad range of business grants each with unique eligibility conditions, for payment to businesses throughout Aberdeenshire.

Councillors held meetings virtually, with Aberdeenshire recognised as being at the cutting edge of continued democratic input during the pandemic and a source of “best practice” advice for other Councils and organisations such as COSLA. Whilst some Councils were unable technically to support remote participation either in part or in full and were required to delegate significant decision making to officers or to cabinet arrangements, this has not been the case in Aberdeenshire.

On 23 July 2020 Full Council agreed a [Recovery Strategy](#) to take the authority forward, following the easing of the first lockdown. The Strategy enabled the Council to understand what had happened, how Communities and the organisation had been impacted, the lessons learned and to identify those elements of our emergency response and service transformation that need to be embedded in our day-to-day operations going forward. The governance of Recovery Strategy was supported by the establishment of the Adaptive Services Board and the Recovery Reference Group.

Strategic Priorities

In recognising the future challenges of COVID-19, Brexit, the economic crisis and climate change and the subsequent impact on the residents, communities and businesses the [Aberdeenshire Council Plan 2020-2022](#) was agreed in October 2020. The new strategic priorities better reflect the current challenges being faced by the Council and informed the revised Medium-Term Financial Strategy and provide Aberdeenshire Council with the best chance of meeting our ambitions over the next two years.

There are six strategic priorities which sit under three pillars which are: Our People, Our Environment, Our Economy.

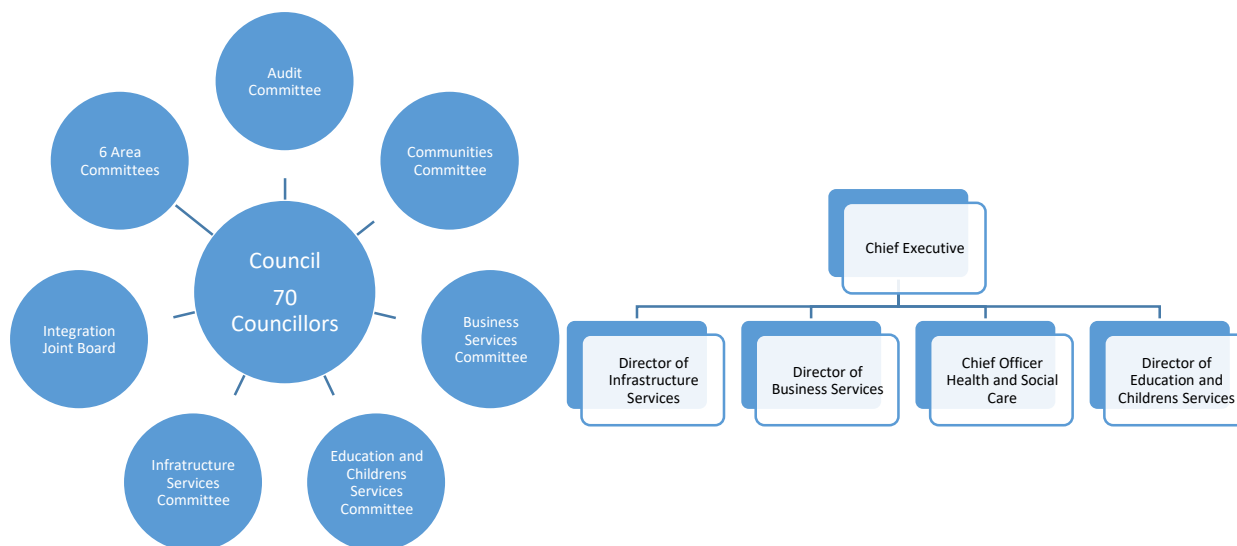


Underpinning the Priorities are the key principles, which provide the framework by which the Council will operate: -

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

Aberdeenshire Council

The Council as a decision-making body is made up of 70 Councillors supported by 4 Policy Committees, 6 Area Committees, an Audit Committee and the Integration Joint Board (IJB). The Integration Joint Board is a partnership between Aberdeenshire Council and NHS Grampian and is responsible for the planning and operational oversight of Integrated Services (Aberdeenshire Health & Social Care Partnership). Supporting the Council is the Chief Executive and three Directors and the Chief Officer Health and Social Care, three statutory officers – Legal, Social Work and Finance - and Council Officers (Employees). The Council employed some 10,338 full time equivalent employees as at the 31 March 2021, Education and Children's Services 55%, Infrastructure Services 18%, Health and Social Care Partnership /IJB 16% and Chief Executive and Business Services 11%.



Financial Planning

Council Tax and Housing Rents

On the 13 February 2020, to provide Aberdeenshire residents with certainty of their Council Tax and Rent increases for the upcoming financial year, the Council took the decision to increase its Council Tax charge by 4.84% for a Band D property and agree the Housing Revenue Account (HRA) revenue budget and annual rent increase of 5.5%, ahead of the Medium-Term Financial Strategy and budget setting on 13 March 2020.

Revenue Budget

The General Fund Revenue Budget was approved by Council on the 13 March 2020. To maintain the Council's current service standard required the mitigation of some £39.5 million of budgetary pressures. There was additional funding for teachers pay and superannuation costs (£13.6m) and the general revenue grant funding was £4.5m above the Councils adopted flat cash settlement position, but this was insufficient to close the gap and some £18.3m of savings were agreed. Council also agreed to allocate the 3% of the 4.84% agreed Council Tax increase to closing the revenue budget gap, the remaining 1.84% was set aside to establish a new Infrastructure Fund to support the improvement and development of Aberdeenshire's infrastructure and in so doing supporting the local business and economy.

The financial impact of the COVID-19 restrictions was quickly assessed and, on the 24 April, just over a month after setting the revenue budget, Council was advised of a first quarter predicted deficit of £8.5m. A further update on the 30 April advised of the serious nature of the current and predicted financial position and Council agreed to a revision of the MTFS. As the financial position was an emerging one Strategic Leadership Team and Councillors received frequent briefings, and Strategic Leadership Team (SLT) in their development of the revised MTFS, identified additional costs, and losses in material income streams, the achievability of the previously agreed savings and the impact of an inability to enact control mitigations agreed to manage in year budgetary pressures were quantified whilst invoking cost control measures.

On the 24 November a revised MTFS predicted an over budget position to March 2022 of £46m and acknowledged that cost control would not allow for a break-even position by March 2022. Revenue Budget – General Fund at the end of Quarter 2 was £12.061 million over budget. The key challenges in year were the loss of income for key services such as Live Life Aberdeenshire, quarries and school catering and increased costs within Education and Children’s Services associated with Out of Authority Placements and increased teacher numbers to ensure continued education provision during the lockdown. The out of balance position was predicted to be £24.080 million by the end of the current financial year, the previously reported out of balance position for the 2021/22 financial year of £22.498 million resulting in a revised scale of financial challenge of £46 million by the end of 2021/22. On 19 November 2020 the Council agreed a revised Medium Term Financial Strategy, which provided £60m of potential savings options for consideration as part of the MTFS to March 2022

In recognition of the ongoing financial challenges December 2020 saw the launch of Aberdeenshire’s Re-shaping the Workforce, an opportunity for Council staff to apply for voluntary severance in four phases over a 2 year period. There is an acknowledgement that much of the Council’s budget goes on staffing costs and therefore to continue to provide the same level of service will require service transformation and a reshaped workforce. The costs associated with employees who were awarded Voluntary Severance in the first phase of the voluntary severance exercise, by the 31 March are reflected in these financial statements.

Capital

The Capital plan was impacted significantly by COVID-19, with construction sites closed at the start of 2020-21 in accordance with Government guidance. The capital plan process allows for continued monitoring of progress with programmes of work, and the plan is updated quarterly to reflect and slippage in projects and the projected rephasing together with any changes to the estimated costs to completion.

Scottish Government Grants

In 2020/21 the Council acted as an agent for the Scottish Government and distributed grants to business and individuals in response to the COVID-19 Pandemic

Grant	Amounts Paid £m
Business Support Grant	42.979
Self Employed Hardship Fund	0.389
Strategic Framework Grants	10.950
Business Support – Nightclubs and Soft play	0.305
Hardship Payments	0.815
Taxi & Private Hire Driver Support Fund	0.110
Strategic Framework Fund - Hospitality, Retail & Leisure Top Up	8.230
Restrictions Fund	0.360
Brewers, Travel Agents and Football Centres	0.160
Business Support - Bed & Breakfasts 2nd Phase	0.024
Business Support Self Catering Accommodation	0.076
Temporary Restrictions Fund - Early Years & Childcare	0.206
Childcare Providers Support Grants	0.495
Administration of Grants	0.030
Total	65.129

Non-Financial Performance

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

New Council Priorities were approved by [Full Council on 23 July 2020](#), and reporting against these new priorities took effect in 2021/22 under the three pillars of 'Our People', 'Our Environment' and 'Our Economy'.

Under the Local Government in Scotland Act 2003, Aberdeenshire Council has a statutory duty to deliver Best Value, performance reporting is a key element of demonstrating best value. The Council publishes an Annual Performance Report in September each year which is available to the public on the Council's website at <http://www.aberdeenshire.gov.uk/strategy-and-performance/about-performance/>.

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

In 2020/21 we tracked our progress delivering the Council Pan 2017- 22 priorities and the new 2020-22 Council priorities through a number of outcomes and performance indicators which were recorded on the Council's scorecard as part of the Annual Performance report presented to Council on [23 September 2021](#).

The table on the next page provides some of the performance indicators that make up the scorecard.

<u>Directorate</u>	<u>Priority</u>	<u>Performance measure</u>	<u>2019/20</u>	<u>2020/21</u>
Infrastructure	Support a strong, sustainable, diverse, and successful economy	Average time per business and industry planning applications in weeks	9.27 weeks	8.6 weeks
	Support a strong, sustainable, diverse, and successful economy	Quality of service provided by business gateway contractor	83%	90%
	Protect our special environment including tackling climate change by reducing greenhouse gas emissions	Quantity of energy consumed by Council streetlights	12,310,515 kwh	10,657,810 kwh
Housing	Have the right mix of Housing across Aberdeenshire	Number of empty homes brought back into use per year	13	21
	Have the right mix of Housing across Aberdeenshire	Average time in temporary accommodation	112.4 days	91.6 days
Business Services	Deliver responsible, long term, financial planning	Percentage of people who believe that Aberdeenshire Council is efficient and well run	76%	83%
	Deliver responsible, long term, financial planning	Proportion of operational buildings that are suitable for their current use	74.96%	77.4%
Education and Children's Services	Providing the best life chances for all our children and young people by raising attainment and achievement.	Monitoring of the difference in average tariff score of all S4 in SIMD quintile five and quintile one indicates an improving picture, with the gap reducing by 43 compared to the pre-COVID-19 exam diet and is in line with the national gap for 2021 (110).	156	113
	Providing the best life chances for all our children and young people by raising attainment and achievement.	Following Aberdeenshire's successful bid to be a lead provider for the delivery of Foundation Apprenticeships (FA) from August 2019, Aberdeenshire schools continue to offer FA's, with provisional take-up figures indicating a near doubling of young people in Aberdeenshire schools currently involved in the Aberdeenshire managed FA programme (SCQF Level 6)	208	414

Some of our achievements this year

Education and Children's Services

- Young people successfully completing a Foundation Apprenticeship (FA) indicate a high level (over 86%) being awarded either a full FA or a Letter of Recognition.
- Supported 180 partner providers to deliver 1,891,808 hrs of Early Learning Childcare and 166,108 meals to 2,467 children.
- Kintore primary school received recognition from the Wellbeing Award for Schools for the promotion of mental health and emotional wellbeing among pupils and staff.
- Educational Psychology Service created a phonline service to support parents and carers of children during the pandemic.

Live Life Aberdeenshire

- Whilst some staff within the service were redeployed to support critical services the Sports and Cultural Service developed an online offering to communities providing exercise, entertainment and learning through a new Live Life @Home platform. Bringing digital library services, exercise sessions, virtual tours, make-and-do activities, local history and more together into one place on the Live Life Aberdeenshire website

Housing

- On September 2020 the Council announced a new lettable standard for Council Housing, which aims to reduce the length of time a property is unavailable for use between tenancies, by reducing the number of days a property is empty the income to the Housing Revenue account from rents will increase.

Capital projects

- October 2020 saw the opening of the £56 million Inverurie Community Campus (pictured on the front of this document) to house pupils from the previous Inverurie Academy and St Andrews Special school. The campus also includes leisure facilities including two all-weather pitches and a six lane swimming pool for use by the school, the wider Community, and sports clubs.
- October 2020 also saw the opening of the new station in Kintore. Funded by Transport Scotland, Aberdeenshire Council and Nestrans, the £15 million station was built by Network Rail and has fully accessible, step-free access between platforms via a footbridge with lifts. The station, which will be managed by ScotRail, is also the largest electric vehicle charging location in north east Scotland, with 24 of the 168 spaces at the new transport hub fitted with charging points.

Carbon Reduction

- The Council took delivery of 5 new electric vehicles and 2 hydrogen vehicles, increasing its zero emission and hybrid vehicles to 24, and has achieved the Cycling Friendly employer award for three of its office buildings.

The COVID-19 Pandemic

Aberdeenshire Council has been commended by the MJ Local Government Achievement 2021 Awards for the launch and coordination of the Grampian Humanitarian Assistance Centre (HAC) which was established in March 2020 to respond to the pandemic. The HAC provided a lifeline for affected communities and individuals in Aberdeenshire, Aberdeen City and Moray and acted as a focal point for support and information.

From 12 October 2020 to 22 April 2021 the Aberdeenshire HAC through support from 300 community groups, over 4,000 volunteers and 60 Aberdeenshire Council staff:

- Made over 7,900 outbound calls to individuals self-isolating or shielding
- Handled over 2,000 incoming calls
- Fulfilled over 1,200 assistance requests generated through incoming calls, website forms and support for isolation calls.
- Made 847 winter wellbeing support calls to be made to individuals on the shielding list identified as being on low income, ensuring they had access to help and support over the festive period.

Financial Performance

Financial Performance Information is reported to Committees and Council on a quarterly basis in accordance with the Scheme of Governance. Online live financial information is also made available to all Elected Members as well as Budget Holders and Managers. The final position for 2020/21 was reported to [Council on 24 June 2021](#)

The final year end position was a significant improvement on that reported to Council during the year. This was due to additional funding of £142.222m being received from the Scottish Government to meet the impact of the COVID-19 pandemic. Of this funding, £73.841m related to Business Grant Support, the remaining £68.381m being available to off-set the increased COVID-19 related expenditure and loss of income where services were paused because of the pandemic.

The Council acted as an agent for the Scottish Government and distributed grants to business and individuals in response of the pandemic. The total distributed was £65.129m with the remaining balance of £8.712m being carried forward into 2021/22 as a creditor to be repaid to the Scottish Government.

A significant proportion of the additional revenue funding (£37.909m) was utilised during 2020/21 and as mentioned previously, greatly improved the year end position. The remaining balance of £30.472m was also carried forward. Therefore, the total carried forward, relating to the additional COVID funding received was £39.184m, of which, £30.472m was transferred to Reserves, the remaining £8.712m carried forward as a Creditor.

A summary of the funding received is shown in the table below.

COVID- 19 funding	Council income £000	Agency arrangement £000	Total £000
Funding to Council	68,381	-	68,381
Agency Funding	-	73,841	73,841
Total Funding Received	68,381	73,841	142,222
Grants distributed to businesses	-	(65,129)	(65,129)
Funding utilised in year	(37,909)	-	(37,909)
Transfer to reserves for future use	(30,472)	-	(30,472)
Year end creditor – to be repaid to Scottish Government	-	(8,712)	(8,712)
	(68,381)	(73,841)	(142,222)

The final position for the General Fund for 2020/21 was an over budget position of £0.943m, around 0.001% of the Councils overall budget.

In 2020/21 the final position for the HSCP was an under-budget position of £4.597m which has allowed for the carrying forward of funding through reserves. In the previous two financial years the Health and Social Care Partnership (HSCP) experienced an over budget position (2019/20 - £5.613m, 2018/19 - £3.136m) necessitating the provision of additional funding from NHS Grampian (2019/20 £3.247m, 2018/19 - £1.742m) and the Council (2019/20 £2.366m, 2018/19 - £1.394m).

The HSCP underspend in 2020/21 was due to service changes because of the COVID-19 pandemic, with some services paused or operated at reduced capacity. There was also a reduction in expenditure in the following areas: travel, transportation costs and training. The Scottish Government provided £25.5m of additional funding was received, £20.6m was provided to support COVID-19. Very little of this funding was anticipated when setting the budget, this has helped the year end position.

Income and Expenditure

Below is the comparison between the financial performance information per Committee compared to the EFA in these accounts.
Information reported to Council and Committee Expenditure and Funding Analysis (EFA)

	Budget £'000	Actual £'000	Variance £'000		General Fund £'000	HRA and GF Trf £'000	Total £'000	Note
Expenditure								
Business Services	37,579	42,019	(4,440)		42,110	18,565	60,675	1
Communities	148,197	152,594	(4,397)		152,608	15,186	167,794	
Education and Children's Services	339,087	352,085	(12,998)		352,086	14,153	366,239	
Infrastructure Services	62,569	67,094	(4,525)		67,094	33,682	100,776	
Service Expenditure	587,432	613,792	(26,360)		613,898	81,586	695,484	
Financing charges and IORB	31,340	32,027	(687)		32,021	6,130	38,151	2
Other Expenditure	(1,300)	91	(1,391)		-	(74)	(74)	3
Total Expenditure	617,472	645,910	(28,438)		645,919	87,642	733,561	
Income								
Revenue Support Grant	(422,464)	(448,456)	25,992		(448,456)	(17,306)	(465,762)	
Council Tax	(150,030)	(151,268)	1,238		(151,268)	-	(151,268)	
Business Rates	(80,112)	(80,397)	285		(80,112)	-	(80,112)	4
Total Income	(652,606)	(680,121)	27,515		(679,836)	(17,306)	(697,142)	
(Surplus)/ Deficit Service Provision	(35,134)	(34,211)	(923)		(33,917)	70,336	36,419	
Increase/ (Decrease) in Provisions for bad debts	-	-	-		-	1,220	1,220	
(Surplus)/ Deficit	(35,134)	(34,211)	(923)		(33,917)	71,556	37,639	
Transfers to/ from reserves								
Statutory Reserves	-	(1,273)	1,273		(1,273)	-	(1,273)	
Earmarked Reserves	2,377	2,377	-		-	-	-	
Usable Reserves	32,757	33,757	(1,000)		36,133	(71,556)	(35,423)	
Contribution to/ from reserves	-	650	(650)		943	-	943	

The Expenditure and Funding Analysis (EFA) above shows a surplus budget position, as reflected in the Net Cost of Services of £37.639m. This was mainly due to additional COVID-19 Funding received from the Scottish Government. £35.423m (£30.472m COVID specific) of this was transferred to reserves to be utilised in 2021/22. £1.273m was drawn down from Statutory Funds, resulting in the overbudget position of £0.943m. During 2020/21, the Council focused on maintaining critical activities whilst adapting and flexing its resources to deal with the pandemic. This presented several key challenges with financial impacts which were highlighted to Policy Committees and Council during the year, as well in the reduction in the ability to achieve all planned savings as shown in the section below the following challenges were of note:-

- Education and Children's Services experienced pressures in relation to staffing costs for teachers, prior years school transport savings not being achieved, the loss of school catering income being greater than the reduced expenditure and the demand led nature of the out of authority and foster care placements.
- Sports and Physical Activities experienced a significant loss of income, which was only partially offset by cost reductions due to the closure of facilities.
- Infrastructure Services experienced an increase in winter maintenance costs because of severe weather conditions alongside a drop in income due to the COVID-19 restrictions.

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

Notes

1. Business Services Actual varies from EFA statement by £91,000 as Community Resilience reported within Other Expenditure in Council Report, included as Business Services in the Accounts.
2. Includes adjustment for net pension interest.
3. Includes (Gains)/Loss on the Disposal of Non-Current Assets and Assets Held for Sale, and Income and expenditure in relation to investment properties and changes in their fair value
4. Business Rates Actual varies from final committee report due to a late adjustment chargeable to the General Fund.
HRA Position is included in the Transfers column.

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2021. Net assets have increased by £65.704m to £1.194bn as detailed in the table below.

Assets and Liabilities	2019/20 £'000	2020/21 £'000	Movement £'000
Long Term Assets	2,287,578	2,297,409	9,831
Current Assets	136,603	113,931	(22,672)
Current Liabilities	(307,186)	(304,597)	2,589
Long Term Liabilities			
Pensions	(277,896)	(163,658)	114,238
Other Long Term Liabilities	(710,867)	(749,149)	(38,282)
Net Assets/(Liabilities)	1,128,232	1,193,936	65,704
Useable Reserves			
General Fund	(22,780)	(57,970)	(35,190)
Housing Revenue Account	(2,000)	(2,000)	-
Repairs and Renewals Fund	(1,098)	-	1,098
Capital Reserves	(19,419)	(17,343)	2,076
Insurance Fund	(1,225)	(1,571)	(346)
	(46,522)	(78,884)	(32,362)
Unusable Reserves			
Pensions	277,896	163,658	(114,238)
Other Unusable Reserves	(1,359,606)	(1,278,710)	80,896
Total Reserves	(1,128,232)	(1,193,936)	(65,704)

Long term assets have increased by £9.831 to £2.297bn in 2020/21 mainly due to the Council's investment in capital projects on both the General Fund and Housing Revenue Account. Capital additions, including recognition of the Finance Lease at Inverurie Community Campus, amounted to £173m. The cumulative total for depreciation, revaluations, impairments and disposals amounted to £164m, resulting in a net increase in Property, Plant and Equipment of £9m.

The Pensions long term liability has decreased by £114.238m to £163.658m. This is due mainly to an improvement in the market value of quoted entities.

Reserves

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

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

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

Note 1 Paragraph 1.22 explains the accounting policies governing reserves, notes 7 and 28 provide more information on the Council's usable and non-useable reserves.

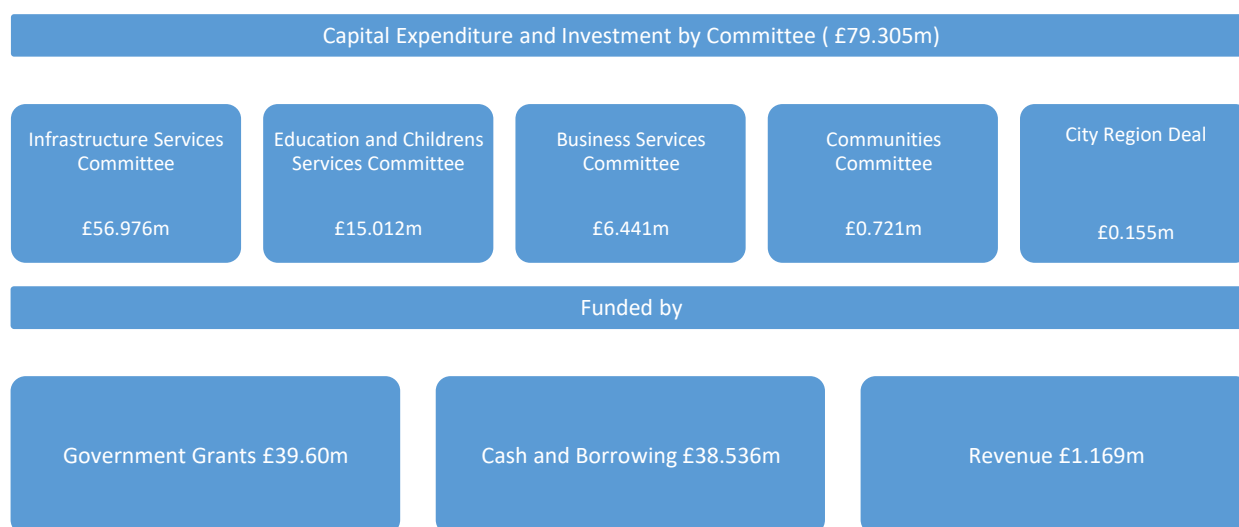
Aberdeenshire Council has a policy of holding a minimum of £9m as a General Fund Reserve. The General Fund is maintained as working balance to help cushion the impact of uneven cash flows and as a contingency to help with unexpected events or liabilities. £943,000 was drawn down from the balance in 2020/21.

Aberdeenshire Council's usable reserves increased by £32.362m to £78.884m by the end of the 2020/21. The movement in reserves was largely due to additional COVID-19 funding received from the Scottish Government to be utilised in 2021/22 to help mitigate the impact of COVID-19 which means that the increase in reserves is temporary.

Capital Investment and Expenditure

The Council has a large capital plan with planned expenditure running through to 2036. The plan consists of several major initiatives to enhance or replace assets in accordance with the Council's Priorities.

The most recent plan was approved at [Council in March 2021](#).



The key projects that were invested in in 2020/21 were: -

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

In 2020/21 Aberdeenshire Council planned to spend £145.459m on capital projects, this was subsequently revised in year to £160.071m. The final outturn position was £79.305m, 50% of the revised plan for the year. Whilst capital expenditure was lower than budgeted, the Capital Plan delivers large scale projects which can and will take longer to deliver than sometimes expected. The capital programme

was suspended for a period of around 3 months due to the COVID-19 lockdown and this was followed by a phased restart of works across sites.

Key projects that were delayed this year

- It was anticipated that some £5.738m would be required to fund land compensation payments pertaining to the Aberdeen Western Peripheral Route, it is however expected that these will progress in later years.
- Energy from Waste was impacted by COVID-19 which delayed construction works, as a result there was an underspend of £9.397m on this project.
- Out of the seven Council-led projects funded by the monies awarded by the Scottish Government to the Aberdeenshire Town Centre fund: Bridge Street, Banff; The Vinery; The Promenade in Stonehaven; Drummers Corner and the Banchory Museum and Library redevelopment have all been tendered. However, due to the COVID-19 restrictions, all projects were suspended, resulting in a £1.131m underspend.
- Early years (1140hrs) projects were delayed due to COVID-19 restrictions, this resulted in an underspend of £3.312m this year.
- Roads Resurfacing programme was severely impacted due to COVID-19 and this resulted in an underspend of £7.309m.

Housing Revenue Account

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

The HRA revenue and capital position is reported on a quarterly basis to both the Communities Committee and Full Council in line with the Financial Performance Monitoring.

When the 2020/21 Housing Revenue Account (HRA) budget was set in February 2020, a surplus of £19.517m was budgeted for, and as in previous years, it was agreed that this surplus would be used to fund the HRA Capital Programme, whilst maintaining a minimum working balance of £2m. The actual net revenue surplus at the end of the financial year was £16.126m, or £3.391m lower than budget.

HRA Account	2020/21 Budget £000	2020/21 Outturn £000	Variance from Budget £000
Revenue Expenditure	44,996	46,875	(1,879)
Revenue Income	(64,513)	(63,001)	(1,512)
Surplus – to fund CFCR	(19,517)	(16,126)	(3,391)
Capital Expenditure	64,801	42,560	22,241
Funded by:			
Borrowing	33,919	21,302	12,617
New Build Financing	9,975	4,742	5,233
Other Capital Income	1,390	390	1,000
CFCR	19,517	16,126	3,391
	64,801	42,560	22,241

The Housing Revenue Account (HRA) budget for 2020/21 was approved by Aberdeenshire Council on 13 February 2020 this budget is underpinned by the 30-year Business Plan which was reviewed in 2017/18 and has again been reviewed during the current reporting year. At the Communities Committee on 3 June 2021, a report entitled [Review of Housing Revenue Account Business Plan](#) was discussed with the agreement to support the recommendations to review of the Rent Strategy and Council internal costs recharged to the HRA and to continue to update and review the Business Plan as part of an ongoing process.

The Service has been severely impacted by COVID-19 with restrictions impacting the ability to let properties – particularly those within a Sheltered Housing setting – and an impact on working practices and therefore turnaround times. The Service has actively managed all disruption to ensure that has been kept to a minimum. Despite the restrictions in place 63 new build properties were delivered for let by Aberdeenshire Council with substantial activity beginning to deliver more in the coming years. Work has continued on the significant Housing Improvement Programme, a large part of which aims to achieve EESSH within Aberdeenshire Council Properties, with some 250 properties receiving internal wall insulation in 2020/2021.

Financial Performance Indicators

Financial Indicator	2019/20	2020/21	Commentary
Council Tax funding to overall level of taxation and non-specific grant funding	23.62%	21.70%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. For 2020-21 a 4.84% increase was agreed by Council.
Percentage of Income due from Council Tax received by the end of the year	96.34%	95.94%	Reflects the Council's effectiveness in collection Council Tax debt. This has reduced due to debt recovery being slowed down, there has not been a significant increase because of householders struggling to pay their Council Tax because of COVID-19.
Actual outturn as a percentage of budgeted expenditure	100.02%	104.61%	How closely expenditure compares to the budget reflects the effectiveness of financial management.
Total useable Reserves as a percentage of the Council's annual budgeted revenue	8.23%	13.08%	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. The level of reserves has increased significantly due to one off funding received.
Uncommitted General Fund Balance as a percentage of the Council's annual budgeted net revenue	1.59%	1.49%	Reflects the movement in the Uncommitted General Fund Balance and is linked to the actual outturn as a percentage of budgeted expenditure indicator above.
Ratio of Financing Costs to Net Revenue Stream – General Fund	6.62	6.80	This ratio provides an indication of the scale of the cost of borrowing compared to the Council's overall level of funding available.

Treasury Management and Prudential Indicators

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

The Council's Treasury Management Strategy aims to ensure borrowing is affordable, prudent and sustainable and that the borrowing to fund capital expenditure is contained within the agreed limits.

The key indicators are as follows: -

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

	2020/21 Capital Budget (£m)	2020/21 Outturn (£m)
General Fund	160.07	79.31
HRA	64.80	42.56
Total	224.87	121.87

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

	Treasury Management Strategy	2020/21 Outturn
General Fund	7.28%	6.57%
HRA	20.86%	14.17%

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

Indicator	Treasury Management Strategy (£m)	2020/21 Outturn (£m)
Capital financing requirement	1,009.00	988.00
Net Borrowing	927.00	868.00

4. Authorised limit and operational limit for external debt.

The authorised limit sets an absolute limit for the Council's total external borrowing. It is set to reflect current and proposed borrowing and contains an allowance for the estimated maximum temporary borrowing during the year to meet cash flow requirements. **The approved limit for 2020/21 was £1.086m, borrowing of £910m was incurred in the year, below that agreed.**

The operational limit is the limit beyond which external debt is not normally expected to exceed. It is however necessary to retain some scope for managing temporary cash shortfalls, hence the requirement to set a higher authorised limit. The authorised limit should not be breached in any circumstances without the prior approval of the Council. **The operational limit (budgeted provision for borrowing) for 2020/21 was £1,036m, the actual limit at 31st March was £910m, below that agreed.**

The Short-Term Borrowing value decreased this year from £216m to £186m. The borrowing strategy for 2020/21 was continued from that in 2019/20 to avoid incurring significant permanent new borrowing, as a result temporary borrowing continued to be used to help fund the capital plan, this resulted in around £1.4m of interest savings this year. To mitigate against possible loss of income cash flows from Council Tax and other income streams because of COVID-19, and with several existing loans due for settlement in the early part of 2021/22 we ensured that we had sufficient cash to meet our immediate commitments.

Financial Accounting

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

The Annual Accounts comprise of five core statements:

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

Other accounting activities are reported within these annual accounts, such as Charitable Trusts and Common Good movements administered by the Council. As part of the Accounts for 2020/21, Group Accounts have been prepared to reflect the Council's significant interest in the Aberdeenshire Integration Joint Board.

Group Accounts

Group Accounts are prepared where the authority has a material interest in another organisation. Aberdeenshire Council has a significant interest in the Aberdeenshire Integration Joint Board. The effect of including this entity in the Group Balance Sheet is to increase the net worth by £10.283m representing Aberdeenshire's share of the net assets. In 2020/21 Aberdeenshire Council contributed £130m to the Aberdeenshire Integration Joint Board for the provision of adult health and social care and community mental health services across Aberdeenshire.

Principal Risks and Uncertainties

The Council's risk management and business continuity activities focus on the key elements and themes documented in the Risk Management and Business Continuity Strategy. The risk management process uses a Risk Register structure which is aligned to the Council structure and it differentiates between strategic and operational risk. The **Corporate Risk Register** – contains the high-level strategic risks at a Corporate Level being the principal risks and uncertainties. These risks are broadly those faced by many public-sector organisations. The Corporate Strategic Risk Register is aligned to 10 Principal Risks as shown below.

Corporate Risks	Management and Controls
Budget Pressures	Budget setting process Strategic Leadership Team monitoring. Budget management at various levels
Changes in government policy, legislation, and regulation (including Education reforms and potential impact on integration of children's services; Brexit)	COSLA membership SOLACE membership Membership of professional bodies at Corporate & Individual level
Workforce (attracting and retaining the right skills; performance; culture; reward package; employee relations) Managing the disruption to jobs as innovation and technology improve productivity.	HR&OD Policies Recruitment Strategy Workforce Planning
Business and organisational change (including ensuring governance structures support change; and, managing the pace of change)	Project Management Process
Working with other organisations (e.g. supply chains, outsourcing, partnership working and commercialisation)	Partnership Policy Partnership Risk Registers Procurement Policy
Reputation management (including social media)	General Policy & Procedures for staff Social Media Policy Information Security Management Group
Social risk (e.g. population changes, poverty & social inequality, demographic changes, crime, antisocial behaviour)	Community Planning Partnership CONTEST Strategy & Implementation Plan Serious & Organised Crime Strategy & Implementation Plan

Corporate Risks	Management and Controls
Data Protection & Cyber Security	Information & Security Management Group Operational Controls Public Sector Cyber Catalyst
Operational Risk Management (including health & safety)	Risk Registers Operational Controls H&S Policies Accident Reporting Directorate & Service Risk Committees Occupational H&S Sub Group
Environmental challenges e.g. extreme weather events, climate change. (This includes localised risks around flooding and air pollution and the need for communities to display resilience) The achievement of Net Zero by 2045 is recognised as very challenging and has been reported to Council (24 June 2021), however the commitment is in place as is the approach to how we deliver services.	Emergency Planning Arrangements Business Continuity Plans Climate Change Adaptation Strategies Community Resilience

The Corporate Risk Register and Directorate Strategic Risk Registers can be viewed in the appendices to the Risk Management Review Annual Report which was presented to the [Audit Committee](#). Under the Council's Scheme of Governance, the consideration of Corporate and Directorate Specific Risks is integral to the Committee decision making process with report authors required to highlight the risks that are relevant to the subject matter being considered.

The Council's Risk Management arrangements were subject to review during 2020/21 and following a report on the [1 July 2021](#), Audit Committee agreed to support the recommendations from the Review and to receive a report back in November 2021, following consultation with the various Area and Policy Committees.

Governance

The Council moved swiftly following the onset of the pandemic in March 2020 to adapt and build on our existing governance arrangements to ensure the continuation of committee business and preservation of the democratic process. On 18 March 2020 Full Council agreed an Emergency Addendum to the Scheme of Governance with the aim of facilitating online meetings and providing for a single source of consolidated decision making in the form of the Consolidated Business Committee, which could be called upon in the event of significant disruption preventing the Council from carrying out business in the usual way. At the same time, clear advice was provided to officers in the form of guidance on the use of delegations and special urgency powers in the context of the unprecedented nature of the pandemic. These measures ensured that there was clarity on decision making, oversight and monitoring in a changing environment.

Procedures and protocols for online meetings were developed at pace, resulting in the first fully online meetings – Formartine Area Committee and Kincardine and Mearns Area Committee - taking place on 24th March 2020. The ability to move meetings online in such a short period of time reflected the Council's ability to adapt to the changing situation with the support of prior investment in technology and a proactive and prescient approach by officers. Online meetings of the Council and its Committees have continued as the default since March 2020, subject to ongoing review by Full Council, and have largely followed the calendar of meetings agreed pre-pandemic, with minimal interruption.

In response to the pandemic the Council established new temporary apparatus within its governance as well as fully utilising its existing decision-making structures to respond and ensure cross-Council and cross-party input to the Council's Recovery Strategy. In doing so, it delivered an integrated and co-ordinated "One Council" approach as we adapted to the Scottish Government phasing out of lock down and to "Living with COVID-19". In particular, on 25 June 2020, Full Council agreed to establish the Recovery Reference Group to provide strategic oversight of the Council's transition from the response phase of the pandemic, with the ability to make comment, observations, and recommendation to Full Council and all of its Committees. The temporary measures now removed, existing mechanisms within the Council will take forward the Elected Member oversight of future recovery activity.

As the vaccine programme rolls out and there is easing of restrictions, the Council will continue to play a critical role in supporting recovery. The framework for this is set out in the Council Plan and strategic priorities, which were refreshed in October 2020 to reflect the changing demands on the Council because of the pandemic.

This work is underpinned by significant feedback from our residents, collated through a Community Impact Assessment. This was initially carried out by the Council in August 2020 and updated again, this time in collaboration with Aberdeenshire Community Planning Partnership during June to August and reporting to Council in September 2021. The information and data gained through this exercise has informed and shaped a range of plans moving forward, not least the Council Plan and revised Strategic Priorities.

Elected Member and Chief Officer Changes

During 2020/21 there were changes in Political and Chief Officer personnel. Councillor Andy Kille was appointed the Leader of the Council in November 2020 replacing Councillor Jim Gifford. New appointments were made to Chief Officer Health and Social Care Partnership, Director of Infrastructure Services and a new S95 Officer appointed.

Best Value

In October 2020, the Best Value Assurance Report for Aberdeenshire Council was published by the Accounts Commission and was considered at a meeting of the Council on [20 November 2020](#). A Best Value Action plan which addressed the ten recommendations within the report was agreed, with the completion dates set for many of the actions within the 2020/21 Financial Year. It was agreed that an update on progress against the action plan and any ongoing best value audit activity relating to the Council would be reported to Full Council on a six-monthly basis by the Leader of the Council and the Chief Executive.

The first of the actions to be completed was the setting of the new Council Priorities in July 2020 and a new Council Plan agreed in September 2020.

Another key action was to ensure that the Best Value actions were incorporated within a Corporate Improvement Plan which was agreed at Audit Committee on the [25 March 2021](#), with the Committee now receiving quarterly updates on progress thereby ensuring scrutiny, challenge and oversight of progress with implementation. The report identified areas of strengths and areas where improvements need to be made. At the half year reporting of progress on 29 April 2021 it was noted that of the 27 actions agreed, 7 had been completed, 16 were in progress and 5 actions were overdue. Whilst accepting that COVID-19 had impacted on the ability to complete some actions, the Strategic Leadership Team brought about a refocus and the last update report to Council in November 2021 showed all but 2 actions which are currently in progress and on target to be achieved by the agreed deadline, have been completed.

The progress and improvements brought about following the recommendations are reflected in a report to Council on [18 November 2021](#).

Some of the achievements reflected in the report

- A new Performance Management Framework was approved at Council on 24 June 2021
- Revised Directorate and Area Plans which reflect the Local Government Benchmarking Framework indicators have been approved
- Audit Committee has agreed to implement the Public Service Improvement Framework self-evaluation model across the organisation
- A new void procedure for Council Housing has been completed
- The strategy for the 1140 Early Years provision has now been successfully rolled out
- The Community Planning Partnership on the 15 September 2021 approved a performance management framework with performance indicators to track performance in achieving the Local Outcome Improvement Plan.

2021 and beyond

As the Council moves into a new year there remains significant financial challenges in the immediate and longer term as the impact of COVID-19 becomes apparent. As the furlough scheme comes to an end there is an increased risk in individuals defaulting in payments for Council Tax and other chargeable services. There is also likely to be increasing call for the Council to put more of its financial resources into helping the local economy recover, supporting young people in terms of their educational recovery, assist our Community Planning Partners with their Local Outcome Improvement Plans, especially in relation to mental health and wellbeing and the Health and Social Care Partnership whose work will be impacted by the NHS backlogs and the development the National Care Service.

Whilst funding from the UK and Scottish Governments has enabled us to continue to provide key services and deliver on new emerging priorities, there is uncertainty around future annual revenue grant and COVID-19 funding as well as councils' ability to increase future Council Tax levels. When these funding challenges are set against a backdrop of increasing levels of demand for Council services, the 2020/21 pay award settlements, anticipated cost increases and procurement challenges following BREXIT, the Council recognises that there are tough times ahead in providing the current scope and standard of services whilst delivering a balanced budget.

The Council has played a key role in administering various business support grant funding schemes on behalf of the Scottish Government. Over £73.8m of support grant funding was allocated to Aberdeenshire to provide support grants to businesses facing closure or restrictions over the last 12 months. Of this, Aberdeenshire Council has paid out over £65.1m to eligible businesses with the remainder being carried forward to continue to support businesses in to 2021/22. As we are acting as agents for the Scottish Government, these amounts do not form part of the reported Income and Expenditure. We have received funding of £659,000 to help cover the administration costs of these schemes.

The pandemic has had a huge impact on young people with their education being moved to remote learning during the two national lockdowns. Scottish Government provided funding of over £12.8m to support the remote learning in terms of provision of digital devices and additional teachers and support staff, and to enable the safe reopening of schools and the additional costs around cleaning, transport and PPE that are now required. £9.5m of this funding has been carried forward to support the ongoing education recovery in 2021/22.

Scottish Government have also provided general funding in response to the pandemic of £25.8m and Loss of Income funding of £7.6m. Of this, £20.8m was used in 2020/21 to fund 2020/21 pressures, with £12.6m being carried forward in reserve for 2021/22. A summary of the Scottish Government Funding allocated in response to the Pandemic are in the table below:

	Allocated 2020/21 £000	Carried Forward at 31 March 2021 £000
Food Fund and Funding for those at Financial Risk	2,610	974
Education Recovery	12,836	9,471
Health and Social Care	6,109	-
Children's Services and Mental Health	1,319	605
Free School Meals	1,210	-
General Flexible Funding	25,874	12,624
Loss of Income	7,614	-
Other Funding	2,454	-
Discretionary Funding	8,356	6,798
Sub Total – Funding to Council	68,831	30,472
Business Support Grants (Agency)	73,841	8,712
Total Scottish Government Funding 2020/21	142,222	39,184

We have begun to re-open many of our facilities using a phased approach and are assessing the sustainability of some of our services. We are yet to see the full impact on the Local Authority going forward and how our customers and residents will respond as we return our services. There is likely to be significant challenges remaining for some time for the economic health of the country and its public finances in both the short and medium term.

The Local Government Finance Settlement for 2021/22 for Aberdeenshire Council included additional one-off funding of £12.501m to continue to respond to issues and pressures arising from the pandemic but any future funding remains unclear at this time. It is apparent that there will be significant pressures on national budgets and commitments have already been made to invest heavily in other areas of the public sector such as the NHS. This carries the risk of significant reductions to unprotected budgets such as local government.

The Council is committed to reducing carbon emissions and reaching a net zero position as per agreements already in place through Full Council. The next steps to achieve this include a demonstrable link between the carbon budget and financial budget via the development and link of the Medium Term Financial Strategy to a new Medium Term Carbon Strategy. At the Council meeting on 24 June 2021, £100,000 was committed to accelerate the work associated with the production of the Medium Term Carbon Strategy.

The establishment of a Medium-Term Carbon Strategy will commence in 21/22 setting out the targets to be met and the links to the Medium-Term Financial Strategy as the Council move towards its goal of Net Zero. Taking a strategic and facilitative role to the development and delivery of more sustainable businesses and jobs across Aberdeenshire through Net Zero projects will continue to be an objective.

In accordance with the Scottish Government Empowerment Agenda for schools the Council is reviewing its Devolved School Management Scheme for implementation in April 2022 and is working towards other Scottish Government policy commitments including Free School Meals expansion (P4 and P5); removal of fees for Instrumental Music Services (IMS); increases to School Clothing Grants; and removal of Core Curricular Charges (CCC).

The Strategic Leadership Team continues to monitor and seeks to mitigate in year pressures and is developing the 2022/23 budget strategy. At the time of writing, it is recognised that the increase in material prices such as timber, cement and bitumen will have an impact on the cost and timing of delivering major projects such as the Housing Revenue Account Capital Programme and elements of the General Fund Capital Plan. Also the Local Government and Teachers Pay Award for 2021/22 has not been settled. Scottish Government has indicated that there will be some £30m set aside to support Councils fund this pay award, at the time of writing the Council awaits its final funding allocation. The Strategic Leadership Team recognises the financial challenges ahead and acknowledges that Directorates will need to consider all options to reconfigure services and potentially use different operating models to provide services in a different, more cost-effective way to ensure best value to the Council to mitigate against future pressures manage community expectation and minimise service reductions.

Acknowledgements

Thanks must go to all the elected members, officers, and employees of the Council for their support and co-operation during the challenging and unprecedented year. Their hard work, commitment and adaptability has ensured the efficient, effective, and economical use of the Council's finances to provide the best services to the people of Aberdeenshire – from mountain to sea.

Councillor Andy Kille
Leader of the Council

Jim Savege
Chief Executive

Mary Beattie
Head of Finance

On behalf of the Councillors and Strategic Leadership Team

17 December 2021

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

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

Signed on behalf of Aberdeenshire Council

Councillor Andy Kille
Leader of the Council
17 December 2021

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 2021.

Mary Beattie, FCCA
Head of Finance
17 December 2021

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 way it performs 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 2021 and up to the date of signature of the Council's Annual Accounts for 2020-21.

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 2020-21, 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

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 2021 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. The diagram on the next page 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"> • The Scheme of Governance including the Financial Regulations • Councillors Code of Conduct • One Aberdeenshire Principles • Corporate Integrity Group • Financial and Legal Monitoring Officers • Counter Fraud Strategy • Integrated Impact Assessments • Fairer Scotland Duty
Principle 2: Ensuring openness and comprehensive stakeholder engagements	<ul style="list-style-type: none"> • Council Plan • Local Outcome Improvement Plan • Directorate and Area Plans • Engagement & Participation Policy • Participation Requests • Participatory Budgeting • Live Webcasting • Minimising exempt reports • Budget Engagement • Partnership Reviews and Reporting • Engage Aberdeenshire • Community Impact Assessment
Principle 3: defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Council Plan and Strategic Priorities • Performance Reporting • Community Benefits in Procurement • Carbon Budget • Climate Change Commitment • Aberdeenshire's Digital Strategy • Procurement Strategy
Principle 4: determining the interventions necessary to optimise the achievements of the intended outcomes	<ul style="list-style-type: none"> • Legal and Financial Monitoring • Integrated Impact Assessments • Budget Setting Process • Medium Term Financial Strategy • Performance Reporting • Financial Performance Reports • Capital Plan Monitoring • Carbon Budget • Risk Registers • Policy Review
Principle 5: Developing the entity's capacity including the capability of its leadership and the individual within it	<ul style="list-style-type: none"> • Councillors Roles and Responsibilities • Multi Member Ward Guidance • Training and CPD for Councillors • Committee Workshops • Leadership Forum • Learning and Development programme • ALDO (Aberdeenshire Learning & Development Online) training • Workforce Strategy • HR Policies and Procedures
Principle 6: Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Corporate Risk Group • Corporate, Directorate & Operational Risk Registers • Committee Reports • Financial Performance Reporting • Audit Committee • Internal Audit • Financial Regulations • Capital Plan • Strategic Leadership Team • Contracts Register
Principle 7: implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> • Budget engagement • Web Casting of Committee Meetings • Annual Review Reports • Corporate Improvement Plan • Scrutiny Reports • Performance Reports • Internal Audit Charter • Notices of Motion • Audit Committee • External Audit Reports to Committee • Committee Review Process

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. An Annual Review of the Scheme of Governance was presented to Full Council on [14 January 2021](#) and was approved on [11 February 2021](#).

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 24 September 2020 providing progress against the previous 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. This means everyone understands their part in the delivery of the new priorities and what we can do to help make a difference. Directorate plans are being developed to provide detail around how outcomes will be delivered and will focus on performance and improvement and will include performance measures, benchmarking and accountability for delivery. Area plans will ensure 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 has been developed and will be considered by Full Council on 24 June 2021.

The Council's revised Medium Term Financial Strategy, was agreed by Councillors on [19 November 2020](#), and is the financial embodiment of the Council Plan. The Council's [performance](#) management and reporting framework in conjunction with the [Risk Management and Business Continuity Strategy](#) are the tools which Councillors will use to scrutinise delivery of the Council Plan. In addition to this and in response to the COVID-19 pandemic, Aberdeenshire Council Recovery Strategy was approved by Councillors on [23 July 2020](#).

In accordance with the 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 Committees

The Impact of COVID-19 on the Governance Framework

Since the onset of the COVID-19 pandemic, the Council has adapted its governance arrangements to reflect the new environment the Council is operating in and to preserve the democratic decision-making process. The changes introduced in response to the pandemic include:

- On [18 March 2020](#) Full Council agreed to adopt a new Part 5 of the Scheme of Governance (Supplementary Addendum in response to COVID-19 Pandemic), with the aim of further facilitating remote participation at meetings and provide for a single source of consolidated decision making in the event of significant disruption preventing the Council from carrying out business in the usual way.
- On [10 June 2020](#) Full Council agreed to establish the COVID-19 Recovery Reference Group to oversee the transition from the response phase of the COVID-19 pandemic. It was agreed that the COVID-19 Recovery Reference Group would fulfil the remit of the Procedures Committee.
- On [24 September 2020](#) Full Council agreed to the continuation of Committee on a virtual basis with a further review at Full Council on 14 January 2021. It was also agreed that the provision of electronic agendas would continue with options for providing hard copies to Chairs if required or to Members for the purposes of addressing an equalities issue.

In addition, arrangements were put in place to enable Members to have broad oversight of the extent to which decisions were being taken through the use of officers' special urgency powers through regular reporting to each meeting of Full Council, where required. An Outstanding Business item was also introduced for agendas of Full Council so it was clear to Members what work had particularly been paused as a result of the pandemic.

During the emergency response phase of the pandemic a range of different Council services had to be changed, adapted and in some cases stopped altogether. To assist with determining what, if any reinstatement or adaptation was needed to ensure appropriate

provision of scope and standard of services the Council established the Adaptive Services Board (ASB), comprising senior officers from across the Council. ASB was a clearing house and engine room to allow cross Service consideration of post COVID-19 activity to ensure an integrated and coordinated One Council approach. The aim of ASB was to coordinate and ensure integrated service planning propositions that would be taken forward to SLT, the Recovery Reference Group or where, if required, Full Council or Committee.

A Review of COVID Governance was considered by Full Council [14 January 2021](#) which disestablished the COVID-19 Recovery Reference Group. A review specifically of virtual meetings was considered 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 work ongoing to develop an options appraisal for hybrid meetings.

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 which carry out audits or inspections of the Council. A new process for evaluating and endorsing compliance with the Local Code was agreed by Audit Committee on [25 March 2021](#) and is as follows:

- 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

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

Aberdeenshire Council adopted the How Good is Our Council self-evaluation framework in 2012 and a review was carried out in 2016. The framework promotes a holistic approach to continuous improvement and evaluation, mapped to a number of established performance improvement frameworks including The EFQM Excellence Model, Best Value principles and the Local Government Benchmarking Framework (LGBF).

The self-assessment indicated the governance framework 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 issues and areas for improvement during 2021/22 have been identified through the self-assessment exercised against the Local Code:

Issue	Improvement action
Embedding a performance management culture	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.
	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
	Implement new self-evaluation framework aligned to the Code of Corporate Governance
Embedding risk management	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.
Impact on the local community	Promote service design approach by involving customers in our decision-making and shaping service delivery
	Work with citizens to help them to realise their digital aspirations through delivery of the Digital Strategy
Working together across services	Develop and implement governance frameworks to support and promote cross service working and collaborative projects

The Council's senior management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Interim Chief Internal Auditor has the responsibility to review these independently, and report to the Audit Committee annually on the adequacy and effectiveness of the Council's internal control environment. The Interim Chief Internal Auditor has reviewed the Council's internal control environment, and, in his opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2021. On balance, most of the audited areas were operating as anticipated. Areas of good practice, improvement, and procedural compliance have been identified. Most recommendations made by Internal Audit during 2020/21 related to general improvements to procedures, and the requirement to consistently evidence adherence to them. However, as in previous years, some significant issues have been identified throughout the year, including breaches of the Council's financial and procurement regulations, segregation of duties, delegated authority, data protection and compliance with the Council's Following the Public Pound policy. Fraud risks have also been identified and are being investigated.

Whilst the foregoing indicates various risk areas, the majority 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 outstanding at the end of the year, including various actions relating to Services' application of the Council's charging policy framework, and procurement compliance. The outcome of these audits, along with others, and concerns regarding the implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year. Management has highlighted in these reports that, where necessary, progress with implementing actions has been delayed where resources have been prioritised to support the Council's response to the COVID-19 pandemic, which is considered to be an appropriate and proportionate response to the management of the relative risks. A substantial number of actions have however been progressed and concluded during the year.

The Interim 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 2020/21.

Impact of COVID-19 on Risk

During the COVID-19 pandemic, a COVID-19 Special Strategic Leadership team was established to provide strategic direction to Aberdeenshire Council, ensuring effective liaison and co-ordination between services. The membership of COVID-19 Special Strategic Leadership team was expanded from the Strategic Leadership Team (Chief Executive, Directors, Monitoring Officer, Section 95 Officer and the Chief Social Work Officer) to include the former Head of HR and OD, the Head of Customer and Digital Services, and an Area Manager with civil contingencies and risk advice provided by the Risk and Resilience Manager. The team was responsible for maintaining an overview of the wider consequences of the response to COVID-19, monitoring any and all risks to Aberdeenshire Council, including those in relation to COVID-19 and those which may impact the Council's ability to discharge its critical activities and statutory duties. A weekly check-in with all of the Corporate Leadership team also offered the opportunity to share situational awareness and monitor any risks arising with the Council.

Following the stand-down of the COVID-19 Special Strategic Leadership team, the Adaptive Services Board was established to manage Service re-instatement. Any identified risks were reported to Strategic Leadership Team. Adaptive Services Board had rotating membership and offered the opportunity for cross-organisational collaboration and peer review in order to identify any risk and the interdependencies on multi-service delivery.

Throughout the course of the pandemic, Services have 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.

Since the inception of the new Risk and Resilience Team in January 2020 a full review of all areas of the remit, which covers Risk Management, Business Continuity, Emergency Planning, Emergency Response, Resilience, Serious Organised Crime, Counterterrorism, EU Exit and Public Safety, is in progress with proposed improvement plans to be produced throughout the course of 2021. Whilst the Risk and Resilience Team have been at capacity dealing with the response to COVID-19 and several concurrent incidents, significant progress on the full review has been made.

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.

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. 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 2020/21

The financial context within which the Council was operating in 2020/21 was a particularly challenging one. A report to Council on 25 June 2020 set out the predicted negative impact on the Council's financial position due to the current pandemic and resulting operating conditions, and it was agreed that a revised Medium Term Financial Strategy (MTFS) be developed to enable financial resources to be prioritised, allocated and managed to support the future delivery of services as well as the effective planning, restructuring and delivery of a balanced budget. The revised MTFS provided £60m of savings and efficiencies, together with a reprofiling of the Councils capital plan and use of reserves to ensure a balanced position by March 22 was approved by Council on 19th November 2020. . It underpinned the 2021/22 Annual Budget which was approved at Council in March 2021.

Accountability and action plans

Progress on the actions identified 2019/20 action plans is as follows:

Area for Improvement	Status
An effectiveness review will be undertaken to review the operation of the Audit Committee against its remit within the Scheme of Governance.	Complete
Scheme of Governance - revise and review appropriate inclusion of Loans and Grants within Scheme of Governance	Complete
The work of the Audit Committee will be the subject of a formal report to Full Council in line with the Policy Committees.	Complete
Support and deliver training on governance arrangements within Community Councils.	Complete
Strengthen the transparency of community engagement.	Complete
Review arrangements for provision of information to Community Groups, including the availability of funding streams.	Complete.
Promote opportunities for community groups to use participation requests.	Complete
Undertake a programme of work to strengthen the linkages between policy approval, implementation, performance and outcomes.	Complete
Review and revise service level agreements and provide clarity on their content and use.	Complete
Complete a programme of activities aimed at providing a more rigorous approach to the implementation of audit recommendations.	Complete
Promote the Partnership Policy/Framework across the organisation.	Complete
Set out objectives for embedding One Aberdeenshire for the year ahead.	Complete
Provide clear guidance to managers in support of Personal Performance Plans.	Complete
Increase visibility of our leadership in relation to embedding vision in support of future council and One Aberdeenshire, with a focus on leadership development.	Complete

Area for Improvement	Status
Support Councillors in providing leadership to the organisation in the delivery of their strategic priorities.	Complete
Embed project prioritisation process that incorporates benefits to demonstrate value for money, inform project approval and assign resources.	Complete
Develop peer support and challenge mechanisms which sets out how and when these are to be used.	Complete
Develop medium-term resource plans demonstrating integrated financial and workforce capacity to deliver agreed council priorities.	Complete
Review the interaction of financial performance reporting with the Committee cycle.	Complete
Review the use of performance data and benchmarking by services to drive continuous improvement.	Complete
Review of budget setting process to ensure budgets are aligned to Council priorities, Service Plans and outcomes.	Complete
Provide greater levels of transparency and accountability in the lead up to key decisions.	Ongoing
Audit Committee will receive quarterly progress reports on the Annual Governance Statement Action Plan.	Complete
The draft Annual Governance Statement for 2020/21 will be the subject of a report to all the Policy Committees for discussion and comment prior to being put before Audit Committee.	Complete

Conclusion

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

Jim Savege Councillor Andy Kille
Chief Executive Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council

17 December 2021

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 2020/21 the salary for the Leader of Aberdeenshire Council is £41,662 (2019/20 £40,765). 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 2020/21 totalled £523,798 (2019/20 £511,703) 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 38](#) and the costs identified on [page 35](#) of this report.

Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

Table A: Payments to Councillors

The Council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors below) during the year:

Restated 2019/20 £'000	Type of Remuneration	2020/21 £'000
1,403	Salaries	1,428
105	Expenses	12
1,508	Totals	1,440

The annual return of Councillors' salaries and expenses for 2020/21 is available on the Council's [website](#).

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

Total Remuneration (Restated) 2019/20 £	Pension Contributions 2019/20 £	Name	Salaries, Fees and Allowances 2020/21	Total Remuneration 2020/21	Pension Contributions 2020/21 £	Accrued Pension Benefits		
							As at 31 March 2021 £'000	Difference from 31 March 2020 £'000
16,079	3,319	Richard Thomson	-	-	-	Pension	4	-
11,784	2,274	Rosemary Bruce	23,435	23,435	4,523	Lump Sum	-	-
40,765	7,868	James Gifford	26,386	26,386	5,092	Pension	2	1
26,752	5,163	Isobel Davidson	27,341	27,341	5,277	Lump Sum	-	-
30,575	5,901	Gillian Owen	31,248	31,248	6,031	Pension	8	-
22,931	4,426	Alistair McKelvie	23,435	23,435	4,523	Lump Sum	2	-
26,752	5,163	Moirra Ingleby	22,343	22,343	4,312	Pension	6	-
26,753	-	Ron McKail	27,342	27,342	-	Lump Sum	2	-
26,752	-	Wendy Agnew	27,341	27,341	-	Pension	7	-
30,575	5,901	William Howatson	31,248	31,248	6,031	Lump Sum	2	-
30,575	5,901	Ross Cassie	31,248	31,248	6,031	Pension	2	-
11,211	2,164	Iris Walker	-	-	-	Lump Sum	-	-
22,931	4,426	Mark Findlater	23,435	23,435	4,523	Pension	9	1
324,435	52,506	CARRIED FORWARD	294,802	294,802	46,343	Lump Sum	2	-
						Pension	-	-
						Lump Sum	-	-
						Pension	-	-
						Lump Sum	-	-
						Pension	8	1
						Lump Sum	2	-
						Pension	4	1
						Lump Sum	-	-
						Pension	3	-
						Lump Sum	-	-
						Pension	4	1
						Lump Sum	-	-
							67	5

Remuneration Report

Total Remuneration (Restated) 2019/20 £	Pension Contributions 2019/20 £	Name	Salaries, Fees and Allowances 2020/21 £	Total Remuneration 2020/21 £	Pension Contributions 2020/21 £
324,435	52,506	BROUGHT FORWARD	294,802	294,802	46,343
30,575	5,901	Elizabeth Stirling	31,248	31,248	6,031
26,752	5,163	Andrew Kille	32,592	32,592	6,290
26,752	5,163	Fergus Hood	26,827	26,827	5,178
26,752	5,163	Norman Smith	27,341	27,341	5,277
22,931	4,426	John Cox	23,435	23,435	4,523
30,575	5,901	Peter Argyle	31,248	31,248	6,031
22,931	-	Michael Roy	4,166	4,166	-
-	-	Doreen Mair	19,122	19,122	3,691
-	-	Gwyneth Petrie	22,979	22,979	4,435
-	-	John Latham	4,998	4,998	965
-	-	Judy Whyte	5,040	5,040	973
511,703	84,223	TOTALS	523,798	523,798	89,737

Accrued Pension Benefits		
	As at 31 March 2021 £'000	Difference from 31 March 2020 £'000
	67	5
Pension	7	-
Lump Sum	2	-
Pension	2	-
Lump Sum	-	-
Pension	5	-
Lump Sum	-	-
Pension	3	1
Lump Sum	-	-
Pension	4	-
Lump Sum	-	-
Pension	5	1
Lump Sum	-	-
Pension	-	-
Lump Sum	-	-
Pension	2	1
Lump Sum	-	-
Pension	2	1
Lump Sum	-	-
Pension	3	-
Lump Sum	-	-
Pension	1	-
Lump Sum	-	-
	103	9

Remuneration Report

Name	Post Title	Period in Office
James Gifford	Council Leader	18 May 2017 – 18 November 2020
Andrew Kille	Council Leader	From 19 November 2020
James Gifford	Chair – Business Services Committee	18 May 2017 – 18 November 2020
Andrew Kille	Chair – Business Services Committee	From 19 November 2020
Peter Argyle	Deputy Council Leader	From 18 May 2017
	Chair – Infrastructure Services Committee	From 18 May 2017
William Howatson	Provost	From 18 May 2017
Richard Thomson	Leader of the Main Opposition	18 May 2017 – 07 April 2020
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

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
Michael Roy	Vice Chair – Communities Committee	26 September 2019 – 4 June 2020
Doreen Mair	Vice Chair – Communities Committee	25 June 2020 – 14 December 2020
Judy Whyte	Vice Chair – Communities Committee	From 14 January 2021
Andrew Kille	Chair - Banff and Buchan Area Committee	29 August 2017 – 14 December 2020
Doreen Mair	Chair – Banff and Buchan Area Committee	From 15 December 2020
Moirra Ingleby	Chair - Marr Area Committee	1 April 2016 – 25 January 2021
John Latham	Chair – Marr Area Committee	From 26 January 2021
Wendy Agnew	Chair - Kincardine and Mearns Area Committee	From 13 June 2017

Remuneration Report

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 2020/21 there was no payment for bonuses, taxable expenses, compensation for loss of employment, and non-cash benefits. These columns have been removed from the above table.

Note 5: Leader of the Main Opposition Richard Thomson was elected as an MP in December 2019. He received no salary payments in 2020/21. He formally resigned on 24 April 2020. Cllr Gwyneth Petrie was appointed as SNP Group Leader on 8 April 2020.

Table C: Remuneration and Pension Benefits of Senior Employees

Total Remuneration 2019/20 £	Pension Contributions 2019/20 £	Name and Post Title	Salaries, Fees and Allowances 2020/21 £	Total Remuneration 2020/21 £	Pension Contributions 2020/21 £
162,280	29,277	Jim Savage: Chief Executive	154,426	154,426	28,056
124,009	23,378	Laurence Findlay: Director of Education and Children's Services	124,763	124,763	24,079
121,129	23,378	Stephen Archer: Director of Infrastructure Services <i>until 31 December 2020</i>	93,572	93,572	18,059
124,153	23,378	Ritchie Johnson: Director of Business Services	124,763	124,763	24,079
92,092	17,685	Alan Wood: Head of Service (Finance) <i>until 17 January 2021</i> and Director of Infrastructure Services <i>from 18 January 2021</i>	98,707	98,707	19,050
-	-	Mary Beattie: Head of Service (Finance) <i>from 22 January 2021</i>	17,810 <i>(full year equivalent 92,017)</i>	17,810	3,437
92,571	17,242	Karen Wiles: Head of Service (Legal and People)	92,177	92,177	17,759
716,234	134,338	TOTALS	706,218	706,218	134,519

Accrued Pension Contribution		
	As at 31 March 2021 £'000	Difference from 31 March 2020 £'000
Pension	19	3
Lump Sum	-	-
Pension	54	4
Lump Sum	-	-
Pension	92	4
Lump Sum	-	-
Pension	54	4
Lump Sum	78	3
Pension	43	4
Lump Sum	66	5
Pension	24	3
Lump Sum	32	3
Pension	19	2
Lump Sum	-	-
	481	35

Notes to Table C:

The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2021 includes £2,608 received as the Returning Officer for Aberdeenshire in respect of the 2020 Ellon and Distract Ward By-Election.

The Head of Service (Legal and People) also received payments relating to the 2020 Ellon and District Ward By-Election of £160 during the year ended 31 March 2021.

For 2020/21 there was no payment for bonuses, taxable expenses, and non-cash benefits. Therefore, no information on these has been included in the table above.

The Chief Social Work Officer (Iain Ramsay) is appointed by Aberdeenshire Council and employed by NHS Grampian, who meet the costs of his substantive role as a Partnership Manager in Aberdeenshire's Health and Social Care Partnership. Aberdeenshire Council meets the costs of the additional salary paid (£3,944), (2019/20 £5,000) via budget transfer to NHS Grampian for this post in recognition of the role it has on advising the local authority on its full range of statutory duties and influence in decision making.

Remuneration Report

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 2019/20	Remuneration Bands	No of Employees 2020/21
238	£50,000 - £54,999	293
198	£55,000 - £59,999	176
55	£60,000 - £64,999	100
25	£65,000 - £69,999	37
6	£70,000 - £74,999	6
14	£75,000 - £79,999	8
4	£80,000 - £84,999	7
23	£85,000 - £89,999	15
1	£90,000 - £94,999	6
-	£95,000 - £99,999	1
-	£100,000 - £104,999	-
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
3	£115,000 - £119,999	-
-	£120,000 - £124,999	3
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
1	£145,000 - £149,999	-
-	£150,000 - £154,999	1
-	£155,000 - £159,999	-
568	TOTALS	653

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 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 from 2020/21 and 2019/20 are disclosed below.

Contribution Rates	Pensionable Pay 2020/21	Pensionable Pay 2019/20
5.50%	Earnings up to and including £22,200	Earnings up to and including £21,800
7.25%	On earnings above £22,201 and up to £27,100	On earnings above £21,801 and up to £26,700
8.50%	On earnings above £27,101 and up to £37,200	On earnings above £26,701 and up to £36,600
9.50%	On earnings above £37,201 and up to £49,600	On earnings above £36,601 and up to £48,800
12.00%	On earnings above £49,601	On earnings above £48,801

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

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

Termination Benefits

Table E: Exit Packages

	Compulsory	Compulsory	Voluntary	Voluntary
	Number	Value £'000	Number	Value £'000
Bandings 2020/21				
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
	13	110	111	3,944
Total				4,054
Bandings 2019/20				
Up to £19,999	3	12	6	67
£20,000 up to £39,999	1	21	8	220
£40,000 up to £59,999	-	-	3	138
£60,000 up to £79,999	-	-	-	-
£80,000 up to £99,999	-	-	-	-
£100,000 up to £149,999	-	-	2	225
£150,000 up to £199,999	-	-	1	191
£200,000 up to £249,999	-	-	-	-
£250,000 up to £299,999	-	-	2	552
	4	33	22	1,393
Total				1,426

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:	18.00	7.00
FTE trade union representatives:	16.18	3.08

Table G: Percentage of working hours spent on facility time

	All
0%	2
1-50%	18
51-99%	2
100%	3

Table H: Total pay bill and facility time costs

	Non-teaching	Teaching
Total pay bill:	£267,260,640	£163,368,803
Total cost of facility time:	£117,796	£63,518
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:	6,816	1,783
Hours spent on paid trade union activities:	332	138
Percentage of total paid facility time hours spent on paid TU activities:	4.87%	7.74%

Councillor Andy Kille
Leader of the Council

Jim Savege
Chief Executive

On behalf of the Councillors and Officers of Aberdeenshire Council

17 December 2021

Independent Auditor's Report

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 2021 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 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 five 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 council's ability 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.

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- 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 skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

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.

Statutory other information

The Head of Finance is responsible for the statutory other information in the annual accounts. The statutory 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 statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether 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 statutory 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 statutory 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 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

17 December 2021

Expenditure and Funding Analysis for year ended 31 March 2021

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

Restated Net Expenditure Chargeable to the General Fund and HRA Balances 2019/20 £'000	Restated Adjustments Between the Funding and Accounting Basis 2019/20 £'000	Restated Net Expenditure in the CIES 2019/20 £'000		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	Notes Ref
			Aberdeenshire Services				
39,877	13,205	53,082	Business Services Committee	42,110	18,565	60,675	
132,813	14,329	147,142	Communities Committee	152,608	12,868	165,476	
309,713	62,976	372,689	Education and Children's Services Committee	352,086	14,153	366,239	
62,517	39,821	102,338	Infrastructure Services Committee	67,094	33,682	100,776	
-	9,648	9,648	Housing Revenue Account	-	2,318	2,318	
544,920	139,979	684,899	NET COST OF SERVICES	613,898	81,586	695,484	
(537,092)	(35,415)	(572,507)	Other (Income) and Expenditure	(647,815)	(10,030)	(657,845)	
7,828	104,564	112,392	(Surplus)/Deficit	(33,917)	71,556	37,639	5
(31,523)			Opening General Fund and HRA Balance at 1 April	(24,780)			
7,828			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year	(33,917)			
(1,085)			Transfer from Statutory Reserves	(1,273)			
(24,780)			Closing General Fund and HRA Balance at 31 March	(59,970)			

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 2020/21	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Statutory Differences £000	Total Statutory Differences £000	Other (Non Statutory) Adjustments £000	Elimination of Internal Income £000	Total Adjustments £000
Business Services Committee	9,709	8,402	(23)	18,088	(10,319)	10,796	18,565
Communities Committee	6,986	6,065	(29)	13,022	1,950	(2,104)	12,868
Education and Children's Services Committee	48,523	4,621	(248)	52,896	(28,834)	(9,909)	14,153
Infrastructure Services Committee	29,841	3,905	137	33,883	(1,418)	1,217	33,682
Housing Revenue Account	7,688	1,286	(156)	8,818	(6,500)	-	2,318
Net Cost of Services	102,747	24,279	(319)	126,707	(45,121)	-	81,586
Other Income and Expenditure from the EFA	(61,327)	6,940	(764)	(55,151)	45,121	-	(10,030)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	41,420	31,219	(1,083)	71,556	-	-	71,556

Adjustments from General Fund to Arrive at CIES Amounts 2019/20	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Restated Other Statutory Differences £000	Restated Total Statutory Differences £000	Other (Non Statutory) Adjustments £000	Elimination of Internal Income £000	Restated Total Adjustments £000
Business Services Committee	3,556	9,142	404	13,102	(10,066)	10,169	13,205
Communities Committee	4,761	9,887	821	15,469	1,065	(2,205)	14,329
Education and Children's Services Committee	59,101	8,616	844	68,561	3,912	(9,497)	62,976
Infrastructure Services Committee	33,243	6,650	(122)	39,771	(1,483)	1,533	39,821
Housing Revenue Account	13,700	2,039	(259)	15,480	(5,832)	-	9,648
Net Cost of Services	114,361	36,334	1,688	152,383	(12,404)	-	139,979
Other Income and Expenditure from the EFA	(54,714)	7,663	(768)	(47,819)	12,404	-	(35,415)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	59,647	43,997	920	104,564	-	-	104,564

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.

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

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2021

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	
Restated Gross Expenditure 2019/20 £'000	Restated Income 2019/20 £'000	Restated Net Expenditure 2019/20 £'000	Restated Net Expenditure 2019/20 £'000		Gross Expenditure 2020/21 £'000	Income 2020/21 £'000	Net Expenditure 2020/21 £'000	Net Expenditure 2020/21 £'000		Notes Ref
				Aberdeenshire Services						
96,605	(43,523)	53,082	53,082	Business Services Committee	101,583	(40,908)	60,675	60,675		
368,461	(221,319)	147,142	147,142	Communities Committee	386,978	(221,502)	165,476	165,476		
406,631	(33,942)	372,689	372,689	Education and Children's Services Committee	412,482	(46,243)	366,239	366,239		
123,103	(20,765)	102,338	102,338	Infrastructure Services Committee	118,900	(18,124)	100,776	100,776		
73,779	(64,131)	9,648	9,648	Housing Revenue Account	70,204	(67,886)	2,318	2,318		
1,068,579	(383,680)	684,899	684,899	COST OF SERVICES	1,090,147	(394,663)	695,484	695,484	EFA	
1,631	-	1,631	1,631	(Gains)/Losses on the Disposal of Non Current Assets and AHfS	-	(214)	(214)	(214)	5	
1,631	-	1,631	1,631	Other Operating Income	-	(214)	(214)	(214)		
29,050	-	29,050	29,050	Interest Payable and Similar Charges	31,486	-	31,486	31,486	20	
7,663	-	7,663	7,663	Net Interest on Net Defined Benefit Liability	6,940	-	6,940	6,940	34	
-	-	-	-	Changes in the Fair Value of Investment Properties	140	-	140	140	15	
-	(634)	(634)	(634)	Interest Receivable and Similar Income	-	(276)	(276)	(276)	20	
715	(2,291)	(1,576)	(1,576)	Impairment Losses	1,220	-	1,220	1,220		
-	-	-	644	Share of Integration Joint Board (Surplus)/Deficit	-	-	-	(10,224)		
37,428	(2,925)	34,503	35,147	Financing and Investment Income and Expenditure	39,786	(276)	39,510	29,286		
		(608,641)	(608,641)	Taxation and Non-Specific Grant Income			(697,141)	(697,141)	8	
		112,392	113,036	Deficit on Provision of Services			37,639	27,415	5	
		(298,170)	(298,170)	Surplus on revaluation of Non Current assets and AHfS			42,114	42,114		
		(73,376)	(73,376)	Actuarial (gains)/losses on pension assets/liabilities			(145,457)	(145,457)	34	
		(371,546)	(371,546)	Other Comprehensive (Income) and Expenditure			(103,343)	(103,343)		
		(259,154)	(258,510)	Total Comprehensive (Income) and Expenditure			(65,704)	(75,928)		

Balance Sheet as at 31 March 2021

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

Restated Council 2019/20 £'000	Restated Group 2019/20 £'000		Council 2020/21 £'000	Group 2020/21 £'000	Note Ref
2,274,450	2,274,450	Property, Plant and Equipment	2,284,027	2,284,027	13
1,944	1,944	Heritage Assets	1,944	1,944	14
1,450	1,450	Investment Properties	1,310	1,310	15
917	917	Intangible Assets	749	749	16
77	77	Long Term Investments	77	77	20
8,740	8,740	Long Term Debtors	9,302	9,302	20, 23
2,287,578	2,287,578	Long Term Assets	2,297,409	2,297,409	
10,000	10,000	Short Term Investments	-	-	20
296	296	Assets Held for Sale	296	296	17
4,850	4,850	Inventories	4,845	4,845	22
65,024	65,024	Short Term Debtors	67,666	67,666	23
-	59	Investment in Joint Venture		10,283	37
56,433	56,433	Cash and Cash Equivalents	41,124	41,124	20, 24
136,603	136,662	Current Assets	113,931	124,214	
(216,712)	(216,712)	Short Term Borrowing	(185,695)	(185,695)	20
(90,402)	(90,402)	Short Term Creditors	(117,998)	(117,998)	25
-	-	Provisions	(267)	(267)	26
(72)	(72)	Revenue Grants Receipts in Advance	(637)	(637)	
(307,186)	(307,186)	Current Liabilities	(304,597)	(304,597)	
(631,727)	(631,727)	Long Term Borrowing	(621,503)	(621,503)	20
(3,620)	(3,620)	Long Term Creditors	(3,282)	(3,282)	25
(6,656)	(6,656)	Provisions	(6,656)	(6,656)	26
(277,896)	(277,896)	Pension Liabilities	(163,658)	(163,658)	34
(93)	(93)	Finance Leases	(2,910)	(2,910)	
(53,979)	(53,979)	PFI and PPP Liabilities	(99,476)	(99,476)	19
(14,792)	(14,792)	Capital Grants Receipts in Advance	(15,322)	(15,322)	27
(988,763)	(988,763)	Long Term Liabilities	(912,807)	(912,807)	
1,128,232	1,128,291	Net Assets	1,193,936	1,204,219	
(46,522)	(46,522)	Usable Reserves	(78,884)	(78,884)	MIRS
-	(59)	Share of Usable Reserves of Subsidiary and Joint Venture	-	(10,283)	37
(1,081,710)	(1,081,710)	Unusable Reserves	(1,115,052)	(1,115,052)	28
(1,128,232)	(1,128,291)	Total Reserves	(1,193,936)	(1,204,219)	

The unaudited accounts were issued on 6 August 2021 and the audited accounts were authorised for issue on 16 December 2021.

Movement in Reserves Statement

Movement in Reserves Statement (MIRS) for the Year Ended 31 March 2021

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	Restated Group Usable Reserves £'000	Restated Group Unusable Reserves £'000	Restated Total Group Reserves £'000	Notes Ref
Balance at 31 March 2019 Carried Forward	(29,523)	(2,000)	(1,468)	(1,406)	(14,958)	(49,355)	(819,723)	(869,078)	(50,058)	(819,723)	(869,781)	
Movement in Reserves During 2019/20												
Total Comprehensive Income and Expenditure	97,709	14,683	-	-	-	112,392	(371,546)	(259,154)	113,036	(371,546)	(258,510)	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(91,092)	(13,472)	-	-	(4,995)	(109,559)	109,559	-	(109,559)	109,559	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	6,617	1,211	-	-	(4,995)	2,833	(261,987)	(259,154)	3,477	(261,987)	(258,510)	
Transfers to/(from) Statutory Reserves	126	(1,211)	370	181	534	-	-	-	-	-	-	
Balance at 31 March 2020 Carried Forward	(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)	
Movement in Reserves During 2020/21												
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	(24,469)	(1,680)	-	-	-	(26,149)	26,149	-	(26,149)	26,149		
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(43,055)	(2,352)	-	-	1,555	(43,852)	43,852	-	(43,852)	43,852	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	(33,914)	(3)	-	-	1,555	(32,362)	(33,342)	(65,704)	(42,586)	(33,342)	(75,928)	
Transfers to/(from) Statutory Reserves	(1,276)	3	1,098	(346)	521	-	-	-	-	-	-	
Balance at 31 March 2021 Carried Forward	(57,970)	(2,000)	-	(1,571)	(17,343)	(78,884)	(1,115,051)	(1,193,936)	(89,167)	(1,115,052)	(1,204,219)	
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 2021

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

Restated 2019/20 £'000		2020/21 £'000	Notes Ref
(112,392)	Net deficit on the provision of services	(37,639)	
153,431	Adjust net deficit on the provision of services for non cash movements	173,110	
(45,334)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(36,737)	
(4,295)	Net Cash Flows from Operating Activities	98,734	36
	Investing Activities:		
(146,561)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(116,133)	
(10,000)	Purchase of Short and Long Term Investments	-	
(20)	Other Payments for Investing Activities	(500)	
2,238	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-	
40,723	Other Receipts from Investment Activities	47,895	
(113,620)	Net Cash Flows from Investing Activities	(68,738)	
	Financing Activities:		
230,067	Cash Receipts of Short Term and Long Term Borrowing	220,963	
(2,946)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(4,098)	
(92,155)	Repayments of Short Term and Long Term Borrowing	(262,170)	
134,966	Net Cash Flows from Financing Activities	(45,305)	
17,051	Net (Decrease)/Increase in cash and cash equivalents	(15,309)	
39,382	Cash and cash equivalents at 1 April	56,433	
56,433	Cash and cash equivalents at 31 March	41,124	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.

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Note 1 – Significant Accounting Policies

1.1 General Principles

The Annual Accounts summarise transactions of the Council and its Group for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21 (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 2.1%) 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 (EUVSH). 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.

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the four PFI and similar contracts held by Aberdeenshire Council are as follows:
 - Robertson Education (Aberdeenshire) Limited 8.69%
 - Elgin Education (Aberdeenshire2) Limited 5.18%
 - Hub North Scotland (Alford) Limited 7.59%

Note 1 – Significant Accounting Policies (continued)

- 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.

1.22 Reserves

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

Usable Reserves

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

Note 1 – Significant Accounting Policies (continued)

Unusable Reserves

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

1.23 Revenue Expenditure Funded from Capital under Statute

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

1.24 VAT

The CIES excludes amounts relating to VAT and will only be included as an expense if not recoverable from Her Majesty's Revenue and Customs (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 2021/22. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform: Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 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 judgements included in the annual accounts are:

- 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.
- The Council is deemed to control the services provided under the agreement for the provision of educational establishments. 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 included within Note 13, Note 19 and the Annex provides further details on PFI and similar Contracts.
- During 20/21 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.
- The accrual in relation to employee benefits is estimated on the basis of sampled information provided by time recording and payroll systems regarding outstanding annual leave, Note 28 Unusable Reserves.

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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. 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.	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 £6.242m for every year that useful lives had to be reduced. Current Asset value is £2.319m.
Council Dwellings	Council dwellings are valued on the basis of Current Value, which is determined using the basis of Existing Use Value of Social Housing (EUV-SH). This value is then reduced by the Adjustment Factor which is a measure of the difference between private market rent and socially rented property within the Aberdeenshire Council area. It is the discount which, when applied to the cumulative total of all beacon values, gives rise to the 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.	It is estimated that the dwellings with a value of £508m would fall in value by £12.652m if the adjustment factor was to be increased by 1% to a new rate of 60.80%.
Pension Liability	The estimation of the defined benefit obligations is sensitive to various actuarial assumptions.	Note 34 provides more information on the Council's pension liability.
Fair value of Assets & Liabilities	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 detail on the calculation of fair values and assumptions behind this.
Specialised Property	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.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the years beyond the forthcoming financial year are as follows:

Provision – Asset Decommissioning	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 2020/21 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.
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Note 5 – Expenditure and Income Analysed by Nature

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

Restated 2019/20 £000	2020/21	Business Services Committee £000	Communities Committee £000	Education and Children's Services Committee £000	Infrastructure Services Committee Revenue £000	Housing Revenue Account £000	Other Income and Expenditure from the EFA £000	Total £000
450,640	Employee Benefit Expenses	41,453	85,682	261,952	52,228	17,584	-	458,899
523,554	Other Service Expenses	57,587	294,436	114,076	42,771	22,043	1,220	532,133
2,856	Support Service Recharges	-	-	-	184	2,794	-	2,978
92,244	Depreciation, Amortisation and Impairment	2,543	6,860	36,454	23,717	27,783	-	97,357
36,713	Interest Payments	-	-	-	-	-	38,426	38,426
-	Loss on Investments	-	-	-	-	-	140	140
1,631	Loss on Disposal of Non-Current Assets and AHfS	-	-	-	-	-	-	-
1,107,638	Total Expenditure	101,583	386,978	412,482	118,900	70,204	39,786	1,129,933
(282,068)	Fees, Charges and Other Service Income	(7,495)	(182,565)	(4,187)	(13,534)	(67,886)	-	(275,667)
(634)	Interest and Investment Income	-	-	-	-	-	(276)	(276)
(267,379)	Income from Council Tax and Business Rates	-	-	-	-	-	(231,380)	(231,380)
(445,165)	Government Grants and Contributions	(33,413)	(38,937)	(42,056)	(4,590)	-	(465,761)	(584,757)
-	Gain on Disposal of Non-Current Assets and AHfS	-	-	-	-	-	(214)	(214)
(995,246)	Total Income	(40,908)	(221,502)	(46,243)	(18,124)	(67,886)	(697,631)	(1,092,294)
112,392	Deficit on the Provision of Services	60,675	165,476	366,239	100,776	2,318	(657,845)	37,639

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.

2020/21	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non current assets	(44,841)	(26,069)	-	(70,910)	70,910
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
Insertion of items not debited or credited to the CIES:					
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)
Adjustment involving the Capital Grants and Receipts Unapplied Account:					
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)	-	-
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	764	191	-	955	(955)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(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)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	162	(34)	-	128	(128)
Total Adjustments	(43,055)	(2,352)	1,555	(43,852)	43,852

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

2019/20	Restated General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £'000	Restated Total Usable Reserves £'000	Restated Total Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non current assets	(61,968)	(29,878)	-	(91,846)	91,846
Revaluation losses on PPE and AHfS	(34,150)	(132)	-	(34,282)	34,282
Amortisation of intangible assets	(342)	(58)	-	(400)	400
Grants and contributions used to fund capital expenditure	25,766	3,135	-	28,901	(28,901)
Donated Assets	-				
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(3,683)	(186)	-	(3,869)	3,869
Revenue expenditure funded by Capital under Statute	(10,170)	-	-	(10,170)	10,170
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	16,196	1,525	-	17,721	(17,721)
Capital expenditure charged against the General Fund and HRA balances	3,022	14,843	-	17,865	(17,865)
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,236	2	-	2,238	(2,238)
Adjustment involving the Capital Grants & Receipts Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	14,195	-	(14,195)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,200	9,200	(9,200)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	767	179	-	946	(946)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(79,625)	(5,194)	-	(84,819)	84,819
Employer's pensions contributions and direct payments to pensioners payable in the year	38,612	2,210	-	40,822	(40,822)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	(1,948)	82	-	(1,866)	1,866
Total Adjustments	(91,092)	(13,472)	(4,995)	(109,559)	109,559

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 2020/21:

	Balance at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers in 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers in 2020/21 £'000	Balance at 31 March 2021 £'000
Earmarked Balances:							
Affordable Housing - LTE and Second Council Tax	(2,431)	1,208	(2,541)	(3,764)	-	(1,985)	(5,749)
Earmarked Grants	(1,437)	254	(2,094)	(3,277)	1,112	(1,504)	(3,669)
Total Earmarked Balances	(3,868)	1,462	(4,635)	(7,041)	1,112	(3,489)	(9,418)
Other Commitments:							
Devolved School Management (DSM)	(2,288)	2,288	-	-	1,000	(3,847)	(2,847)
Affordable Housing	(3,458)	3,458	-	-	-	-	-
Pupil Equity Funding	(1,113)	1,113	(1,166)	(1,166)	1,166	(1,473)	(1,473)
Regeneration Reserve	(4,647)	1,103	-	(3,544)	591	(66)	(3,019)
Renewable Energy	(1,506)	1,111	-	(395)	45	-	(350)
AWPR Reserve	-	681	(2,000)	(1,319)	-	-	(1,319)
Pay Strategy Reserve	-	2,000	(2,000)	-	-	-	-
Supporting Council Priorities	-	-	-	-	-	(700)	(700)
Additional Scottish Government Funding	-	-	-	-	-	(19,472)	(19,472)
Resilience and Recovery Fund	-	-	-	-	-	(11,000)	(11,000)
Transitional Reserve for Severance	(216)	1,280	(1,064)	-	-	-	-
Other Commitments (each less than	(1,709)	1,428	(34)	(315)	-	-	(315)
Total	(14,937)	14,462	(6,264)	(6,739)	2,802	(36,558)	(40,495)
Total Commitments	(18,805)			(13,780)			(49,913)
General Fund Working Balance	(10,718)			(9,000)			(8,057)
Total General Fund Balance	(29,523)			(22,780)			(57,970)

Explanatory Note of Reserves:

- **General Fund Balance** - The General Fund Balance increased by £35.190m in 2020/21 leaving a balance at the end of the year of £57.970m. Once the commitments of £49.913m shown above are set against this, an uncommitted working balance of £8.057m remains at 31 March 2021. 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)

- **Affordable Housing** – Part of the Local Housing Strategy to provide affordable homes.
- **Pupil Equity Funding (PEF)** – Scottish Government Funding to improve attainment in schools. Monies drawn down when spent in schools.
- **Regeneration Reserve** – Funding for regeneration projects in Banff, Peterhead, Macduff and Fraserburgh.
- **Renewable Energy Reserve** – Balance of funding set aside in the 2016/17 Budget to fund renewable energy initiatives.
- **AWPR Reserve** – Funding to restore non trunk roads in Aberdeen.
- **Pay Strategy Reserve** – Council decision to create reserve in anticipation of finalisation of pay awards. Fully utilised in 2019/20.
- **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** – 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 2021/22.
- **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
- **Transitional Reserve for Severance Costs** – Funds to provide severance costs arising from staffing review utilised in 2019/20.
- **Other Commitments** – Number of minor commitments with balances less than £500,000 each.

Note 8 – Taxation and Non Specific Grant Income

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

Restated 2019/20 £'000		2020/21 £'000
(143,734)	Council Tax Income	(151,268)
(123,645)	Business Rates	(80,112)
(298,167)	Non-Ring-Fenced Government Grants	(405,376)
-	Non-Specific Grant Income – Revenue	(13,648)
(43,095)	Non-Specific Grant Income – Capital	(46,737)
(608,641)	Total	(697,141)

Note 9 – Prior Years Adjustments

Note 34

The Joint Board liabilities have been amended to reflect the Audited figures for 2019/20.

Adjustment 1 - Taxation and Non-Specific Grant Income

During 2019/20 Pupil Equity Funding (PEF) and Early Learning and Childcare (ELC) Expansion grants were included in the CIES as Non-specific grants, however in line with guidance obtained from Scottish Government these have now been allocated directly to Education and Children's Services as Ring-Fenced Revenue Grants. The total value of these grants is £18,197,000.

Adjustment 2 - The Employee Statutory Adjustment Account

An error was identified in the calculation of the Statutory Adjustment for Annual Leave Earned but Not Used by 31 March. This has been recalculated resulting in the adjustment being reduced by £950,000

Adjustment 3 – Council Dwellings

The maximum period allowed by The Code between asset valuation dates is 5 years. The Council's Dwellings were valued on 1 April 2016 and annual market reviews undertaken prior 2020/21, did not indicate a need to revalue. However, a movement in the Gross Vacant Possession Value prompted bringing forward the valuation that was programmed for 2021/22 to 2020/21. Although the assets dropped in value, a change to the discount factor, which is based upon market changes in private/public rents, meant that the value of the Dwellings on the Balance Sheet increased. Additional analysis was then undertaken, and the conclusion reached was that an adjustment should have been made to the valuation prior to 2020/21. As a result, the net upward valuation movement of £114.872m has been reflected in 2019/20 instead of 2020/21. The value of the assets stated at 31 March 2021 reflect the up to date position.

Adjustment 4 – Internal Income

The 2020-21 audit process has identified income included in our accounts that relates to recharges to the HRA and Capital Budgets. This income is internally generated and therefore should not be reflected as income within the council's CIES. This adjustment has no impact on the Council's overall position. Income has been removed and instead a reduced cost has been reflected to reflect the value recharged.

Adjustment 5 – Group Accounts Materiality

As part of the audit of the 2020/21 Annual Accounts, it was confirmed that Inverurie Town Hall had been built on Common Good land and as such belonged to Common Good. The Town Hall valued at £2.585m is therefore being brought on to the Common Good Balance sheet. Given the increase in value of Common Good, this opened up a discussion on whether Common Good should be included in the Group Accounts. In order to make a decision a review of materiality levels for Group Accounts was considered necessary.

Taking into consideration both materiality and control, the following criteria was established for determining requirements for incorporation into Group Accounts by each particular entity:

- Minimum of 1% of Aberdeenshire Council's Net Assets, Expenditure or Income being met, **and**
- Council to have minimum of 50% control over the entity

This would mean IJB would be the only body remaining in the Group Accounts and Trusts would be removed for 2020/21.

The impact of the above adjustments within the council's main statements is shown below. All subsequent notes within the accounts have been restated to reflect the revised position for 2019-20.

Note 9 – Prior Years Adjustments (continued)

Adjustments to the Expenditure and Funding Analysis

	Audited 2019/20 Accounts			Adjustments			Restated		
	Net Expenditure Chargeable to the General Fund and HRA Balances 2019/20 £'000	Adjustments Between the Funding and Accounting Basis 2019/20 £'000	Net Expenditure in the CIES 2019/20 £'000	Adjustment 1	Adjustment 2	Adjustment 3	Net Expenditure Chargeable to the General Fund and HRA Balances 2019/20 £'000	Adjustments Between the Funding and Accounting Basis 2019/20 £'000	Net Expenditure in the CIES 2019/20 £'000
				Taxation and Non Specific Grant Income	Employee Statutory Adjustment	Council Dwellings			
				Net Expenditure Chargeable to the General Fund and HRA Balances 2019/20 £'000	Adjustments Between the Funding and Accounting Basis 2019/20 £'000	Adjustments Between the Funding and Accounting Basis 2019/20 £'000			
Aberdeenshire Services									
Education and Children's Services Committee	327,910	63,926	391,836	(18,197)	(950)	-	309,713	62,976	372,689
Housing Revenue Account	-	9,505	9,505	-	-	143	-	9,648	9,648
NET COST OF SERVICES	563,117	140,786	703,903	(18,197)	(950)	143	544,920	139,979	684,899
Other (Income) and Expenditure	(555,289)	(35,415)	(590,704)	18,197	-	-	(537,092)	(35,415)	(572,507)
(Surplus)/Deficit	7,828	105,371	113,199	-	(950)	143	7,828	104,564	112,392

Adjustments to the Note to the Expenditure and Funding Analysis

	Audited 2019/20 Accounts			Adjustments		Restated		
	Adjustments for Capital Purposes £000	Other Statutory Differences £000	Total Adjustments £000	Adjustment 3	Adjustment 2	Adjustments for Capital Purposes £000	Other Statutory Differences £000	Total Adjustments £000
				Council Dwellings	Employee Statutory Adjustment			
				Adjustments for Capital Purposes £000	Other Statutory Differences £000£000			
Adjustments from General Fund to Arrive at CIES Amounts 2019/20								
Education and Children's Services Committee	59,101	1,794	63,926	-	(950)	59,101	844	62,976
Housing Revenue Account	13,557	(259)	9,505	143	-	13,700	(259)	9,648
Net Cost of Services	114,219	2,637	140,786	143	(950)	114,361	1,688	139,979
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	59,505	1,869	105,371	143	(950)	59,647	920	104,564

Note 9 – Prior Years Adjustments (continued)

Adjustments to the Comprehensive Income and Expenditure Statement

	Audited Accounts 2019/20				Adjustments						Restated Accounts 2019/20			
	Council			Group	1	2	3	4		5	Council			Group
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Income	Gross Expenditure	Net Expenditure	Gross Expenditure	Income	Group Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
Aberdeenshire Services	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Services Committee	105,512	(52,430)	53,082	53,082	-	-	-	(8,907)	8,907	-	96,605	(43,523)	53,082	53,082
Communities Committee	368,485	(221,343)	147,142	147,142	-	-	-	(24)	24	-	368,461	(221,319)	147,142	147,142
Education and Children's Services Committee	407,583	(15,747)	391,836	391,836	(18,197)	(950)	-	(2)	2	-	406,631	(33,942)	372,689	372,689
Infrastructure Services Committee	140,684	(38,346)	102,338	102,338	-	-	-	(17,581)	17,581	-	123,103	(20,765)	102,338	102,338
Housing Revenue Account	73,636	(64,131)	9,505	9,505	-	-	143	-	-	-	73,779	(64,131)	9,648	9,648
SERVICE TOTALS	1,095,900	(391,997)	703,903	703,903	(18,197)	(950)	143	(26,514)	26,514		1,068,579	(383,680)	684,899	684,899
Charitable Trusts and Endowments	-	-	-	77	-	-	-	-	-	(77)	-	-	-	-
COST OF SERVICES	1,095,900	(391,997)	703,903	703,980	(18,197)	(950)	143			(77)	1,068,579	(383,680)	684,899	684,899
Investment Gains on Charitable Trusts and Endowments	-	-	-	514	-	-	-	-	-	(514)	-	-	-	-
Financing and Investment Income and Expenditure	37,428	(2,925)	34,503	35,661						(514)	37,428	(2,925)	34,503	35,147
Taxation and Non-Specific Grant Income	-	-	(626,838)	(626,838)	18,197	-	-	-	-	-	-	-	(608,641)	(608,641)
Deficit on Provision of Services	-	-	113,199	114,434	18,197	(950)	143	-	-	(591)	-	-	112,392	113,036
Surplus on revaluation of Non Current assets and AHfS	-	-	(183,155)	(183,155)	-	-	(115,015)	-	-	-	-	-	(298,170)	(298,170)
Other Comprehensive (Income) and Expenditure	-	-	(256,531)	(256,531)	-	-	(115,015)	-	-	-	-	-	(371,546)	(371,546)
Total Comprehensive (Income) and Expenditure	-	-	(143,332)	(142,097)	-	(950)	(114,872)	-	-	(591)	-	-	(259,154)	(258,510)

Note 9 – Prior Years Adjustments (continued)

Adjustments to the Balance Sheet

	Audited Accounts 2019/20		Adjustments			Restated 2019/20	
	Council 2019/20 £'000	Group 2019/20 £'000	2 Council 2019/20 £'000	3 Council 2019/20 £'000	5 Group 2019/20 £'000	Council 2019/20 £'000	Group 2019/20 £'000
Property, Plant and Equipment	2,159,578	2,159,578	-	114,872	-	2,274,450	2,274,450
Long Term Assets	2,172,706	2,172,706	-	114,872	-	2,287,578	2,287,578
Short Term Investments	10,000	13,382	-	-	(3,382)	10,000	10,000
Current Assets	136,603	140,044	-	-	(3,382)	136,603	136,662
Short Term Creditors	(91,352)	(91,374)	950	-	22	(90,402)	(90,402)
Current Liabilities	(308,135)	(308,158)	950	-	22	(307,186)	(307,186)
Net Assets	1,012,410	1,015,829	950	114,872	(3,360)	1,128,232	1,128,291
Usable Reserves	(46,522)	(45,873)	-	-	(708)	(46,522)	(46,581)
Share of Usable Reserves of Subsidiary and Joint Venture	-	(4,068)	-	-	4,068	-	-
Unusable Reserves	(965,888)	(965,888)	(950)	(114,872)	-	(1,081,710)	(1,081,710)
Total Reserves	(1,012,410)	(1,015,829)	(950)	(114,872)	3,360	(1,128,232)	(1,128,291)

Adjustments to the Cash Flow Statement

	2019/20 £'000	Adjustments	
Net deficit on the provision of services	(113,199)	807	(112,392)
Adjust net deficit on the provision of services for non cash movements	154,238	(807)	153,431
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(45,334)		(45,334)
Net Cash Flows from Operating Activities	(4,295)	-	(4,295)

Note 9 – Prior Years Adjustments (continued)

Adjustments to the Movement in Reserves

	General Fund Balance	Housing Revenue Account	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019	(29,523)	(2,000)	(49,355)	(819,723)	(869,078)	(54,009)	(819,723)	(873,732)
Movement in Reserves During 2019/20								
Total Comprehensive Income and Expenditure	98,659	14,540	113,199	(256,531)	(143,332)	114,434	(256,531)	(142,097)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(92,042)	(13,329)	(110,366)	110,366	-	(110,366)	110,366	-
Net Increase / Decrease before Transfers to Earmarked Reserves	6,617	1,211	2,833	(146,165)	(143,332)	4,068	(146,165)	(142,097)
Transfers to/from Earmarked Reserves	126	(1,211)	-	-	-	-	-	-
Decrease / (Increase) in 2019/20	6,743	0	2,833	(146,165)	(143,332)	4,068	(146,165)	(142,097)
Balance as at 31 March 2020 Carried Forward	(22,780)	(2,000)	(46,522)	(965,888)	(1,012,410)	(49,941)	(965,888)	(1,015,829)

Adjustments

Balance as at 31 March 2019	-	-	-	-	-	3,951	-	-
Total Comprehensive Income and Expenditure	(950)	143	(807)	(115,015)	(115,822)	(1,398)	(115,015)	(116,413)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	950	(143)	807	(807)	-	807	(807)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	-	-	-	(115,822)	(115,822)	(591)	(115,822)	(116,413)
Decrease / (Increase) in 2019/20	-	-	-	(115,822)	(115,822)	(591)	(115,822)	(116,413)
Balance as at 31 March 2020 Carried Forward	-	-	-	(115,822)	(115,822)	3,360	(115,822)	(112,462)

Restated Movement in Reserves 2019/20

Balance as at 31 March 2019	(29,523)	(2,000)	(49,355)	(819,723)	(869,078)	(50,058)	(819,723)	(869,781)
Total Comprehensive Income and Expenditure	97,709	14,683	112,392	(371,546)	(259,154)	113,036	(371,546)	(258,510)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(91,092)	(13,472)	(109,559)	109,559	-	(109,559)	109,559	-
Net Increase / Decrease before Transfers to Earmarked Reserves	6,617	1,211	2,833	(261,987)	(259,154)	3,477	(261,987)	(258,510)
Decrease / (Increase) in 2019/20	6,743	-	2,833	(261,987)	(259,154)	3,477	(261,987)	(258,510)
Balance as at 31 March 2020 Carried Forward	(22,780)	(2,000)	(46,522)	(1,081,710)	(1,128,232)	(46,581)	(1,081,710)	(1,128,291)

Note 10 – Agency Services

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2020/21 the Council received £682,000 for providing this service (2019/20 £663,000).

Business Improvement District Levies (BIDS) are collected by the Council on behalf of the BIDS project 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 20/21 (2019/20 £2,000).

During 2020/21 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 £66.656 million. The Council received £659,000 from the Scottish Government to cover the administrative costs of distributing the grants (2019/20 £0).

Through the Aberdeen City Region Deal, Aberdeenshire Council, Aberdeen City Council and regional partners, together with the UK and Scottish Governments are committed to jointly investing £826 million to secure the Region's economic vision. More information on the Deal can be found in the latest annual report [19-20 Aberdeen City Region Deal Annual Report](#)

Aberdeenshire Council acts as the Accountable Body for the Aberdeen City Region Deal Joint Committee which includes the role of providing a bank account, processing grant claims for relevant expenditure, and transferring funds received from Scottish Government to third party partners. A total of £28.731 million was transferred to third parties in 2020/21 (2019/20 £26.689 million) on behalf of the Scottish Government.

Note 11 – External Audit Costs

The Council incurred fees of £411,000 (2019/20 £400,000) for the statutory inspection of the Annual Accounts by Audit Scotland. These fees include £7,000 (2019/20 £8,000) in relation to audit requirements for the charities' accounts of Local Authorities.

Note 12 – Capital Expenditure and Capital Financing

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

2019/20 £'000		2020/21 £'000
814,996	Opening Capital Financing Requirement	896,656
	Capital Investment	
147,232	Property, Plant and Equipment	173,585
183	Intangible Assets	130
10,170	Revenue Expenditure Funded by Capital under Statute	7,732
	Sources of Finance	
(2,238)	Capital Receipts	-
(38,101)	Government Grants and Other Contributions	(49,230)
	Sums Set Aside from Revenue:	
(17,865)	Capital Financed from Current Revenue	(17,289)
(17,721)	Loans Fund Principal Repayments	(23,679)
896,656	Closing Capital Financing Requirement	987,905
	Explanation of movements in year	
81,659	Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	38,964
-	Assets Acquired under PFI/PPP Contracts	52,285
81,659	Increase in Capital Financing Requirement	91,249

Note 13 – Property, Plant and Equipment (PPE)

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	Total PPE £'000	PFI Assets included in PPE £'000
Cost or Valuation									
At 1 April 2020	508,866	1,371,681	119,426	453,768	1,303	50,035	11,591	2,516,670	173,632
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	-	(22,883)	-	-	-	-	(1,229)	(24,112)	(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
At 31 March 2021	539,050	1,374,798	123,042	465,401	1,082	126,341	11,360	2,641,074	219,010
Accumulated Depreciation and Impairment									
At 1 April 2020	-	(12,881)	(69,054)	(157,000)	(13)	(2,457)	(815)	(242,220)	(6,816)
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)	(871)	-	-	-	(10,863)	(18)	(21,132)	-
Impairment Losses recognised in the RR	(9,936)	(3,283)	-	-	-	(23,837)	-	(37,056)	-
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)	-	-
At 31 March 2021	(30,470)	(45,198)	(71,198)	(171,554)	(13)	(37,914)	(701)	(357,048)	(10,877)
Net Book Value at 31 March 2021	508,580	1,329,600	51,844	293,847	1,069	88,427	10,659	2,284,026	208,133

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

Comparative Movements in 2019/20:	Restated Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2019	492,558	1,375,992	109,131	427,312	585	29,451	10,552	2,445,581	201,488
Additions	42,560	20,900	15,224	26,338	453	41,742	15	147,232	2,470
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment Written Out & Revaluation (Decreases)/Increases Recognised in Revaluation Reserve	(39,162)	6,745	-	-	227	-	(499)	(32,689)	(26,690)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	(143)	(32,692)	-	-	-	-	(1,448)	(34,283)	(3,636)
Derecognition - Disposals	-	(4,115)	(3,053)	-	-	(86)	(559)	(7,813)	-
Assets Reclassified (to)/from AHfS	-	(15)	(1,299)	-	-	-	(44)	(1,358)	-
Transfers or Reclassifications of Assets	13,053	4,866	(577)	118	38	(21,072)	3,574	-	-
At 31 March 2020	508,866	1,371,681	119,426	453,768	1,303	50,035	11,591	2,516,670	173,632
Accumulated Depreciation and Impairment									
At 1 April 2019	(103,533)	(168,578)	(61,923)	(143,282)	(32)	(9,506)	(530)	(487,384)	(26,460)
Depreciation Charge	(11,224)	(36,362)	(11,914)	(13,646)	(17)	-	(123)	(73,286)	(4,011)
Accumulated Depreciation & Impairment Written Out	154,177	192,508	-	-	40	-	858	347,583	23,670
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(15,351)	(1,265)	(25)	-	-	(1,906)	(14)	(18,561)	-
Impairment Losses recognised in the RR	(15,200)	(1,524)	-	-	-	-	(1)	(16,725)	(15)
Derecognition – Disposals	-	1,420	3,001	-	-	86	345	4,852	-
Assets Reclassified to/(from) AHfS	-	-	1,291	-	-	-	10	1,301	-
Other Movements in Depreciation and Impairment	(8,869)	920	516	(72)	(4)	8,869	(1,360)	-	-
At 31 March 2020	-	(12,881)	(69,054)	(157,000)	(13)	(2,457)	(815)	(242,220)	(6,816)
Net Book Value at 31 March 2020	508,866	1,358,800	50,372	296,768	1,290	47,578	10,776	2,274,450	166,816

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

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2021/22 and future years budgeted to cost £132,446,000. Similar commitments at 31 March 2020 were £124,827,000. The major commitments are:

Project Title	£'000
All Areas – Sheltered Housing Sprinkler Programme	605
Central Area All Housing Projects 2017-2021 HIP Framework	9,459
North Area All Housing Projects 2017-2021 HIP Framework	11,238
East Area All Housing Projects 2017-2021 HIP Framework	9,170
South Area All Housing Projects 2017-2021 HIP Framework	13,447
Internal Insulation and Internal Upgrades	4,000
Macduff and Inverurie Smart Solar and Battery Storage LCITP	3,245
Fraserburgh – Merryhillock New Build Housing – 26 Units	3,837
All Areas – Housing Fire & Smoke Detection Enhancement	1,899
Ellon Academy Site – New Housing 40 Units	5,216
Rothienorman Kinbroom New Build Housing – 12 New Build Units	2,351
Banff Golden Knowes Road – 38 New Build Units	3,600
Peterhead – Sovereign Gate Housing – Approx 20 Units	1,763
Newmachar Primary School Nursery – 1140 Hours New Build	1,813
Dales Park Primary School – 1140 Hours New Build Nursery	1,933
Inverurie Community Campus	1,793
Energy from Waste	38,666
Stonehaven Flooding Scheme	7,604
Aberdeen Western Peripheral Route (AWPR)	6,136
Digital Infrastructure – City Region Deal	2,417
Strategic Transport Appraisal – City Region Deal	902
Commitments on Projects < £500K	1,352
Total	132,446

During 2020/21, the Council has recognised an impairment loss of £82,300,000 in relation to its PPE, which are detailed in the Table below:

2019/20		2020/21
£'000		£'000
35,285	Consumption Loss	58,188
34,283	Economic Loss	24,112
69,568		82,300

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.

	Council Dwellings £'000	Other Land & Buildings £'000	Other PPE £'000	Total £'000
Carried at Historical Cost	-	422,971	680,083	1,103,054
Valued at fair value as at:				
31 March 2021	-	66,193	607	66,800
31 March 2020	518,108	804,527	38,207	1,360,842
1 April 2018	-	47,761	8,114	55,875
1 April 2017	-	52,031	12	52,043
1 April 2016	-	2,260	200	2,460
Total Cost or Valuation	518,108	1,395,743	727,223	2,641,074

Note 14 – Heritage Assets

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

	Human History £'000	Archaeology £'000	Fine Art £'000	Total Assets £'000
Cost or Valuation at 31 March 2020	1,504	320	120	1,944
Revaluations	-	-	-	-
Cost or Valuation at 31 March 2021	1,504	320	120	1,944

Human History

A small number of archaeological items on loan to National Museums Scotland were valued by them in 2011 on the basis 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 2021;
- 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 19th century and in the Curator's opinion, it is not possible to provide a reliable estimate of their value.

Vertical Area Photograph Collection

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

Further Information on 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:

2019/20 £'000		2020/21 £'000
1,450	Balance at 1 April	1,450
-	Net Gains from Fair Value Adjustments	(140)
-	Reclassified as Property, Plant and Equipment	-
1,450	Balance at 31 March	1,310

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) 2019/20 £'000		Other Significant Observable Inputs (Level 2) 2020/21 £'000
	Recurring fair value measurements using:	
15	Residential (Market Rental) Property	14
770	Residential Development Land	650
644	Commercial Development Land	634
21	Agricultural Land	12
1,450	Balance at 31 March	1,310

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:

2019/20 £'000		2020/21 £'000
	Balance at 1 April:	
9,313	Gross carrying amounts	9,495
(8,179)	Accumulated amortisation	(8,578)
1,134	Net Carrying amount at 1 April	917
183	Additions - Purchases	130
(400)	Amortisation for the year	(298)
917	Net carrying amount at 31 March	749
	Comprising:	
9,496	Gross carrying amounts	9,625
(8,579)	Accumulated amortisation	(8,876)
917	Net carrying amount at 31 March	749

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:

2019/20 £'000		2020/21 £'000
1,145	Balance Outstanding at 1 April	296
	Assets Newly Classified as Held for Sale:	
57	Property, Plant and Equipment	-
	Assets Declassified as Held for Sale:	
(906)	Assets Sold	-
296	Balance Outstanding at 31 March	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:

2019/20 £'000		2020/21 £'000
1,425	Not later than one year	812
2,463	Later than one year and not later than five years	2,090
7,306	Later than five years	5,897
11,194	Minimum Lease Payments	8,799

The total expenditure during the year in relation to these leases was £510,000 (2019/20: £554,000) which comprised Minimum Lease Payments of £494,000 (2019/20: £414,000) and Contingent Rentals of £16,000 (2019/20: £140,000).

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:

2019/20 £'000		2020/21 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1	Current	1
424	Non-current	423
3,281	Unearned finance income	3,226
3,706	Gross investment in the lease	3,650

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 2019/20 £'000	Minimum Lease Payments 2019/20 £'000		Gross Investment in the Lease 2020/21 £'000	Minimum Lease Payments 2020/21 £'000
56	56	Not later than one year	56	56
225	225	Later than one year and not later than five years	225	225
3,425	3,425	Later than five years	3,369	3,369
3,706	3,706	Total	3,650	3,650

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 2020/21, £10,000 contingent rents were receivable by the Council (2019/20: £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:

2019/20 £'000		2020/21 £'000
2,966	Not later than one year	2,897
7,928	Later than one year and not later than five years	8,321
20,033	Later than five years	20,124
30,927	Minimum Lease Payments	31,342

In 2020/21, £425,000 contingent rents were receivable by the Council (2019/20: £492,000).

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 payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

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

Obligations Payable	Operating Costs £'000	Interest Charges £'000	Contingent Rentals £'000	Liability Repayment £'000	Lifecycle Maintenance £'000	Total Unitary Charge £'000
2021/22	5,120	6,620	2,282	5,688	1,296	21,006
Between 2022/23 and 2025/26	21,762	22,593	10,295	25,611	7,641	87,902
Between 2026/27 and 2030/31	21,798	18,606	13,936	28,473	5,906	88,719
Between 2031/32 and 2035/36	5,879	12,565	198	14,981	5,933	39,556
Between 2036/37 and 2040/41	6,368	7,203	(889)	17,761	9,395	39,838
Between 2041/42 and 2044/45	3,483	1,939	(514)	12,653	5,461	23,022

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

Total Liability 2019/20 £'000		Total Liability 2020/21 £'000
(61,013)	Balance Outstanding at 1 April	(58,072)
2,941	Payments During the Year	5,193
-	Capital Expenditure During the Year	(52,285)
(58,072)	Balance Outstanding at 31 March	(105,164)

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

2019/20 £'000		2020/21 £'000
(4,093)	Short Term Creditors	(5,688)
(53,979)	Long Term Liabilities	(99,476)
(58,072)	Balance Outstanding at 31 March	(105,164)

*The 2020/21 Capital Expenditure and increase in liability due is a result of the acquisition of the new Inverurie Community Campus.

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 2019/20 £'000	Current 2019/20 £'000	Balance Sheet Category		Long Term 2020/21 £'000	Current 2020/21 £'000
			Financial Assets		
77	10,000	Investments	Financial Assets at amortised cost	77	-
8,740	39,899	Debtors	Financial Assets at amortised cost	9,302	41,566
-	56,433	Cash and Cash Equivalents	Financial Assets at amortised cost	-	41,124
8,817	106,332		Total Financial Assets	9,379	82,690
			Financial Liabilities		
(631,727)	(216,712)	Borrowing	Financial liabilities at amortised cost	(621,503)	(185,695)
(3,620)	(90,402)	Creditors	Financial liabilities at amortised cost	(3,282)	(117,998)*
(635,347)	(307,114)		Total Financial Liabilities	(624,785)	(303,693)

Note 20 – Financial Instruments (continued)

*At 31 March 2021 accrued interest of £5,154,000 (£5,960,000 at 31 March 2020) on borrowing is included in the current creditors figure at 31 March 2021 of £117,998,000.

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 £2,528,000 (2019/20: £2,401,000) hence the increase in the discounted amount during the year was £127,000 (2019/20: £120,000).

Table 2: Income, Expense, Gains and Losses

	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
31 March 2021			
Interest Expense	(31,247)	-	(31,247)
Gains	-	(264)	(264)
Fee Expense	(238)	-	(238)
Total Expense in Surplus or Deficit on the Provision of Services	(31,485)	(264)	(31,479)
Interest Income	-	276	276
Total Income in Surplus or Deficit on the Provision of Services	-	276	276
Net Gain/(Loss) for the Year	(31,485)	12	(31,473)

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

Note 20 – Financial Instruments (continued)

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 2021 of 0.79% to 2.16% for loans from the PWLB and 0.79% to 2.16% 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 £1,254,878,000 (2019/20: £1,421,953,000) and the carrying amount is £928,478,000 (2019/20: £942,249,000).
- New repayment methodology fair value is £1,090,320,000 (2019/20: £1,051,237,000) and the carrying amount is £928,478,000 (2019/20: £942,249,000).

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

- Early repayment methodology fair value of £1,080,126,000
- New borrowing rates fair value is £960,412,000

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 2021) arising from a commitment to pay interest to lenders below current market rates.

The value of assets is as follows:

- Fair value is £39,952,000 (2019/20: £64,831,000) and the carrying amount is £39,952,000 (2019/20: £64,831,000).

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

- Fair value of £39,952,000

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 Council's Scheme of Governance.
[2019/20 Treasury Management Strategy](#)
- approving annually in advance prudential and treasury management indicators for the following three years and reporting on performance twice a year.

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

Credit Risk

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

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

The Council has a policy of not lending more than £15,000,000 of its surplus balances to any one institution, with the exception of the Debt Management Office where the limit is not capped and UK government backed institutions and the Council's bankers, where the limit is £20,000,000. The Council 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 £39,950,000 (2019/20 £64,800,000), detailed in the following table, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

31 March 2020 £'000		31 March 2021 £'000
8,800	Call Accounts	39,950
21,000	Fixed Term Deposits	-
35,000	Money Market Funds	-
64,800	Total	39,950

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.

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

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 2021 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and collectability at 31 March 2021 £'000	Estimated maximum exposure at 31 March 2020 £'000
	A	B	C	(A X C)	
Customers	16,178	20.40%	20.40%	3,300	3,000
Housing Rents	2,933	76.17%	76.17%	2,234	2,058
	19,111			5,534	5,058

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

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

31 March 2020 £'000		31 March 2021 £'000
3,505	Less than Three Months	4,240
326	Three to Six Months	292
550	Six Months to One Year	366
929	More than One Year	1,248
5,310	Total	6,146

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 March 2020 £'000	31 March 2021 £'000
Less than one year	(216,712)	(185,695)
Between one and two years	(10,182)	(20,197)
Between two and five years	(67,642)	(57,689)
Between five and ten years	(107,936)	(107,793)
Between ten and twenty years	(25,201)	(15,100)
More than 20 Years	(420,766)	(420,724)
Total	(848,439)	(807,198)

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 March 2021 £'000
Increase in interest receivable on variable rate investments	505
Impact on Surplus or Deficit on the Provision of Services	505
Share of overall impact debited to the HRA	123

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 2020/21 £'000	Maintenance Materials/ Raw Materials 2020/21 £'000	Client Services/ Work in Progress 2020/21 £'000	Total 2020/21 £'000
Balance at 1 April	2,248	1,673	929	4,850
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)
Balance at 31 March	2,257	1,791	797	4,845

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

Note 23 – Debtors

Balance at 31 March 2020 £'000	Cumulative Soft Loan Adjustment at 31 March 2020 £'000	Fair Value Amortised Costs at 31 March 2020 £'000	Long Term Debtors at 31 March	Balance at 31 March 2021 £'000	Cumulative Soft Loan Adjustment at 31 March 2021 £'000	Fair Value Amortised Costs at 31 March 2021 £'000
3,743	(1,342)	2,401	Osprey Housing	3,743	(1,215)	2,528
5,417	-	5,417	Create Homes Aberdeenshire LLP	5,417	-	5,417
424	-	424	Leasing	424	-	424
647	(45)	602	Other Long Term Debtors (each less than £500,000)	1,059	(35)	1,024
10,231	(1,387)	8,844		10,643	(1,250)	9,393
		(104)	Repayments due within one year			(91)
		8,740	Balance at 31 March			9,302

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.

2019/20 £'000	Short Term Debtors	2020/21 £'000
19,346	Central Government Bodies	21,872
2,968	Other Local Authorities	1,784
3,351	NHS Bodies	6,593
1,421	Public Corporations and Trading Funds	1,160
37,938	Other Entities and Individuals	36,257
65,024	Total Short-Term Debtors	67,666

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 2021 is £30,241,000 (31 March 2020 £27,296,000). The outstanding amounts have been impaired for doubtful debts of £15,439,000 31 March 2021, (£14,167,000 31 March 2020).

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

	31 March 2020 £'000	31 March 2021 £'000
Current year outstanding – up to 1 year old	4,055	5,004
Previous year outstanding – More than one year	9,074	9,798
	13,129	14,802

Note 24 – Cash and Cash Equivalents

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

2019/20 £'000		2020/21 £'000
36	Cash held by the Council	33
56,397	Bank Current Accounts	41,091
56,433		41,124

Note 25 – Creditors

Restated 2019/20 £'000	Short Term Creditors - due within one year	2020/21 £'000
(16,993)	Central Government Bodies	(22,498)
(9,023)	Other Local Authorities	(15,578)
(604)	NHS Bodies	(788)
(963)	Public Corporations and Trading Funds	(1,586)
(62,819)	Other Entities and Individuals	(77,548)
(90,402)	Total Short Term Creditors	(117,998)

2019/20 £'000	Long Term Creditors – due in more than one year	2020/21 £'000
(3,620)	Central Government Bodies	(3,282)
(3,620)	Total Long-Term Creditors	(3,282)

Note 26 – Provisions

(i) Specific Provisions

	Balance at 31 March 2020 £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2021 £'000
Asset Decommissioning	(6,656)	-	-	(6,656)
Other Provisions (each less than £500,000)	-	(267)	-	(267)
Total	(6,656)	(267)	-	(6,923)
Provisions anticipated to be utilised within 12 months, shown as Current Provisions	-			267
Non-Current Provisions at 31 March	(6,656)			(6,656)

The provisions above are for liabilities which exist at 31 March 2021 but are likely to be incurred in financial years 2021/22 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

Debtors Provision	Balance at 31 March 2020 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2021 £'000
General Debtors	(3,000)	(300)	(3,300)
Revenues	(14,167)	(1,273)	(15,440)
Housing Rents	(3,256)	36	(3,220)
Total	(20,423)	(1,537)	(21,960)

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

- General Debtors - Provides for possible losses on debts and loans which the Council considers may not be settled in full;
- Revenues - Provides for possible losses on the collection of Council Tax; and
- Housing Rents – Provides for the possible losses on housing tenants rents. At 31 March 2021, the total rent arrears was £2,933,000 (£2,718,000 as at 31 March 2020) for HRA tenants and £1,063,000 for Temporary Accommodation tenants (£1,284,000 as at 31 March 2020).

Note 27 – Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2020/21

Restated 31 March 2020 £'000		31 March 2021 £'000
	Credited to Taxation and Non Specific Grant Income	
	Revenue Grant Income	
(298,167)	Revenue Support Grant	(405,376)
(123,645)	NDR Receipts from Pool	(80,112)
-	Revenue Non Specific Grant Income – Other Government Grants	(11,109)
-	Revenue Non Specific Grant Income – Health Authority	(2,539)
	Capital Grant Income	
(16,892)	Scottish Government General Capital Grant	(25,753)
(1,134)	Education – Primary Replacement & Enhancement	(1,835)
(10,000)	Early Learning and Childcare	(6,900)
(529)	Workspace Enhancement	(407)
(3,135)	Housing Revenue Account	(5,187)
(1,690)	Roads and Transport Services – Network and Traffic Management	(1,328)
(732)	Hill of Banchory New Sports Facility	(29)
(3,286)	Town Centre Fund	(1,050)
(1,071)	Digital Infrastructure (City Region Deal)	(3,599)
(2,822)	REFCUS Grant (City Region Deal/AWPR)	(174)
(1,804)	Other Capital Grants (each less than £500,000)	(475)
(464,907)	Total	(545,873)
	Credited to Services	
(1,868)	Alford Campus – Scottish Government Funding	(1,869)
(363)	Inverurie Academy	(4,460)
(579)	Youth Music Initiative	(363)
(616)	Active Schools	(619)
(849)	Foundation Apprenticeships	(1,394)
-	COVID-19 Free School Meals	(530)
-	COVID-19 Teacher Recruitment	(1,911)
-	COVID-19 Discretionary Fund	(1,396)
-	COVID-19 Children's Services Winter Plan for Social Protection	(529)
(2,992)	Scottish Attainment Fund	(2,910)
(15,206)	Early Years Expansion	(25,754)
(3,053)	Criminal Justice Service Grant	(3,174)
(4,003)	Home Energy Efficiency Programme for Scotland	(1,147)
(585)	Nestrans	(701)
(34,575)	Housing Benefits	(31,138)
-	Private Sector Housing Grant	(552)
(519)	Benefits Administration	(486)
(13,384)	NHS Social Care Funding	(13,384)
(676)	NHS Integrated Care Fund	(700)
(11,709)	NHS Resource Transfer	(11,709)
(1,007)	NHS Delayed Discharge	(1,009)
(660)	NHS Elderly Service Redesign	(660)
-	Young Persons Guarantee scheme	(512)
(632)	Syrian Vulnerable Persons Resettlement Programme	(924)
(1,211)	North Aberdeenshire Local Action Group Payment LEADER	(644)
(810)	South Aberdeenshire Local Action Group Payment LEADER	(748)
(4,838)	Other grants (each less than £500,000)	(6,194)
(100,135)	Total	(115,417)

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 2020 £'000	Short Term Liabilities – Revenue Grants Receipts in Advance	31 March 2021 £'000
(72)	Other grants (each less than £500,000)	(637)
(72)	Total	(637)

31 March 2020 £'000	Long Term Liabilities – Capital Grants Receipts in Advance	31 March 2021 £'000
(14,792)	Developer Obligations	(15,322)
(14,792)	Total	(15,322)

Note 28 – Unusable Reserves

The Unusable Reserves can be analysed as follows:

Restated 2019/20 £'000		2020/21 £'000
(1,033,165)	Revaluation Reserve	(964,902)
(349,243)	Capital Adjustment Account	(335,527)
9,705	Financial Instruments Adjustment Account	8,750
277,896	Pensions Reserve	163,658
13,097	Employee Statutory Adjustment Account	12,969
(1,081,710)	Total	(1,115,052)

Revaluation Reserve

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

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

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

Restated 2019/20 £'000	Revaluation Reserve	2020/21 £'000
(762,709)	Balance at 1 April	(1,033,165)
(314,894)	Upward Revaluation of Assets	5,782
16,724	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	36,332
(298,170)	Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services	42,114
27,714	Difference Between Fair Value Depreciation and Historical Cost Depreciation	26,149
(1,033,165)	Balance at 31 March	(964,902)

Note 28 – Unusable Reserves (continued)

Available for Sale Financial Instruments Reserve

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

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

The Council acquired non-voting A ordinary shares in The Lecht Ski Company in 2013 with a value of £77,000. There has been no movement in the value of investment since the initial transaction and therefore no gain or loss has been made to the Reserve in 2020/21.

Capital Adjustment Account

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

Restated 2019/20 £'000	Capital Adjustment Account	2020/21 £'000
(386,170)	Balance at 1 April	(349,243)
	Reversal of items relating to Capital Expenditure debited or credited to the CIES:	
91,845	Charges for Depreciation and Impairment of Non-Current Assets	70,910
34,282	Revaluation losses on PPE and AHfS	24,111
400	Amortisation of Intangible Assets	298
10,170	Revenue Expenditure Funded by Capital Under Statute	7,732
3,869	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	723
(27,714)	Adjusting amounts written out of the Revaluation Reserve	-
112,852		103,774
	Capital Financing Applied in the Year:	
(2,238)	Use of Capital Receipts to finance new Capital Expenditure	-
(28,901)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(38,486)
(9,200)	Application of Grants to Capital Financing from the Capital Grants & Receipts Unapplied Account	(10,744)
(17,721)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(23,679)
(17,865)	Capital Expenditure charged against the General Fund and HRA Balances	(17,289)
(75,925)		(90,198)
-	Movements in the Market Value of Investment Properties debited or credited to the CIES	140
(349,243)	Balance at 31 March	(335,527)

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 2021 will be charged to the General Fund over the next 36 years.

2019/20 £'000	Financial Instruments Adjustment Account	2020/21 £'000
10,651	Balance at 1 April	9,705
(781)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(782)
(165)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(173)
9,705	Balance at 31 March	8,750

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.

2019/20 £'000	Pensions Reserve	2020/21 £'000
307,275	Balance at 1 April	277,896
(73,376)	Actuarial (gains) or losses on pensions assets and liabilities	(145,457)
84,819	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	75,180
(40,822)	Employer's pensions contributions and direct payments to pensioners payable in the year	(43,961)
277,896	Balance at 31 March	163,658

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.

Restated 2019/20 £'000	Employee Statutory Adjustment Account	2020/21 £'000
11,231	Balance at 1 April	13,096
(11,231)	Settlement or cancellation of accrual made at the end of the preceding year	(13,096)
13,096	Amounts accrued at the end of the current year	12,968
1,865	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	(128)
13,096	Balance at 31 March	12,968

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.

2019/20				2020/21		
Capital Grants Unapplied £,000	Capital Receipts for Transformation Projects £,000	Total £'000	Capital Grants and Receipts Unapplied Account	Capital Grants Unapplied £,000	Capital Receipts for Transformation Projects £,000	Total £'000
(13,999)	-	(13,999)	Opening Balance	(18,994)	-	(18,994)
(14,194)	-	(14,194)	Additions	(8,252)	(937)	(9,189)
9,199	-	9,199	Applied	10,744	521	11,265
(18,994)	-	(18,994)	Closing Balance	(16,502)	(416)	(16,918)

Note 30 – Events after the Balance Sheet Date

The unaudited accounts were issued on 6 August 2021 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 2021, 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

Limitation (Childhood Abuse) (Scotland) Bill

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act was passed by the Scottish Parliament on 11th March 2021. The legislation creates a new independent body, Redress Scotland, to administer a scheme making financial payments to survivors of historical abuse in care in Scotland. The Scottish Government is seeking financial contributions from those involved in the care of children at the time they were abused and COSLA, on behalf of Scottish Local Authorities, has offered to contribute £100 million to the Scheme spread over 10 years.

The expectation is that the contribution from Scottish Local Authorities would be top-sliced from the Revenue Support Grant beginning in April 2022. Applicants who receive an offer of payment under the Scheme and who wish to accept the offer must sign and return a waiver agreeing to abandon any relevant civil proceedings and to waive any right to bring relevant civil proceedings, although there are exceptions. Therefore, under this legislation it is probable that Aberdeenshire Council's financial exposure will be limited to its contribution to the Redress Scheme.

Survivors of Historic Child Abuse in Care also have the option of pursuing claims through civil proceedings and where the historical care provision crossed current local authority boundaries, any potential financial liability arising from such proceedings will be subject to agreement on a case by case basis amongst the local authorities concerned. It is therefore not possible at this time to quantify the financial implications for Aberdeenshire Council.

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

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

COVID-19

The COVID-19 (Coronavirus) pandemic was first confirmed to have spread to Scotland in March 2020. The Council is still experiencing the impacts of the pandemic, but the 2021/22 budget setting process took account of all known factors at that point in time. Further lockdowns could have an impact on this.

Note 31 – Contingent Liabilities (continued)

NHS Pay Award Model

The Council is in negotiations for a COSLA pay award model like the one proposed for the NHS. If the model is agreed, an additional pressure above the 3% budgeted pay award would equate to £8.659m in 2021/22 which includes a backdated element from 2020/21. There would be a cumulative effect on future years revenue budget.

Windfarm Public Local Inquiries

The Council is currently defending its objection to a Windfarm extension application through a Public Local Inquiry. The outcome of this will determine if the Council will proceed with defending a further two Windfarm extension objections. The potential costs for defending these further two objections could amount to a total of £0.3m.

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.

Defects Claim

The Council is currently pursuing a defects claim against a contractor. If the claim is unsuccessful, the Council may be liable for the contractor's legal costs.

Land Compensation

The Council accrued a sum for a land compensation payment to a third party for land we acquired for a school build. Following approval of a Certificate of Appropriate Development (CAD) the value of the land to the third party will increase. The value has not yet been finalised and cannot be quantified at the present time.

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.

Landfill Tax

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

Defects Claim

The Council is currently pursuing a defects claim against a contractor which has not yet been settled, the date and amount of settlement may vary.

Truck Cartel Claim

A claim has been submitted on behalf of a number of 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.

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 2020/21 the Council paid £27,893,451 in respect of teacher's retirement benefits representing 23% of pensionable pay. (£24,383,586 and 22.4% in 2019/20). Contributions remaining payable at the year end were £3,324,341 (£3,255,752 in 2019/20).

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 2020/21 these amounted to £26,069 or 0.02% of pensionable pay (£38,121 and 0.04% in 2019/20).

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 and disclose them 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).

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 2021, the Council makes up 44.7% (2019/20: 44%) 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 2019/20 £'000	Teachers Additional Unfunded Pensions 2019/20 £'000	Total 2019/20 £'000	CIES	NESPF 2020/21 £'000	Teachers Additional Unfunded Pensions 2020/21 £'000	Total 2020/21 £'000
			Cost of Services:			
73,341	-	73,341	Current Service Cost	62,964	-	62,964
3,080	-	3,080	Past Service Costs	60	-	60
735	-	735	Loss from Curtailments	4,817	-	4,817
-	-	-	Loss from Settlements	399	-	399
			Financing and Investment Income and Expenditure:			
6,400	485	6,885	Net Interest Expense	5,706	436	6,142
778	-	778	Administration Expenses	798	-	798
84,334	485	84,819	Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	74,744	436	75,180
			Other Post Employment Benefit charged to the CIES			
(72,041)	(1,335)	(73,376)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	(146,500)	1,043	(145,457)
12,293	(850)	11,443	Total Post Employment Benefit charged to the CIES	(71,756)	1,479	(70,277)
			Movement in Reserves Statement			
(84,334)	(485)	(84,819)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code Actual amount charged against the General Fund Balance for pensions in the year:	(74,744)	(436)	(75,180)
39,653	-	-	Employers' Contributions Payable to the Scheme	42,798		
-	1,169	-	Retirement Benefits Payable to Pensioners		1,163	

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 Additional Unfunded Pensions 2019/20 £'000	Total 2019/20 £'000		NESPF		Teachers Additional Unfunded Pensions 2020/21 £'000	Total 2020/21 £'000
Funded Benefits 2019/20 £'000	Unfunded Benefits 2019/20 £'000				Funded Benefits 2020/21 £'000	Unfunded Benefits 2020/21 £'000		
1,604,710	23,436	18,760	1,646,906	Present value of the defined benefit obligation	1,949,805	22,263	19,076	1,991,144
(1,369,010)	-	-	(1,369,010)	Fair value of plan assets	(1,827,486)	-	-	(1,827,486)
235,700	23,436	18,760	277,896	Net liability arising from defined benefit obligations	122,319	22,263	19,076	163,658

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

NESPF		Teachers Additional Unfunded Pensions 2019/20 £'000	Total 2019/20 £'000		NESPF		Teachers Additional Unfunded Pensions 2020/21 £'000	Total 2020/21 £'000
Funded Benefits 2019/20 £'000	Unfunded Benefits 2019/20 £'000				Funded Benefits 2020/21 £'000	Unfunded Benefits 2020/21 £'000		
1,652,417	25,661	20,779	1,698,857	Opening Balance at 1 April	1,604,710	23,436	18,760	1,646,906
73,341	-	-	73,341	Current Service Cost	62,964	-	-	62,964
39,301	599	485	40,385	Interest Cost	38,173	546	436	39,155
11,541	-	-	11,541	Contributions from Scheme Participants	11,897	-	-	11,897
				Remeasurement (gains) and losses:				
(5,202)	(115)	-	(5,317)	Actuarial experience (gains)/losses	(20,435)	(2,697)	(515)	(23,647)
(30,380)	(268)	(1,335)	(31,983)	Actuarial (gains)/losses arising from changes in financial assumptions	295,743	2,420	1,685	299,848
(98,807)	(1,060)	-	(99,867)	Actuarial (gains)/losses arising from changes in demographic assumptions	(4,569)	(59)	(127)	(4,755)
(41,316)	(1,381)	(1,169)	(43,866)	Benefits Paid	(40,226)	(1,383)	(1,163)	(42,772)
3,080	-	-	3,080	Past Service Cost	60	-	-	60
735	-	-	735	Losses on Curtailments	4,817	-	-	4,817
-	-	-	-	Losses on Settlements	(3,329)	-	-	(3,329)
1,604,710	23,436	18,760	1,646,906	Closing Balance at 31 March	1,949,805	22,263	19,076	1,991,144

Note 34 – Defined Benefit Pension Schemes (continued)

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

NESPF		Teachers Additional Unfunded Pensions 2019/20 £'000	Total 2019/20 £'000		NESPF		Teachers Additional Unfunded Pensions 2020/21 £'000	Total 2020/21 £'000
Funded Benefits 2019/20 £'000	Unfunded Benefits 2019/20 £'000				Funded Benefits 2020/21 £'000	Unfunded Benefits 2020/21 £'000		
1,391,581	-	-	1,391,581	Opening fair value scheme assets at 1 April	1,369,010	-	-	1,369,010
33,500	-	-	33,500	Interest Income	33,013	-	-	33,013
(63,790)	-	-	(63,790)	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	416,903	-	-	416,903
(778)	-	-	(778)	Administration expenses	(798)	-	-	(798)
38,272	1,381	1,169	40,822	Contributions from employer	41,415	1,383	1,163	43,961
11,541	-	-	11,541	Contributions from employees into the scheme	11,897	-	-	11,897
-	-	-	-	Loss on Settlements	(3,728)	-	-	(3,728)
(41,316)	(1,381)	(1,169)	(43,866)	Benefits paid	(40,226)	(1,383)	(1,163)	(42,772)
1,369,010	-	-	1,369,010	Closing fair value of scheme assets at 31 March	1,827,486	-	-	1,827,486

North East Pension Scheme Assets Comprised:

Asset category	Sub-category	31 March 2020 £'000	31 March 2021 £'000
Equities:	Quoted	430,970	726,061
	Pooled	326,004	354,898
Bonds:	Government fixed	32,182	19,736
	Government indexed	57,662	72,003
	Other	15,554	10,234
	Corporate	10,958	6,944
Property:	UK Direct	100,012	103,984
Alternatives:	Private Equity	71,173	97,040
	Private Debt	19,672	44,042
	Private Equity Infrastructure	24,695	35,636
	Infrastructure Pooled Funds	29,322	33,808
	Private Equity Real Estate	16,845	23,209
	Multi Asset Credit Fund	114,974	138,158
	Diversified Growth Funds	91,784	107,822
Cash:	Cash instruments	27,203	53,911
Total		1,369,010	1,827,486

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

The Scheme has been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 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 2019/20		NesPF		Teachers Additional Unfunded Pensions 2020/21
Funded Benefits 2019/20	Unfunded Benefits 2019/20			Funded Benefits 2020/21	Unfunded Benefits 2020/21	
			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	23.1	-	-
26.3	-	-	Women	26.3	-	-
2.10%	2.10%	2.10%	Rate of Inflation	2.70%	2.70%	2.70%
3.60%	-	-	Rate of Increase in Salaries	4.20%	-	-
2.20%	2.30%	2.20%	Rate of Increase in Pensions	2.80%	2.80%	2.80%
2.40%	2.40%	2.40%	Rate for Discounting Scheme Liabilities	2.10%	2.10%	2.10%
-	-	-	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	-	-	-

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

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	59,766	(59,766)
Rate of inflation (increase or decrease by 0.1%)	35,818	(35,818)
Rate of increase in salaries (increase or decrease by 0.1%)	4,675	(4,675)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(35,179)	35,179

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 103% 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 2021 were: equities, including alternatives 85.4% (2019/20: 82.2%), bonds 5.9% (2019/20: 8.5%), property 5.7% (2019/20: 7.3%) and cash 3.0% (2019/20: 2.0%).

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 2022 is £39,882,000. 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:

Restated Total 2019/20 £'000	Restated Aberdeenshire Share 2019/20 £'000		Total 2020/21 £'000	Aberdeenshire Share 2020/21 £'000
4,277	1,910	Grampian Valuation Joint Board	(8)	(4)

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 2021 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 2020/21 is shown in the Remuneration Report. Councillors have involvement with 286 outside bodies, 89 of which are in a decision-making role and 197 in an observational role as reported to Full Council on 18 May 2017, updated for new appointments. During 2020/21, works and services to the value of £5,440,480 were commissioned from companies in which 19 Councillors' had an interest (2019/20 £3,572,000 and 17 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £489,505 were awarded to voluntary organisations in which 9 Councillors had positions on the governing body (2019/20 £1,125,000 and 12 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' Interests, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.

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

Officers – Key Management Personnel

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

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 2021, the total Comprehensive Income and Expenditure Statement shows a surplus of £4,279,000 (2019/20 surplus £840,000) and the net liabilities a deficit of £946,000 (2019/20 surplus £3,333,000). The Board is funded by requisitions from the three Councils. The Council paid a requisition in 2020/21 of £2,052,000 (2019/20 £1,993,000). A copy of the accounts can be obtained from The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX.

North East of Scotland Transport Partnership (Nestrans)

Nestrans was created under the Transport (Scotland) Act 2005 by the Scottish Executive. The Partnership aims to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Shire. Four of the twelve Board members are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2021, the total Comprehensive Income and Expenditure Statement was a surplus of £59,000 (2019/20 surplus £563,000) and the net liabilities were £162,000 (2019/20 £222,000). The two Councils fund the Partnership. The Council paid a requisition of £112,000 (2019/20 £195,000) and provided capital funding of £720,000 (2019/20 £670,000). A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Trusts and Endowments and Common Good Funds

The Council acts as Trustee for 361 Trusts & Endowments and 17 Common Good Funds. Disbursements from the Trusts range from Educational grants for books and equipment to donations to the elderly. In administering the Common Good Funds, the Council has regard to the interests of the inhabitants of the area to which the Common Good Fund formerly related and overall, the funds are used for purposes which are of benefit to the relevant communities. For the year ended 31 March 2021, the net assets were £7,589,000 (2019/20 £6,457,000) for Trusts and £8,643,000 (2019/20 £3,345,000) for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on [pages 119-122](#). The Trusts and Common Good Funds had £4,603,000 (2019/20 £4,553,000) invested in the Council's loans fund at 31 March 2021. A full analysis of the individual Trusts

Note 35 – Related Parties (continued)

and Common Good Funds can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Scotland Excel

Scotland Excel is a not-for-profit organisation and was launched in April 2008. It aims to raise procurement standards by working with Scottish local authorities and suppliers to secure best value through collaborative contracts. Aberdeenshire Council and twenty-seven other local authorities fund the organisation. For the year ended 31 March 2021, Aberdeenshire Council's contribution to the organisation was £164,000 (2019/20 £159,000). A copy of the accounts can be obtained from the Director of Finance, Renfrewshire Council, Finance and Resources, Finance Services, Renfrewshire House, Cotton Street, Paisley, PA1 1JB.

Aberdeenshire Integration Joint Board

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

For the year end 31 March 2021, the total Comprehensive Income and Expenditure Statement shows a surplus of £20,449,000 (2019/20 £1,288,000 deficit). Due to the on-going COVID-19 pandemic, there is an underspend of £4,597,000 which has been transferred to reserves for use in 2021/22. Also as a result of the COVID-19 pandemic, significant funding that was received throughout 2020/21 from the Scottish Government but not yet utilised, has been transferred to earmarked reserves for use in 2021/22.

The net assets were £20,566,000 (2019/20 £117,000) of earmarked reserves described in the paragraph above. The Board is funded by the Council and NHS Grampian. The Council made a payment of £120,230,000 (2019/20 £114,183,000) for integrated functions and services commissioned from Aberdeenshire Council were £169,549,000. A copy of the accounts can be obtained from the IJB Chief Finance Officer, c/o NHS Grampian, Westholme, Woodend Hospital, Eday Road, Aberdeen, AB15 6LS.

Create Homes

Create Homes Aberdeenshire was established in 2015 and is a joint venture between The Scottish Future Trust and Aberdeenshire Council. It is supported by the Scottish Government and aims to provide high quality accommodation whilst keeping the rent at a reasonable and affordable cost. For the year ended 31 March 2021, the total comprehensive income and expenditure statement was £39,000 surplus (2019/20 £39,000) and the net assets were £120,000 (2019/20 £81,000). A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Note 36 – Cash Flow Statement – Operating Activities

Restated 2019/20 £'000		2020/21 £'000
(112,392)	Net Deficit on the Provision of Services	(37,639)
	Adjust net surplus or deficit on the provision of services for non cash movements	
91,845	Depreciation and Impairment	97,059
34,283	Downward Revaluations	24,112
400	Amortisation	298
(132)	Soft Loans (non subsidiary) - Interest adjustment credited to CIES during year	(2,367)
(41)	Adjustments for Effective Interest Rates	(42)
96	Increase/(Decrease) in Interest Creditors	(806)
(5,223)	Increase in Creditors	23,460
(15)	(Increase)/Decrease in Interest and Dividend Debtors	72
(12,795)	(Increase)/Decrease in Debtors	(1,037)
(237)	(Increase)/Decrease in Inventories	5
44,006	Movement in Pension Liability	31,226
(2,625)	Contributions to/ (from) Provisions	267
3,869	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	723
-	Movement in Investment Property Values	140
153,431		173,110
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(43,096)	Capital Grants credited to surplus or deficit on the provision of services	(46,737)
-	Net Adjustment from the Sale of Short and Long Term Investments	10,000
(2,238)	Proceeds from the sale of property plant and equipment and intangible assets	-
(45,334)		(36,737)
(4,295)	Net Cash Flows from Operating Activities	98,734

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
487	Interest Received	(2,019)
(29,105)	Interest Paid	(32,334)

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 2021.

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

2019/20 £'000		2020/21 £'000
644	(Surplus)/Deficit on Operating Activities	(10,225)
59	Current Assets	10,283

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 was £120,230,000 (2019/20: £114,183,000). 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 the Integration Joint Board are fully aligned.

Housing Revenue Account

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

Restated 2019/20 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2020/21 £'000	Notes Ref
	Expenditure		
21,647	Repairs and Maintenance	19,934	
12,311	Supervision and Management	11,812	
30,068	Depreciation, Amortisation and Impairment of Non-Current Assets	27,782	
9,753	Other Expenditure	10,676	
73,779	Total Expenditure	70,204	
	Income		
(52,254)	Dwelling Rents	(55,117)	
(1,064)	Non-dwelling Rents	(1,152)	
(10,813)	Other Income	(11,617)	
(64,131)	Total Income	(67,886)	
9,648	Net Cost of HRA Services as Included in the CIES	2,318	
388	HRA Services' Share of Corporate and Democratic Core	369	
363	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	141	
10,399	Net Expenditure for HRA Services	2,828	
	HRA Share of the Operating Income and Expenditure Included in the CIES		
184	Gain on Sale of HRA Non Current Assets	(238)	
6,443	Interest Payable and Similar Charges	5,462	
(30)	Interest and Investment Income	(12)	
335	Net Interest on Net Defined Benefit Liability (Asset)	373	
(3,135)	Non-specific Grant Income	(5,187)	
487	Movement in Allowance for Bad Debts	806	
14,683	(Surplus)/Deficit for the Year on HRA Services	4,032	
HRA Notes			2-5

Restated 2019/20 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2020/21 £'000	Notes Ref
(2,000)	Balance on the HRA at 1 April	(2,000)	
14,683	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	4,029	
(13,472)	Adjustments Between Accounting Basis and Funding Basis Under Statute	(4,03)	6~
1,211	Net Decrease/(Increase) before transfers to/from reserves	(3)	
(1,211)	Transfer (from)/to reserves	3	1
-	Movement in Year on the HRA	-	
(2,000)	Balance on the HRA at 31 March	(2,000)	

~ Refers to note 6 to the Council's Financial Statements on [pages 67-68](#)

HRA Note 1 – Transfer to (from) Reserves

2019/20 £'000		2020/21 £'000
(1,208)	Transfer from General Fund	-
(3)	Transfer to Insurance Fund	3
(1,211)	Total	3

HRA Note 2 – Housing Stock

The Council's housing stock at 31 March 2021 was 13,111 (13,073 at 31 March 2020) in the following categories:

2019/20	Types of dwellings:	2020/21
1,509	- Sheltered Housing	1,509
83	- 1 apartment	72
3,775	- 2 apartment	3,796
5,116	- 3 apartment	5,111
2,446	- 4 apartment	2,468
143	- 5 + apartment	155
1	- Misc	-
13,073	Total Housing Stock as at 31 March	13,111

The Council's housing stock includes 32 properties (2019/20: 44 properties) that are not in the ownership of the Council.

HRA Note 3 – Rent Arrears

Rent arrears at 31 March 2021 were £2,933,000 (£2,718,000 at 31 March 2020).

HRA Note 4 – Impairment of Debtors

In 2020/21 an impairment of £2,234,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £176,000 from the provision in 2019/20.

HRA Note 5 – Void Properties

The loss on void properties in 2020/21 was £2,562,000 compared to a loss on void properties of £2,187,000 in 2019/20.

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.

2019/20 £'000		2020/21 £'000	Notes Ref
(169,268)	Gross Council Tax Levied and Contributions in Lieu	(178,496)	
	Less:		
7,947	Council Tax Reduction Scheme	9,434	
18,228	Other Discounts and Reductions	19,126	
1,174	Write Off of Uncollectable Debts and Allowance for Impairment	1,589	
27,349		30,149	
158	Adjustments to Previous Years'	(936)	
(1,973)	Second Homes Council Tax – In Year	(1,985)	
(143,734)	Transfer to CIES	(151,268)	
Council Tax Income Account notes			1, 2

CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	2019/20 Proportion of Band D	2019/20 Council Tax	2020/21 Proportion of Band D	2020/21 Council Tax
A	Up to £27,000	0.6667	£827.17	0.6667	£867.21
B	£27,001 – £35,000	0.7778	£965.04	0.7778	£1,011.74
C	£35,001 – £45,000	0.8889	£1,102.90	0.8889	£1,156.28
D	£45,001 - £58,000	1.0000	£1,240.76	1.0000	£1,300.81
E	£58,001 - £80,000	1.3139	£1,630.22	1.3139	£1,709.12
F	£80,001 - £106,000	1.6250	£2,016.24	1.6250	£2,113.82
G	£106,001 - £212,000	1.9583	£2,429.82	1.9583	£2,547.42
H	Above £212,000	2.4500	£3,039.86	2.4500	£3,186.98

Council Tax

CT Note 2 – Calculation of Council Tax Base 2020/21

BAND	Band A*	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Properties	20,554	16,256	14,611	18,299	22,115	16,968	10,937	615	120,355
Less:									
Exemptions	1,564	708	598	502	375	206	124	14	4,091
Discount - 25%	2,605	1,747	1,351	1,426	1,261	689	332	13	9,424
Discount - 50%	468	285	224	212	195	135	89	12	1,620
Number of chargeable dwellings subject to disabled reduction	(58)	(44)	(9)	(60)	16	65	84	6	0
Number of adjusted chargeable dwellings	15,975	13,560	12,447	16,219	20,268	15,873	10,308	570	105,220
Ratio to Band D	0.6667	0.7778	0.889	1.0	1.3139	1.625	1.9583	2.45	
Number of Band D equivalents for RSG purposes	10,647	10,547	11,064	16,219	26,630	25,794	20,186	1,397	122,484
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2020/21									7
Less: Adjustment to base for Council Tax Reduction Scheme									7,831
COUNCIL TAX BASE 2020/21									114,660

COUNCIL TAX BASE 2019/20

114,893

* Of the 10,647 Band A properties, 56 receive a discount in the ratio 5/9 relating to disabled relief.

Business Rates Income Account

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

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

In 2020/21 the rate poundage was 49.8p (49p in 2019/20). Properties with a rateable value of more than £0.095million attract a Higher Property Rate (formerly Large Business Supplement) of 2.6p on top of the poundage (2.6p in 2019/20). Properties with a rateable value of between £0.051million and £0.095million 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 £0.018 million qualified for a reduction on a sliding scale of between 25% and 100% of their rates bill under the Small Business Bonus Scheme

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

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

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

2019/20 £'000		2020/21 £'000	Notes Ref
(151,431)	Gross Rates Levied and Contributions in Lieu	(151,379)	
	Less:		
27,978	Reliefs and Other Deductions	52,189	*
-	Payment of Interest	-	
8	Write Off of Uncollectable Debts and Allowance for Impairment	9	
(123,445)	Net Business Rate Income	(99,181)	
4,461	Adjustments to Previous Year's Business Rates	8,620	
(201)	Council Discretionary Relief	(222)	
(119,185)	Total Business Rate Income (before Council Retentions)	(90,783)	
(150)	Business Rate Income Retained by the Council (BRIS)	-	**
(119,335)	Contribution to National Non-Domestic Rate Pool	(90,783)	
(123,812)	Sum due from Central Rates Pool	(80,112)	
150	Business Rate Income Retained by the Council (BRIS)	-	
17	Adjustments for prior years – reliefs	-	
(123,645)	Income Credited to Comprehensive Income and Expenditure Statement	(80,112)	
	Business Rates Income Account Note		1

*The increase in Reliefs and Other Deductions predominately relates to the 100% relief for retail, hospitality & leisure sectors due to the pandemic

**The Business Rates Incentivisation Scheme has been suspended for both 2020-21 and 2021-22.

Business Rates Disclosures

BR Note 1 – Rateable Values and Number of Entries at 1 April 2020

As at 1/4/19 Number of Entries	As at 1/4/19 Rateable Value £'000		As at 1/4/20 Number of Entries	As at 1/4/20 Rateable Value £'000
1,987	41,057	Shops	1,994	40,932
99	2,671	Public Houses	103	2,619
1,531	40,871	Offices (Including Banks)	1,529	40,254
232	8,241	Hotel, Boarding Houses etc.	225	8,036
3,403	113,517	Industrial and Freight Transport Subjects	3,481	114,925
1,217	9,944	Leisure, Entertainment, Caravans and Holiday Sites	1,296	10,606
387	3,976	Garage and Petrol Stations	384	3,938
56	751	Cultural	57	762
2,272	2,066	Sporting Subjects	2,272	2,060
267	21,682	Education and Training	265	21,316
756	14,333	Public Services Subjects	748	14,458
46	5,319	Communications (Non Formula)	45	5,379
218	1,438	Quarries, Mines etc.	218	1,438
15	16,376	Petrochemical	15	16,376
443	2,012	Religious	441	2,012
137	4,316	Health Medical	137	4,277
1,099	1,895	Other	1,099	1,760
127	4,733	Care Facilities	126	4,698
18	64	Advertising	18	64
39	2,780	Undertaking	41	2,793
14,349	289,042	Total	14,494	298,703

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

Trusts and Endowments

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

The Council administers 361 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet, a summary of the balances of the Trusts at 31 March 2021 and details of how these balances were invested at that date are shown below.

INCOME AND EXPENDITURE STATEMENT

Restated All Trusts 2019/20 £'000	Restated Charitable Trusts 2019/20 £'000		All Trusts 2020/21 £'000	Charitable Trusts 2020/21 £'000	Notes Ref
		Expenditure			
50	50	Administrative Costs	56	56	2
144	136	Donations, Grants etc.	174	170	
9	-	Other Costs	4	-	
203	186	Total Expenditure	234	226	
		Income			
(149)	(124)	Investment Income	(104)	(87)	
(88)	(81)	Other Income	(91)	(77)	2
(237)	(205)	Total Income	(195)	(164)	
(34)	(19)	(Surplus)/Deficit for the year	39	62	

BALANCE SHEET

Restated All Trusts 2019/20 £'000	Restated Charitable Trusts 2019/20 £'000		All Trusts 2020/21 £'000	Charitable Trusts 2020/21 £'000	Notes Ref
		Current Assets			
1	-	Other	23	22	
3,381	2,423	Investments	4,552	3,096	
3,105	1,852	Loans Fund Balance	3,029	1,758	
6,487	4,275	Total Current Assets	7,604	4,876	
		Current Liabilities			
(22)	(22)	Creditors	(15)	(15)	
6,465	4,253	Net Current Assets	7,589	4,861	
6,465	4,253	Total Net Assets	7,589	4,861	
		Financed by:			
(5,123)	(3,882)	Capital	(6,249)	(4,509)	
(1,342)	(371)	Revenue Balance	(1,340)	(352)	
(6,465)	(4,253)	Reserves	(7,589)	(4,861)	
		Trusts & Endowments Notes			1, 3

The unaudited accounts were issued on 6 August 2021 and the audited accounts were authorised for issue on 16 December 2021.

Mary Beattie, FCCA
Head of Finance
17 December 2021

Trusts and Endowments (Continued)

SUMMARY OF FUNDS

Restated Total Funds 2019/20 £'000	Restated Charitable Trusts 2019/20 £'000		Total Funds 2020/21 £'000	Charitable Trusts 2020/21 £'000	Notes Ref
		Education Trusts			
3,654	3,654	Aberdeenshire Educational Trust	4,285	4,285	
		Other Trusts			
1,806	502	General	2,204	483	
160	93	Libraries	162	93	
		Endowment Funds			
469	4	Educational Endowments	522	-	3
376	0	Social Work Endowments	416	-	
6,465	4,253	Total	7,589	4,861	

Trusts and Endowments - Disclosures

TF Note 1 – Purpose and Administration of Trusts

The money earned from the investments of the Trusts is used for the prevention or relief of poverty; the advancement of education; the advancement of health; the advancement of citizenship or community development; the advancement of the arts, heritage, culture or science; the advancement of public participation in sport, or the organisation of recreational activities, with the objective 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 2021 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 – Education Endowments Charitable Trusts

The Andrew Cooper History Prize Trust is no longer registered as a Charitable Trust with the Scottish Charity Regulator, OSCR.

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 Disclosures

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 2021

Net Expenditure 2019/20 £'000	Services	Net Expenditure 2020/21 £'000	Notes Ref
46	Donations, Grants etc.	-	
36	Depreciation	84	
6	Repairs to Assets	105	
88	Expenditure	189	
(18)	Rental Income	(20)	
(13)	Interest Receivable and Similar Income	(6)	
-	Grants Receivable	(105)	
-	Other Income	(9)	
(31)	Income	(140)	
57	(Surplus)/Deficit on the Provision of Services	49	
(34)	Transfer from Revaluation Reserve	(82)	
23	Decrease/(Increase) in the Year	(33)	
Common Good Fund Notes			1

Balance Sheet as at 31 March 2021

2019/20 £'000		2020/21 £'000	Notes Ref
1,908	Property, Plant and Equipment	7,169	2
1,908	Long Term Assets	7,169	
11	Short Term Investments	14	
1,456	Cash and Cash Equivalents	1,574	
1,467	Current Assets	1,588	
(30)	Creditors	(114)	
(30)	Current Liabilities	(114)	
3,345	Net Assets	8,643	
	Usable Reserves:		
(1,251)	Revenue	(1,276)	
(369)	Capital	(378)	
	Unusable Reserves:		
(1,725)	Revaluation Reserve	(6,989)	
(3,345)	Total Reserves	(8,643)	
Common Good Fund Notes			3

The unaudited accounts were issued on 6 August 2021 and the audited accounts were authorised for issue on 16 December 2021

Mary Beattie, FCCA
Head of Finance
17 December 2021

CG Note 1 – Significant Accounting Policies

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

CG Note 2 – Property, Plant & Equipment

A net movement of £5.261 million was recorded within Property, Plant and Equipment between 2019/20 and 2020/21. This related to an upward valuation of Canal Park, Banff (£2.396 million), transfer of Inverurie Town Hall to the Common Good Asset register (£2.92 million) and further additions and depreciation (£0.022 million). One asset was identified as a duplicate and removed from the Balance Sheet alongside a downward revaluation of land at Whinhill totalling £0.077 million.

CG Note 3 – Summary of Balances

The balances in the Common Good Funds are as follows:

Total Funds 2019/20 £'000		Total Funds 2020/21 £'000
157	Macduff	1,355
2,028	Banff	3,267
4	Rosehearty	4
5	Portsoy	5
4	Aberchirder	4
65	Fraserburgh	65
464	Peterhead	465
161	Turriff	158
5	Oldmeldrum	5
65	Inverurie	2,923
25	Kintore	25
103	Stonehaven	105
57	Inverbervie	57
37	Laurencekirk	37
129	Huntly	132
36	Banchory	36
0	Ballater	0
3,345	Total	8,643

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 nonoperational 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
Balance at 31 March 2019 Carried Forward	(660)	(299)	(13,999)	(14,958)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants & Receipts Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(14,195)	(14,195)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	9,200	9,200
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	-	-	(4,995)	(4,995)
Transfers to/(from) Statutory Reserves	235	299	-	534
(Increase)/Decrease in 2019/20	235	299	(4,995)	(4,461)
Balance at 31 March 2020 Carried Forward	(425)	-	(18,994)	(19,419)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants & Receipts Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(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)
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations			1,555	1,555
Transfers to/(from) Statutory Reserves			521	521
(Increase)/Decrease in 2020/21			2,076	2,076
Balance at 31 March 2021 Carried Forward	(425)		(16,918)	(17,343)

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, which is available on the Council's website: <https://www.livelifeberdeenshire.org.uk/media/2726/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 Office and with the approval of the governing body, an item doesn't 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 2021, Live Life Aberdeenshire Museums Service has approximately 24,000 objects recorded in the Adlib database.

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

(i) Aikey Brae Stone Circle, Mintlaw

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

(ii) Rhynie Man, Woodhill House, Aberdeen

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

(iii) Vertical Aerial Photograph Collection

This collection consists of three sets of vertical aerial imagery:

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

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

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

(iv) Photograph and Slide Collection

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

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

Education PFI Schemes

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

The contract involves:

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

The effective date of service commencement for Banff Primary 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 within Inverurie which includes a secondary school, replacement special school facility, community swimming pool, and dry leisure facilities. The service commencement date was 24 August 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 2020/21
VAT	Value Added Tax