



ABERDEEN
CITY COUNCIL

ANNUAL ACCOUNTS

FOR THE PERIOD

1 APRIL 2014 TO 31 MARCH 2015

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Management Commentary

The purpose of the Management Commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2014/15 and understand the year-end financial position as at 31 March 2015. It also provides a narrative on the financial outlook and the complexities the Council will have to deal with in the financial years 2015/16 and beyond.

Background

Aberdeen City Council is one of thirty two councils in Scotland. There are forty three Elected Members serving a population of approximately 225,000. The current Council Administration is a coalition of Labour, Conservative and Independent members. During the financial year, Angela Scott was appointed as the new Chief Executive of the Council and Jennifer Laing was appointed as the new Council Leader. Following an operational restructure during the year, the Council is now organised to provide and deliver services through three core directorates – Communities, Housing and Infrastructure; Education and Children's Services; Corporate Governance; and an integrated structure bringing together the council's and NHS Grampian's Adult Care services.

The services the Council is responsible for providing include Education, Social Care, Housing, Roads, Waste Collection and Disposal, Environmental Health, Trading Standards, Licencing, Planning and Building Standards and Economic Development. More information can be obtained on the Council's website:

<http://www.aberdeencity.gov.uk/home/home.asp>

Financial Performance in 2014/15

The Council's financial performance is presented in the four primary statements: Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; and Cash Flow Statement. The Comprehensive Income and Expenditure Statement (CIES), which can be seen on page 36, presents the full economic cost of providing services. This differs from the operational budgeted outturn position which was reported to the Finance, Policy and Resources Committee on 9 June 2015 which can be viewed using this link: <http://committees.aberdeencity.gov.uk/documents/s47474/FPR%20Year%20End%20Report%20FINAL%20ISSUED.pdf>

The reasons for the difference are two-fold: (i) the application of appropriate accounting standards to ensure that corporate activities not included within operational budgets are identified and included in the accounts, as these require to be met from local taxation; and (ii) the CIES includes accounting adjustments required to comply with proper accounting practice, but which under statute do not impact on local taxation payers.

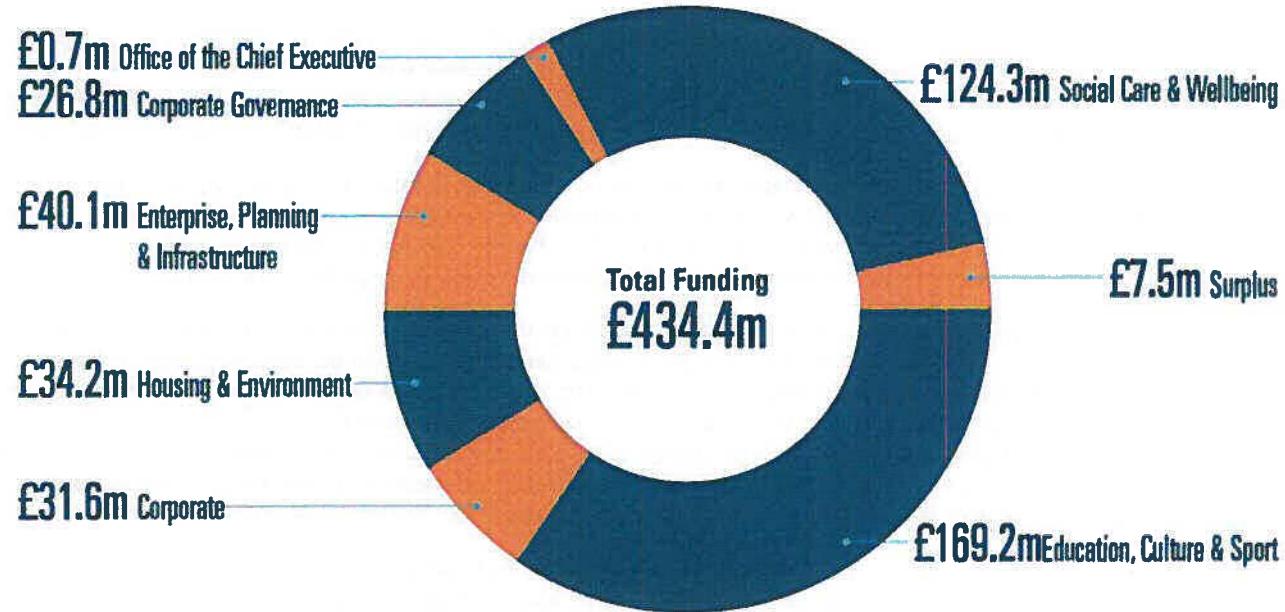
The final outturn position reflects only those costs that are required to be met from local taxation. The outturn of services, £394.6 million has been reconciled to the Cost of Services, £461.1 million as disclosed in the CIES at Note 17 – Amounts Required for Resource Allocation Decisions.

It is important to note that the Council reports its outturn position by individual account, as required by legislation. The revenue accounts managed by the Council are the General Fund and the Housing Revenue Account. The CIES is the consolidation of these accounts to reflect the Council's overall financial results of the year.

The outturn position for the General Fund, Housing Revenue Account and Common Good has been the subject of monthly scrutiny by the Corporate Management Team and regular reporting to relevant Committees.

General Fund

The graphic below shows a favourable year end position of £7.5 million underspend which equates to 1.18% of the gross expenditure budget. The main reasons for the variance were: staff vacancy and turnover savings across a number of services; higher than anticipated income levels; reduced operating costs in certain areas (waste, homelessness, roads and catering as examples); reduced costs associated with commissioning; reduced capital financing costs; and an increased number of Band D equivalent properties.



(Note: the figures above reflect the services as reported during the year rather than those now in place following the operational restructure)

Housing Revenue Account (HRA)

The net expenditure on the HRA, prior to any CFCR contribution or increase in working balances was £22.4 million. From this position a CFCR contribution of £18.7 million to fund the capital programme was made. A further £2.7 million was used to fund the transfer at market value of the sites from the General Fund to the HRA for the development of affordable housing. The effect of these transactions was a net underspend of £1 million which was used to increase the working balance.

A number of factors contributed to the overall position of the HRA and these were reported during the year to the Communities, Housing & Infrastructure Committee: higher repairs and maintenance costs; higher loss of rent (voids) costs; lower former tenants arrears; reduced operating costs in admin & management; and lower capital financing costs.

Capital

Capital expenditure is undertaken by the Council having regard to the Prudential Code for Finance in Local Authorities and consideration, in all years, of affordability and sustainability. Expenditure on General Fund services totalled nearly £58 million while Housing Revenue Account capital spend totalled approximately £39 million. The Council has achieved compliance with the 2015 Scottish Housing Quality Standards. This was funded through various grants, borrowing, revenue funding and use of capital receipts and the capital fund.

The most significant projects undertaken during the year with the General Fund programme were: Aberdeen Western Peripheral Route; Property Condition and Sustainability Programme; 3rd Don Crossing; Renewal and Replacement of Roads Infrastructure; Hydrogen Buses; School Estate; and Victoria House.

The HRA programme included: Victoria House; Modernisation Programme; Heating System Replacement; and Energy Efficiency in Multi-storey Blocks.

The Council is also progressing with three other large scale projects. The first is the Marischal Square development which is a key scheme in the regeneration of the City Centre. The Council has entered into a number of agreements to deliver retail/restaurant units, hotel and office accommodation on a 'development strip lease' basis. Understandably this project has attracted a lot of local and national interest. While the financial details of the 'strip lease' used to finance the development cannot be disclosed at this time due to commercial sensitivity, once the sites are let it is the Council's intention to disclose as much financial information as possible without compromising the tenants commercial terms agreed with the Council. A hotel franchise has been agreed for the site with the expectation that the anticipated income stream will exceed the proportion of the ground lease costs. This is broadly similar with the expected retail/restaurant units and office income. The marketing of the office accommodation, while underway, will be formally launched later this calendar year and the marketing of the retail units is well advanced with a number of units under offer.

To de-risk the project a contingency account was created as part of the overall financial package which would be used to incentivise pre-lets and cover void costs as well as a profit account both of which will be split between the Council and the developer, depending on the final financial profile. The construction contract has been let and work is on site. The cost of the works, one of the significant risk elements, is broadly in line with the budget. During 2014/15 the Council received the first instalment of the capital receipt of £1 million. A further £9 million which will be provided at practical completion of the scheme is included within long term debtors. Further disclosures of the financial package will be made as part of the 2016/17 revenue budget process and will be reported to the relevant Committee in either December 2015 or February 2016, depending on when the final report is to be presented. It is important that the Council understands the risks associated with these types of innovative project funding mechanisms but also seek other similar opportunities in the future to provide a solid financial base on which to build over the coming years when the likely level of revenue funding will diminish.

The second major project the Council is currently exploring which received unanimous support from elected members is the new Aberdeen Exhibition and Conference Centre which will support and enhance Aberdeen's place in the global oil and gas industry. This project is at an advanced stage and it is likely that a detailed planning application will be submitted in the coming months. The development will include two hotels, a conference centre, energy centre and an anaerobic digestive plant. While the income levels will vary, especially in the early years, in overall terms the cost to the Council is expected to be cost neutral compared to the current financial structure that is in operation for the existing site.

Lastly, the Council is in the process of procuring a private sector partner for the delivery of new housing through a 50:50 partnership vehicle with the Council. The aim of the project is ultimately to deliver 1,000 affordable homes which are vital to addressing housing shortages across the City. This method of delivery will bring in private sector experience and expertise in the delivery of affordable and private housing, using a standardised product where appropriate to assist in the speed of delivery. Whilst the Council will contribute land to the project, the private sector partner will provide increased ability to lever in finance to fund development. Both parties will share in the development risk and profit of the scheme.

Balance Sheet

The Balance Sheet sets out the net worth of the Council as a snapshot at 31 March 2015. Since 31 March 2014 there has been an overall increase in net worth of £26.2 million. The figure matches the total in the Comprehensive Income and Expenditure Statement which details the transactions during the financial year that led to the movement in the net worth of the Council.

The Council's Reserves

The Council's usable reserves are detailed in Notes 5 and 6 on pages 59 to 65.

Common Good

Against a budgeted use of working balances of £1 million, the Common Good recorded a surplus of £0.09 million. This was largely due to lower than anticipated spend on a number of projects. As many of these projects are ongoing a sum of £0.5 million has been earmarked to provide the necessary funding to complete them during 2015/16.

The above surplus is before gains on the disposal and revaluation of assets and other accounting adjustments are applied. The value of the Common Good has increased to £105.7 million at 31 March 2015, an increase of £6.4 million from last year. This increase includes a further receipt from the sale of land at Pinewood/Hazledene which has been invested in line with the approved Common Good Investment strategy. Further details on the Common Good can be seen at pages 133 to 135.

Trust Funds and Endowments

The Council administers a number of trust funds and endowments. Some of these have charitable status which requires separate accounts to be prepared and audited for submission to OSCR (Office of the Scottish Charity Regulator). The value of all the Trust Fund balances at 31 March 2015 was £9.7 million, an increase of £0.1 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 136 to 138.

Group Accounts

The Aberdeen City Council Group consists of subsidiaries, joint venture and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with net assets of £1,292.4 million. This is an increase against the net assets of the Council, which are £1,191.1 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds. Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2014/15. Details can be seen on page 148.

Impact of the Current Economic Climate and Future Cost Pressures

Aberdeen continues to be impacted at a micro level of the wider macro-economic conditions that the world faces in relation to the continued down turn in the price of oil. A number of locally based companies continue to make further redundancies in the sector and this is likely to impact on the local economic conditions which in turn has the potential to impact Scotland more widely.

The level of Non Domestic Rates collected within Aberdeen City is estimated to account for almost 7.5% of the total Scottish NDR collectable during 2015/16 (up from 7.3% in 2014/15) and this demonstrates the economic strength required from within the City to maintain Scotland wide income levels for distribution to all local authorities. Against this backdrop of economic difficulties within the Oil and Gas sector it should also be noted that the level of Band D equivalent properties increased during 2014/15 from 91,104 to 92,303 an increase of over 1,200 and demonstrates the level of confidence that still exists locally.

The Council recognises that there is a continued shortage of housing within the City to attract and house new workers. Population growth is still estimated to grow over the next 35 years and this is borne out by the views captured within the local development plan of developers within the city. The extracted data on the developer's views of construction of new houses in Aberdeen up to 2025 shows new house units of more than 11,000 units. These units will vary in size and value depending on where they are built in the city. What this does provide is a clear understanding that, all things being equal, there will be an additional 11,000 units by 2025. The population is predicted to increase by a further 84,000 from 2025 to 2050, which with an average number of residents per household of 2.13, suggests a further 39,000 units required between 2025 and 2050.

Population information for the Aberdeen City area has been sourced from the Scottish Government, showing projections up to 2037. This data has been extrapolated and projected up to 2050. Initial indications are that the total population for Aberdeen City is likely to increase from its current levels of 225,000 to 342,000. This will obviously increase pressure on a huge range of Council services, including roads, education and social care, as well as partner services such as health. The housing developments referred to above will evidently be required if this projected population growth comes to fruition.

The challenges facing local government have been further highlighted in a report, *An Overview of Local Government in Scotland 2015*, published by Audit Scotland in March 2015. The key messages from the report focus on the increasingly difficult financial challenges faced by councils, in the context of overall reductions in public sector budgets, whilst at the same time demand for services is increasing. With further funding reductions expected, tough decisions will be required to balance budgets, which must be based on a clear understanding of the current financial positions and the long term implications of decisions.

A number of other matters affecting councils finances were also highlighted: the Welfare Reform Act 2012 which is expected to have significant implications for households and councils; increased costs faced to implement national policies and legislation such as self-directed support and the Children and Young People (Scotland) Act 2014; and the abolition of contracting out national insurance contribution rates for defined benefit pension schemes will result in higher costs for the Council. Furthermore, there is likely to be implications from: the Community Empowerment Bill which gives councils some flexibility to control NDR income; the independent commission to examine alternatives to the existing council tax system; and the devolution of further powers to the Scottish Government including those arising from the Smith Commission report.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires all local authorities and health boards to integrate adult community health and social care services and to consult on and submit an integration scheme to the Scottish Government setting out the local governance arrangements for integration. This is explained further within the Annual governance Statement on page 17.

2015/16 Budget and Medium Term Financial Outlook

The Council set its 2015/16 and indicative five year General Fund revenue and capital budgets on 5 February 2015. A balanced 2015/16 budget was presented which required no further new savings to be found. The budget and associated reports reflected that the financial situation to be faced by the Council over the coming year will be challenging and indeed the five year position projected a net deficit of £53 million by 2019/20, assuming the Council does nothing and accepts the estimated cost pressures. This is clearly not an option and work is already underway and will continue to identify ways to close this funding gap while maintaining focus on improving outcomes for our customers.

In setting the 2015/16 budget, the importance of maintaining sufficient working balances to meet unforeseen expenditure over the five year period and beyond was recognised. This was particularly prevalent in the context of: the continued economic outlook for the UK and beyond; the continued austerity measures being implemented by the UK government; inflation levels; changing energy prices; other cost pressures arising directly from rising prices, demographic changes or additional legislative burdens placed on the Council; and the uncertainty that exists as no funding settlement is known beyond 2015/16.

A number of key assumptions have been made in the 2015/16 and indicative five year budgets including: a 1% annual staff pay award (2% in 2017/18); increasing costs of utility bills; increased investment to reflect demographic factors impacting on the delivery of social care and children's services; increased investment in teachers to reflect growing numbers of school children; increased investment in waste to ensure delivery of the Council's waste strategy; and a capital investment programme, incorporating the SIP of £398 million over the next five years.

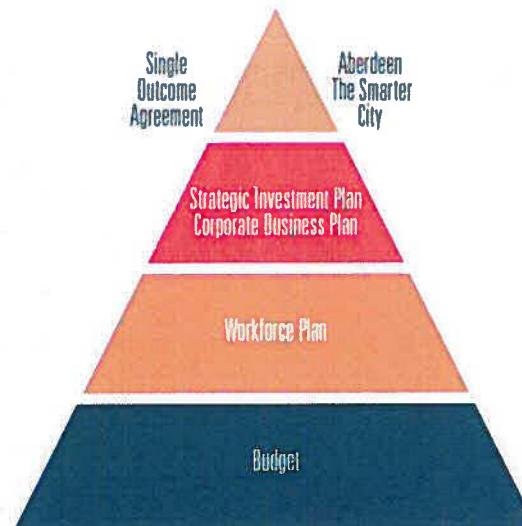
The capital and SIP programmes represent the ambitious investment strategy of the Council which includes: new schools, housing, roads and waste facilities; improvements to existing assets; development of Marischal Square; a new AECC; and the City Deal and City Centre Masterplan. This investment is key in delivering against the vision for the city as represented in the SOA, Smarter Aberdeen policy statement, the SIP and the associated Corporate and Service plans.

It should be noted that the delivery of this investment is not solely about the Council providing the funding and that the successful delivery of the SIP requires a package of funding options from a variety of sources. This requires the identification of a broader strategy to develop innovative funding models to deliver current and future infrastructure needs. One such option is in the form of a City Deal which will enable the delivery of the key priorities of the SIP and facilitate some of the projects which do not have funding solutions. It will also attempt to encompass the economic focus and needs of industry in a bigger scale by linking with, for example the Nigg Bay harbour redevelopment proposed by Aberdeen Harbour Board and the City Centre Masterplan.

It is recognised that there is a need to underpin all the Council's strategies and plans with a long term financial strategy which will provide a clear understanding of the long term financial opportunities and challenges and build on the medium term financial stability the Council has achieved in recent years. Work is underway to develop this and will encompass an analysis of and make assumptions on: future funding streams and funding levels; anticipated housing and business development and the impact on income from Council Tax and Non Domestic Rates and conversely the additional demand for services including new schools, community facilities, roads and waste collection and disposal; population trends and demographics; and the impact of daily migration in and out of the city.

Strategy and Performance Management

The Council's strategies and plans can be summarised as follows with each element described in detail below:



Community Planning Aberdeen: Single Outcome Agreement (SOA)

The Single Outcome Agreement 2013, between the Scottish Government and Community Planning Aberdeen, sets out a vision for 2022 which will deliver better outcomes for the people in Aberdeen City. It also sets out the role which Community Planning Aberdeen will play in that vision becoming reality. In taking forward the Single Outcome Agreement, the Scottish Government and Community Planning Aberdeen will continue to build on a working relationship based on mutual respect and partnership. Work has commenced to review and update the agreement including improving the robustness of the performance metrics included therein. The current agreement created *City Vision 2022 - 'The 2022 Vision for Aberdeen City has been created and tested by a wide cross section of civic Aberdeen and its communities. As we look ahead, how can we all work towards.....Aberdeen 2022 – the city we love to live in'*. The key priorities encompassed within the vision are: *Safer Communities; Learning and Workforce; Economic Growth; Health and Wellbeing; and Older People*. Further details on community planning and the SOA can be found at: <http://communityplanningaberdeen.org.uk/>

Aberdeen City Council: Aberdeen: The Smarter City

"Our vision for Aberdeen is to be an ambitious, achieving, smart city", which:

- Develops an economy based on knowledge and innovation;
- Encourages more efficient use of greener resource which generates a competitive economy;
- Uses technology and data to enable informed decisions to be taken;
- Enables citizens to interact in a city where there is a sense of place; and
- Encourages a form of governance which engages its citizens

The key priorities underpinning this vision are: *Smarter Living; Smarter People; Smarter Environment; Smarter Economy; Smarter Governance; and Smarter Mobility*. Further details can be found at: http://www.aberdeencity.gov.uk/council_government/performance/aberdeen_performs/abp_our_priorities.asp

Aberdeen City Council: Strategic Infrastructure Plan (SIP)

The SIP focuses on the delivery of our strategic and local development plans and is integral to the development of the enabling infrastructure needed to realise the aspirations of all our plans as well as meeting the objectives of the SOA. The SIP is centred on five key goals and contains a number of large scale projects that will help deliver these:

- A step change in the supply of housing
- Better digital connectivity at home and at work
- Better local transport
- The skills and labour that Aberdeen needs to thrive
- A better image for the city

Full details of the SIP can be found at: <http://committees.aberdeencity.gov.uk/documents/s33119/Strategic%20Infrastructure%20Plan.pdf>

Aberdeen City Council: Corporate Business Plan

The Council's current business plan covers the five year period from 2013/14 to 2017/18. It is subject to review and updates in line with changes in the council's priorities and emerging external factors which impact on the delivery of its objectives. The council's action and financial plans, included in the business plan, are built on the delivery of our vision and strategic priorities and our performance will be measured in terms of our success in their achievement. The full business plan can be viewed at: <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?ID=55122&sID=13935>

Workforce Plan 2015-2020

The Council approved its updated 5 year corporate strategic workforce plan in February 2015, the full details of which can be viewed at:
<http://committees.aberdeencity.gov.uk/documents/s35224/General%20Fund%20-%20Workforce%20Plan.pdf>

The focus of our current corporate strategic workforce plan is three fold. Firstly, it is to recognise how we rely on our workforce to deliver our business strategies and objectives, with the emphasis on continuous improvement. Secondly, it is to describe the type of workforce we need to deliver business success. And finally, it is to outline our plans to recruit, develop and retain the quality of workforce we need.

Budgets

The Council's financial performance for the financial year 2014/15 was reported to the Finance, Policy and Resources Committee on 9 June 2015. A copy of the report can be found at the following link: <http://committees.aberdeencity.gov.uk/documents/s47474/FPR%20Year%20End%20Report%20FINAL%20ISSUED.pdf>

Best Value Audit

It is worth noting that the Council was subject to a Best Value Audit during 2014/15 which concluded in June 2015 with the detailed findings published in July 2015.. The report provides the Council with evidence that it recognises the areas of improvement that we are currently working on as well as citing a number of good practices. Indeed the report states:

"The council has improved its financial position since 2008 and it now has a record of sound financial management. This is a good foundation for delivering its next five-year business plan. The council has also built up considerable reserves. It can use these to meet unexpected and unplanned spending, but can do this only once. The council is at the early stages of identifying future savings as it moves into its next five-year budget cycle. In doing so, it can build on the good practice it has demonstrated in budget planning in recent years.

The council has established areas of good practice including its medium-term budget planning process. It has also taken positive steps to improve working relationships. It is important that the council continues to make progress in these areas."

Based on this report the Council is well placed and indeed is already undertaking work which aims to deliver service improvements.

Performance Management

The Council is required to report details of its performance across a range of indicators each year. The performance of all thirty two councils in Scotland is monitored by Audit Scotland to ensure Public Performance Reporting requirements are met. Information on Aberdeen City Council's performance can be found on the 'Aberdeen Performs' website which can be accessed at http://www.aberdeencity.gov.uk/council_government/performance/aberdeen_performs/abp_aberdeen_performs.asp

There are a number of key accounting ratios which under best practice can be used to demonstrate the pillars of good financial stewardship. These are shown below and the key message that can be taken from these is primarily the Council's ability to continue to invest but reduce the total capital financing requirement. This ensures that more funding can be directed to provide front line service delivery to services rather than funding capital expenditure costs.



The Council is involved with a number of Arm's Length External Organisations (ALEO's), a number of which form part of its group and are reflected in the group accounts on pages 139 to 159. Significant investment is made in ALEO's by the Council and proper consideration must be given to their performance and governance arrangements. This has been recognised by the Council as an area for development and during the year a forum was introduced, bringing together council finance staff and finance representatives from the ALEO's to focus on financial matters and share key messages on future funding. In addition, a framework of governance hubs, commencing June 2015, has been put in place to scrutinise a range of information including operational and financial performance and people and risk management. This will provide a strong platform from which to ensure review of the performance of ALEO's is embedded in the Council's culture.

Employee Matters

Employee Involvement

The Council recognises Trades Unions as the main channel for consultation with the workforce and has a collective agreement with them called the Framework Agreement for Industrial Relations (FAIR). It also has a Consultation Protocol which details the consultative processes for engaging with trade unions and the wider workforce on issues that are likely to affect them. Each Directorate has a Union Management Forum where local issues are raised and discussed.

The council has a number of arrangements for informing, consulting and involving its employees. These vary from Directorate to Directorate but include the Trade Unions, the intranet (Zone), team meetings, town hall briefings, Chief Executive's blog, cross service working groups, newsletters etc. In addition to this there are specific examples of engagement with employees throughout the financial year 2014-15 some of which are outlined below:

Restructure: During the financial year 2014/15 the second phase of the restructure of the council's senior management team took place. Clearly this was a matter of concern to a number of employees given their perception it would impact longer term on more than just top management. To address this, a clear communication strategy was put in place round how employees would be kept informed of what was happening. This included the Chief Executive circulating a report of the proposed structure which informed employees of what was proposed and invited their feedback. This was posted on the Zone for employees to access.

A comprehensive engagement strategy was also developed round the restructure. This included roadshows, drop in sessions, a direct email address and an online survey. A total of 412 employees contributed their views and a number of changes were made to the proposed structure as a result.

Employee opinion survey – November 2014: employees were invited to give their views and suggestions on a range of questions relating to their experience of working at the council. The survey outcomes were published direct to employees as soon as they were received by the organisation and a plan was put in place to organise Directorate workshops to allow employees to input their ideas to inform Directorate action plans going forwards.

Performance Review and Development (PR&D) survey – May 2014: PR&D is the council's mechanism for clarifying and reviewing the performance of employees. PR&D is still relatively new and has been developed on an ongoing basis with the input of employees. A further review of the process was held in May 2014 including an online survey and interviews with a sample of employees and managers. As a result of this a number of recommendations for enhancing the process were taken forward to and approved by the Corporate Management Team.

Given that our biggest resource is our staff clearly the performance of employees is a key factor affecting the performance of the authority. Communication round PR&D was made widely available throughout 2014/15 with a Zone page, drop in sessions and training sessions where requested.

Employee Voice: Employee Voice is the council's online suggestion scheme allowing employees to input their ideas for improvements to enhance both staff and customer experience. This continued to be active throughout 2014-15.

Diversity and Equality

The Council's Diversity and Equality policy sets out the organisation's commitment to adhering to the Equality Act including the General and Specific equality duties applying to public authorities. It covers all the protected characteristic groups detailed in the Act, including those who are disabled and helps to ensure that there is no discrimination, harassment or victimisation on grounds of a protected characteristic in any aspect of employment.

There are currently 250 employees who have declared as disabled, comprising 2.9% of the workforce and is continually seeking to increase this number through applying a range of equality related initiatives.

The Council is signed up to the government's 'Positive About Disabled' scheme and uses the 'two ticks' symbol on recruitment documentation. This scheme involves the Council making five commitments to demonstrate that it is taking practical steps to improve work and career opportunities for disabled people. Management guidance and notes on the scheme are in place which also covers good employment practice in relation to the recruitment and selection of disabled candidates.

The Council makes use of the government's 'Access to Work scheme which is concerned with the assessment of disabled employees needs for equipment and/or support and can provide grants to partially cover costs where criteria are met. The organisation has in place a guidance note on the scheme as well as a resource pack for managers.

Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from Finance and other Services in the Council, as well as those in the wider Aberdeen City Council group. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2014/15 Annual Accounts.



Steven Whyte, CPFA
Head of Finance



Angela Scott
Chief Executive



Councillor Jennifer Laing
Leader of the Council

29 September 2015

Statement of Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council 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. The Council has agreed that in the absence of the Head of Finance, the Corporate Accounting Manager will be this officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature

I confirm that these Annual Accounts were approved for signature by the Audit, Risk and Scrutiny Committee at its meeting on 29 September 2015.

Signed on behalf of Aberdeen City Council



Councillor Jennifer Laing
Leader of the Council
29 September 2015

The Head of Finance's responsibilities:

I am responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Accounting Code).

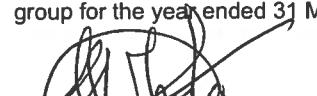
In preparing the Annual Accounts, I have:

- 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 local authority Accounting Code (in so far as it is compatible with legislation);

I have 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 these Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2015.



Steven Whyte, CPFA
Head of Finance
29 September 2015

Annual Governance Statement

Scope of Responsibility

The CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* sets out a standard for good corporate governance and this Annual Governance Statement follows the principles contained therein. This Statement explains how Aberdeen City Council has complied with the standard and meets the requirements of relevant legislation and current good practice.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled, and its activities 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.

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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities will be approved by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

A governance framework has been in place at Aberdeen City Council for the year ended 31 March 2015 and up to the date of approval of the annual accounts.

The Governance Framework

The Council has an approved Local Code of Corporate Governance, a copy of which can be read on our website at www.aberdeencity.gov.uk¹. The Local Code incorporates the six principles recommended in the CIPFA / SOLACE Framework, and was last updated in 2012/13. Against each principle is a set of key documents, policies, arrangements and areas of activity within the Council which address the theme. The principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council is a complex organisation with many controlling interests in other businesses so this statement extends to cover the organisations included in the Council's Group Accounts, a list of which is included at pages 145 and 146.

A copy of the Local Code can be obtained at:

<http://committees.aberdeencity.gov.uk/ecSDDisplay.aspx?NAME=SD636&ID=636&RPID=0&sch=doc&cat=13096&path=13083%2c13096>

As such the influence, accountability and responsibilities that the Council has to the organisations which form part of its group are vitally important. In recent years the group governance framework has been recognised as an area that required development and as such this was reviewed and changes were made to ensure that the framework is one that provides clarity and consistency in the Council's relationship with the group entities.

The Council has put in place a framework of governance hubs for its group entities, also referred to as Arm's Length External Organisations (ALEO's), to provide assurance and confidence around their governance arrangements. The hubs will include key council officers and representatives from the organisations and will meet twice yearly and report to the Audit, Risk and Scrutiny Committee. A number of areas will be scrutinised including internal and external audit activity and reports, the activity and reports of external inspection agencies as well as the financial and other governance related procedures and processes each organisation has in place. This framework is in addition to that currently in place to gain assurances from group entities, through a signed statement from each, to confirm that no significant issues arose in relation to their systems of internal control or to advise of any failures identified during the year.

The Council demonstrates its compliance with the principles in many ways, examples include:

- Principle 1 Since the 2012 local government elections the Council's policy statement has been *Aberdeen: The Smarter City*. This policy is supported by the Single Outcome Agreement and progress towards the targets that it sets out is monitored on a regular basis. The Council has continued the development of its five year business plan during 2014/15 and this was the basis for decision making for the 2015/16 budget, supporting a longer term approach to service development and financial planning and it is expected this will be developed and continue to be strongly embedded in the way the Council does business. The individual Services have specific Service Plans and these are monitored through regular reports to the Service Committees.
- Principle 2 The Council has a comprehensive approach to ensure clarity of roles and responsibilities that enable officers to work effectively and submit to the relevant committees suitable recommendations upon which members make decisions. These include Standing Orders, Terms of Reference, Scheme of Delegation and operational management structures.
- Principle 3 Council policies provide a structure to enable staff to know and understand their role and responsibilities as an employee, while the Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish Local Authorities.
- Principle 4 The Standing Orders and Orders of Reference provide the decision making structure to the organisation, with members and officers understanding of roles and responsibilities further enhanced by the Scheme of Delegation. As noted above these documents have been revised during the year. Regular, structured meetings between the Corporate Management Team (CMT) and the Administration leaders as well as annually set committee meetings, pre-agenda meetings and reporting / consultation deadlines ensure that sufficient time is dedicated to decision making. Urgent Business Committees can be called by members at short notice where a Council decision is recognised as essential. The CMT meets regularly and each individual Service has its own scheduled meetings to make decisions, review and monitor progress and cascade information.

The decision making structure is therefore robust and ensures that organisationally the range of recommendations and the implications for those recommendations presented to members for decisions are clear and understood by officers. It is recognised that key strategic decision making itself is for members and on occasion they are controversial or highly publicised, this is a natural consequence of an organisation operating in a political arena. It should not be overlooked that the systems of decision making are underpinned by a normal decision making process and officers remain rigorous in following those systems.

The scrutiny in the Council emanates from the Audit, Risk and Scrutiny Committee², which has a convener and vice-convener from the opposition groups to enhance the independence and scrutiny function. The Committee comprises 16 Councillors, 9 being selected from the Council Administration. The Committee oversees the system of risk management and is charged with the responsibility for the effectiveness of Internal Audit, while receiving all External Audit reporting and can consider any previously unscrutinised issue, process or practice. The Committee also has responsibility for scrutiny of the Council's Arm's Length External Organisations, through regular reporting.

The Audit, Risk and Scrutiny Committee receives regular reports on the system of risk management. The Committee approved a revised Risk Management Strategy in February 2015 and there is a supporting operational manual. This strategy and the Strategic Risk Register will be reviewed and reported to the committee annually. In addition, revised service risk registers reflecting the new corporate structure are being reported to the Committee and these are being aligned with service performance reporting to be presented to service committees twice per year. Further work has been undertaken to enhance the scrutiny of all committee reports to ensure a proper consideration and assessment of risk is taken.

Principle 5 Members have personal development plans and dedicated days are set aside for member training events, specific training for members of the Audit, Risk and Scrutiny Committee has been a feature over the last two years. The Human Resources and Organisational Development team prepares and provides / commissions management and specialist training courses, while individual Services not only have their own training teams but will procure the necessary training where this is thought appropriate.

Principle 6 Engagement with local people and stakeholders is driven through a number of routes, with the Community Planning Partnership of particular importance. Specific events are carried out on a regular basis or when a matter of appropriate importance demands it. This can be with the general public or specific groups as well as partners, staff and trade unions. The Community Planning Partnership website provides access to information on engagement events, how citizens can get involved and feedback.

Performance reporting is critical to the Council and is discussed regularly with Service Committees receiving performance reports, while the Aberdeen Performs website provides information on the key priorities of the Council and its performance. This is aligned to the Business Plan.

In Year Activity and Development

Principle 1 The legislative framework of local government defines a number of posts which are primary to the governance arrangements in the Council, these include the head of paid service – a role fulfilled by the Chief Executive; the Chief Financial Officer, often referred to as the s.95 officer on account of it being required by s.95 of the Local Government (Scotland) Act 1973 – the Head of Finance is defined as this officer; and the Monitoring Officer – a post undertaken by the Head of Legal and Democratic Services – a requirement of s.5 of the Local Government & Housing Act 1989. All these post holders are full members of the Council's senior officer team, the Corporate Management Team. During 2014/15, a shared arrangement was put in place with Shetland Islands Council for the provision of s.95 officer services. In addition to these posts there is also a requirement under s.3 of the Social Work (Scotland) Act 1968 to have a Chief Social Work Officer – a post undertaken by the Head of Children's Services. The importance of these posts was recognised during the management restructure and all were all retained within the new structure.

In recognition of the significant role that the Chief Financial Officer (CFO) has in relation to financial performance and the financial control environment, CIPFA published in April 2010 *the role of the chief financial officer in local government* in which it sets out five principles that define the core activities and behaviours that belong to the role. These principles cover the importance of being a key member of the Leadership Team, being actively involved in and influencing decision making and leading the delivery of good financial management across the whole organisation.

² A copy of the Audit, Risk and Scrutiny Committee Orders of Reference can be obtained at: <http://councilcommittees/ieListMeetings.aspx?CommitteeId=507>

Fundamentally all reports were provided to the CFO during the year and this extended to all Council reports under Standing Orders and Financial Regulations requirements, providing a process by which influence could be brought to bear in relation to all business decisions. However, an internal audit covering compliance with laws and regulations identified that reports were not consistently being provided to the Monitoring Officer as required by Standing Order 45. Processes have been put in place to further strengthen compliance and mitigate the risk to the Council of reports being approved that are in breach of laws and regulations. More widely, the new Monitoring Officer is reviewing staffing and working practices across his areas of responsibility to ensure his service is well positioned to effectively support the council.

The appointment of a new Chief Executive in early 2014/15, by internal promotion, saw proposals to restructure the operational running of the Council taken forward. The restructuring, taking account of the challenges of the future was the next phase of developing the Council and making it fit for the future. The new operational structure encompasses three core services (previously five) as well as the Aberdeen City Health and Social Care Partnership. The Director of Corporate Governance post remained without a permanent postholder throughout the financial year. However, an effective solution, which included a clearly defined role for an individual who was temporarily promoted to fulfil the role, was put in place. This arrangement and the ethos of teamwork by the Corporate Management Team ensured the team operated effectively throughout the year.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires all local authorities and health boards to integrate adult community health and social care services and to consult on and submit an integration scheme to the Scottish Government setting out the local governance arrangements for integration. This requirement saw the establishment of the Aberdeen City Health and Social Care Partnership, comprising Aberdeen City Council and NHS Grampian. The partnership agreed to adopt the 'body corporate' model for integration, which under the legislation requires the establishment of an Integration Joint Board and the appointment of a Chief Officer to this Board. To initially take forward the planning and implementation of integration, a Transitional Leadership Group (TLG) was established and met regularly throughout the year until the establishment of a Shadow Integration Joint Board (sIJB) which has been meeting since January 2015. The Chief Officer was appointed and took up post during 2014/15, also becoming a member of the Council's Corporate Management Team. The Aberdeen City draft Integration Scheme was consulted on between December 2014 and February 2015 through a number of forums to wide variety of stakeholders. The Council agreed at its meeting in March 2015 that, pending agreement by NHS Grampian, the scheme be submitted to the Scottish Government for approval.

The work throughout the year and the progress achieved clearly demonstrates the Council's commitment to the successful implementation of the integration scheme and the governance surrounding it. This will continue during 2015/16, with a number of significant milestones and deadlines in place to ensure the necessary resources are in place prior to "go live" on 1 April 2016. An integration work plan sets out the major elements of work to be completed, with regular updates on progress being reported to the sIJB. The work plan clearly sets out the actions, milestones, completion dates and lead roles with a traffic light system in place to highlight the status of each action. The Council will actively participate throughout the coming year to ensure milestones are achieved and will provide assurances on resources to the Audit, Risk and Scrutiny Committee by February 2016.

- Principle 2 During 2014/15, the committee structure was changed in line with the operational management structure and the Standing Orders and Committee Terms of Reference were also reviewed and updated accordingly.
- Principle 3 A statement referencing the Council's policy in relation to the Scottish Independence Referendum from the Council Leader accompanying the 2014/2015 Council Tax Bills caused significant public concern. In response, the Controller of Audit considered the issue and it was also subject to a separate investigation by the Standards Commission.

The Controller of Audit considered that while the position as set out in the paragraph was an accurate statement of council policy, it was only one of 11 of the council's key policy or 'vision statements'. Including such a statement in council tax documents was very unusual and he was not aware of any other council including similar material about the referendum with council tax bills. Council tax regulations refer to what information should be included but do not explicitly preclude specific types of information from being included with council tax bills.

A hearing by the Standards Commission, concluded on 16 April 2015, found that councillors did not breach the councillor's code of conduct. The hearing panel found that '*the use of officers' time and Council resources was legitimate and in furtherance of Council business. The panel accepted that the paragraph of the letter was a restatement of Aberdeen City Council policy, which had been in the public domain since December 2013*' and '*... the Panel was not persuaded that the paragraph in the letter amounted to "party political or campaigning activities". There was a history of such a publication of this style, at this time, to accompany Aberdeen City Council Tax letters.*'

- | | |
|-------------|--|
| Principle 5 | The Council Group Leaders agreed an Elected Members' Development Framework built around four development areas: Skills Practice, Information Giving, Knowledge Transfer and Skills Acquisition. A Members' Development Steering Group will be established to offer the opportunity for members to engage more directly with their own development and the development of the programme. |
| Principle 6 | As a result of the Annual Public Performance Report 2013/14 by Audit Scotland, Aberdeen City Council will be reviewing its approach to the collation and presentation of Public Performance information. A key goal of this review is to improve the accessibility of the data presented and to ensure that the council's website can support the presentation of data easily and clearly. This will involve redesigning the existing council website, creating a combined service that will lead on the presentation of this data and analyse how to make more information publicly accessible including the provision of more detailed narrative and contextual description of complex data. |

Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its control environment including the system of internal control.

The Council approaches this with reference to different layers of assurance, namely management assurance both internally through the Council and externally through the group entities; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports.

Management Assurance:

Each head of service has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Head of Finance. These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses will be incorporated into the 'Significant Governance Issues' section where it's determined necessary. For 2014/15, other than those included in the significant issues table below, all issues highlighted have been addressed.

In reviewing this it has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). Furthermore in relation to the statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition the CFO and Monitoring Officer are in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Finance, Policy and Resources Committee.

The Council Committee structure follows and supports the organisational and management structure, incorporating a culture of accountability that has been developed throughout the Council. The Audit, Risk and Scrutiny Committee remains responsible for ensuring the effectiveness of the internal audit function and also considering all reports prepared by the external auditor.

Assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Chief Executive or Director of Finance. There are no significant areas to be included in this statement. It is recognised that more regular reporting and scrutiny across the Group requires continued development, and this is a recognised priority of the Council to firmly embed this in the organisation.

The Annual Governance Statement from 2013/14 identified nine significant governance issues and in reviewing the progress made by officers on these actions, six of these have progressed sufficiently to be removed with three remaining outstanding at 31 March 2015.

Assurance from Internal Audit:

The Internal Audit function was under contract to PricewaterhouseCoopers LLP during the financial year.

At the end of the year the Head of Internal Audit provided the Council with a written report on risk management, controls and governance framework during the year and the report issued covered the year ending 31 March 2015.

The report showed that 27 audits had been carried out and that out of 133 recommendations there were no business critical risk and only 17 high risk recommendations. It further commented that the areas deemed high risk are not pervasive to the Council's operations but do pose significant risks, and improvements are required to ensure objectives in these areas are met. The report reflects that the Council is making improvements and there is a good culture focused on risk and governance. There has been an overall increase in the number of high and medium risk findings which reflects the focus on those areas of greater risk to the Council. It also recognised that a number of areas of good practice were identified and reflected within individual internal audit reports. As at 31 March 2015, good progress had been made by officers in implementing recommendations, with 112 recommendations having been due to be implemented within the period of which 89% (100) have been agreed by Internal Audit as fully implemented. Positive progress on addressing the areas of weakness is being made by management and evidence was able to be provided to show the implementation of those recommendations. Where recommendations remain outstanding, Internal Audit highlight the need for management to complete the work at the earliest opportunity and this is being done in accordance with revised completion dates.

During the year the Audit, Risk and Scrutiny Committee received a range of reports produced by Internal Audit which enabled scrutiny and questioning of officers to take place, such that the Committee has gained assurance about the identified weaknesses and the actions being taken to address them.

External Audit and Other External Scrutiny:

The External Auditor, Audit Scotland, reports regularly to the Audit, Risk and Scrutiny Committee and their reports cover the range of year end financial audits that are required at a local level and with a national perspective.

In June 2014 the Audit, Risk and Scrutiny Committee received the updated Assurance and Improvement Plan (AIP) for the period 2014-17 which, through a shared risk assessment (SRA), drawing evidence from a number of sources, focused on identifying the council's current position in relation to its improvement and transformation agenda. The structure of the AIP covers four areas: local priorities and public service reform; corporate assessment; service performance; and improving and transforming public services/public performance reporting. The SRA concluded that a Best Value audit follow up would be appropriate to consider improvement since 2009 and, in particular, to determine whether performance has been managed and sustained against a backdrop of significant changes in leadership. The audit was undertaken in early 2015 with the final report to be published on 2 July 2015. The Council acknowledges the work undertaken by Audit Scotland and is committed to addressing recommendations arising from the review.

External scrutiny of the Council comes from a variety of sources as was demonstrated during the year when the Traffic Commissioner ordered a Public Inquiry to investigate concerns regarding the Council's Goods Vehicles Operator's Licence. The outcome of the hearing gave the Council specific timescales in which to put effective processes in place to address concerns, following which two unannounced visits would take place, with a further hearing in early May 2015 which concluded that significant improvements have been made such that no further public inquiry is required. The response by the Council was prompt and comprehensive to ensure compliance with its operator's licence and that policies and procedures are fit for purpose. This response provides evidence of the effective governance that the Council has in place to respond to unplanned and unexpected situations.

Between August and December 2014, the Care Inspectorate undertook an inspection of integrated children's services, reviewing and assessing provision across the integrated partnership. The inspection looked at the difference services are making to the lives of children, young people and families and took account of the full range of work with children, young people and families within the community planning partnership area. The inspection identified a number of particular strengths which are making a positive difference for children and young people in the Aberdeen City Community Partnership area and expressed confidence that partners in Aberdeen City will be able to make the necessary improvements in light of the inspection findings. In doing so, Community Planning Aberdeen and the Integrated Children's Services Board will prepare a joint action plan which clearly details how improvements will be made in the key areas identified by the inspectors. The Care Inspectorate and other bodies which took part in this inspection will continue to offer support for improvement through their linking arrangements and will monitor the Partnership's progress in taking forward their action plan.

In terms of the controlling interest in the group entities, reliance has also been placed on each organisation's most recent audited accounts together with Council officer's detailed knowledge of these organisations as a consequence of their continued involvement with these companies.

Audit, Risk and Scrutiny Committee Self-Evaluation:

The Audit, Risk and Scrutiny Committee recognised the benefits of self-evaluation, using tools such as CIPFA's "A toolkit for Local Authority Audit Committees" and agreed at its meeting in February 2014 to do an annual self-evaluation. The results for 2014/15 were reported in May 2015 and a number of recommended actions were agreed that will develop the Committee and the Council.

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

Significant Governance Issues

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Group, systems of internal control, the Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.

The exceptions highlighted have been, or will be, addressed through the actions set out below.

Issue Ref.	Issue Description	Source of Evidence	Action
	<i>Outstanding Issues from 2013/14</i>		
1.	Group Governance; following further work on the framework for governance there remains work to be carried out to deliver consistent and regular scrutiny of the group and external organisations. In addition, work is required to identify and consider risks to the council from its relationship with arm's length organisations and to ensure adherence with Following the Public Pound guidance..	Self-evaluation; Internal Audit Annual Statement 2012/13; 2013/14; 2014/15.	Significant progress has been made to establish a programme of reporting as the basis of regular and consistent scrutiny of group and external organisations. This will involve twice yearly meetings, commencing in June 2015, with representatives from the respective organisations and key council officers. The identification and consideration of the wider risks to the Council posed by arm's length organisations will be taken forward during 2015/16. This will inform the governance arrangements for each organisation and ensure adherence with Following the Public Pound guidance.

Issue Ref.	Issue Description	Source of Evidence	Action
2.	Contract Management (Social Care & Wellbeing); contract management practices require to be improved to address gaps in information and performance management data.	Internal Audit Annual Statement 2013/14.	Procedures have been implemented to address the recommendations of the audit with significant progress having been made towards having contracts in place for all services and this will continue during 2015/16.
3.	Investigation Required; an investigation has been instructed following the allegations made regarding baby and adult cremations at Hazlehead Crematorium.	Self-evaluation 2013/14.	A national investigation is being undertaken which includes Hazlehead Crematorium. The outcome and recommendations arising from this investigation will be reported in due course.
	<i>New Issues during 2014/15</i>		
4.	Review of Care Needs for Adults and Older People; a service review found that there were poor procedures in place for the regular reviewing of care needs for vulnerable adults and older people, with care reviews not being undertaken in many cases; secondly clarity is required with what constitutes a care review to prevent inconsistencies in the review procedures.	Internal Audit Annual Statement 2014/15.	To fully implement the recommendations as agreed in the internal audit report.
5.	Aberdeen International Youth Festival - Following the Public Pound; procedures require to be put in place to ensure an appropriate level of involvement of ACC management in the governance of the Youth Festival; secondly that there is appropriate oversight of the funding of the Youth Festival, with submission of financial reports on a regular basis required.	Internal Audit Annual Statement 2014/15.	To fully implement the recommendations as agreed in the internal audit report.
6.	Investigation Required; the Traffic Commissioner ordered a Public Inquiry to investigate concerns regarding the Council's Goods Vehicles Operator's Licence.	Traffic Commissioner 2014/15.	To put effective processes in place to address concerns raised. A further hearing in early May 2015 concluded that significant improvements have been made such that no further public inquiry is required. Work to fully implement the actions identified to ensure continued compliance with the Operator's Licence will continue during 2015/16.
7.	Incident involving a member of the public who suffered fatal injuries.	Self-evaluation 2014/15.	Incident investigation undertaken internally with recommendations implemented. The incident was the subject of a formal police investigation. The Procurator Fiscal has stated there will not be a Fatal Accident Inquiry and is currently considering a report submitted by the Health & Safety Executive. This remains a significant issue until all investigations are concluded, reported on and any potential further actions implemented.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its Group systems of governance. The annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and the Council and its Group propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.



Angela Scott
Chief Executive

on behalf of Aberdeen City Council

29 September 2015



Councillor Jennifer Laing
Leader of the Council

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of their Annual Accounts.

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2013 (SSI No. 2013/351) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2008 (SSI No. 2008/415). The Regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2014/15, the salary of the Leader of Aberdeen City Council is £38,642. The Regulations permit the Council to remunerate one Lord Provost and sets out the maximum salary that may be paid. Council policy is to pay at the national maximum, £28,982.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £432,642. The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The maximum number of Senior Councillors that the Council can have is 19. Council policy is to pay each of the six principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £28,982, with the remaining Senior Councillors receiving 75 per cent of that sum, £21,736.

In 2014/15, Aberdeen City Council had 19 Senior Councillor posts. The salary and allowances paid to them totalled £412,026 which was below the maximum allowed.

The Regulations also permit the Council to pay contributions covering other payments, as required, to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme.

The salary of senior employees is set by reference to local arrangements. The Scottish Joint Negotiating Committee for Local Authority Services (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities and Circular CO/146 recommends the amount of salary for the Chief Executive for the period 2013 to 2015. During the recruitment of the Chief Executive in 2008/09, the Council agreed to pay the Chief Executive an alternative amount. This was to take account of local conditions at the time.

The salaries of the Directors and Heads of Service are based on Aberdeen City Council's local job evaluation model and applied in conjunction with the national Chief Officer spinal column points. Directors are based on Chief Officer spinal column point 53. The Heads of Finance, and Legal and Democratic Services are both paid based on Chief Officer spinal column point 36, and all other Heads of Service are paid based on Chief Officer spinal column point 34.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd only in so far as it is represented on the Board of Directors by elected members.

Remuneration Disclosures:

Table 1 :In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000. This includes, where applicable, head teachers and other senior teaching staff.

Table 2 :Details of total remuneration paid to the Council's Councillors. The annual return of Councillors' salaries and expenses for 2014/15 is available to any member of the public on the Council's website at www.aberdeencity.gov.uk. Follow the links through the 'Council and Government' page, clicking on 'Councillors and Committees' followed by 'Councillors Allowances and Expenses'.

Table 3 :Details of exit packages.

Table 4 :Details of remuneration paid to the Council's Senior Councillors. The 'Other Expenses' shown include the cost of travel and subsistence incurred or booked on behalf of Councillors travelling on Council business.

Table 5 :Details of remuneration paid to Senior Employees of the Council.

Table 6 :Details of remuneration paid to the Senior Employees of the Council's subsidiary bodies i.e. Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd.

Table 1: Remuneration Bands

Remuneration Band	Number of Employees	
	2013/14	2014/15
£50,000 - £54,999	121	114
£55,000 - £59,999	28	46
£60,000 - £64,999	5	12
£65,000 - £69,999	6	7
£70,000 - £74,999	6 *	7
£75,000 - £79,999	13 *	8
£80,000 - £84,999	3	5
£85,000 - £89,999	-	1
£90,000 - £94,999	2	1
£95,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	3	4
£115,000 - £119,999	-	1
£120,000 - £139,999	-	-
£140,000 - £144,999	1	1
£145,000 - £184,999	-	-
£185,000 - £189,999	-	1
Total	188	209

* figure revised to reflect updated information

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Total Cost of Exit Packages by Cost Band	
	2013/14	2014/15	2013/14	2014/15	2013/14 £'000	2014/15 £'000
£0 - £19,999	-	-	13	4	62 *	41
£20,000 - £39,999	-	-	2	7	59	206
£40,000 - £59,999	-	-	1	3	48	140
£60,000 - £79,999	-	-	1	1	67	68
£80,000 - £99,999	-	-	-	1	-	93
£100,000 - £149,999	-	-	-	1	-	105
£150,000 - £199,999	-	-	-	-	-	-
	-	-	17	17	236	653

The total cost of £653,000 in Table 3 above includes £nil for exit packages that have been approved, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement in the current year (2013/14 £nil).

* figure revised to reflect updated information

Table 2: Total Remuneration Paid to Councillors

	2013/14	2014/15
	£	£
Salaries	874,809	876,133
Allowances	-	-
Expenses	57,743	47,873
Total	932,552	924,006

Table 4: Remuneration of Senior Councillors

2013/14	Councillor Name	Responsibility	2014/15				Notes
			Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In- Kind £	Other Expenses £	Total Remuneration £	
29,420	Jennifer Laing	Leader of the Council (from 15 May 2014)	37,477	215	332	38,024	1
28,897	Marie Boulton	Depute Council Leader	28,981	207	-	29,188	2
36,066	George Adam	Lord Provost	28,981	403	6,972	36,356	
26,857	John Reynolds	Depute Provost	21,736	317	6,777	28,830	
22,162	Yvonne Allan	Convener, Appeals (from 8 October 2014)	21,736	124	251	22,111	3
29,687	Neil Cooney	Convener, Communities, Housing and Infrastructure	28,981	801	280	30,062	
52,180	Barney Crockett	Convener, Pensions Committee (from 8 October 2014)	26,646	749	12,525	39,920	4
-	Alan Donnelly	Convener, Petitions (from 8 October 2014)	7,969	79	1,539	9,587	
22,984	Lesley Dunbar	Social Care Spokesperson (from 8 October 2014)	21,622	186	778	22,586	5
-	Andrew Finlayson	Vice Convener, Planning Development Management	16,560	165	-	16,725	
25,482	Gordon Graham	Vice Convener, Communities, Housing and Infrastructure (from 8 October 2014)	21,736	373	49	22,158	6
21,696	Ross Grant	Regeneration and Transport Spokesperson (from 8 October 2014)	21,736	172	-	21,908	7
30,326	Len Ironside CBE	Vice Convener, Education and Children's Services (from 8 October 2014)	25,508	301	457	26,266	8
8,742	Aileen Malone	Vice Convener, Audit and Risk (until 21 August 2013)	-	-	-	-	
27,486	Callum McCaig	Convener, Audit, Risk and Scrutiny Committee	27,532	149	-	27,681	
22,877	Ramsay Milne	Convener, Planning Development Management	21,736	214	1,045	22,995	
21,919	Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	21,736	99	796	22,631	
22,124	Angela Taylor	Convener, Education and Children's Services (from 8 October 2014)	25,210	177	-	25,387	9
21,702	Ross Thomson	Vice Convener, Finance, Policy and Resources (from 8 October 2014)	21,736	129	-	21,865	10
29,473	William Young	Convener, Finance, Policy and Resources	28,981	171	201	29,353	
16,433	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	21,000	156	-	21,156	
-	Scott Carle	Convener, Licensing Committee (from 8 October 2014)	10,377	92	-	10,469	11
26,162	Fraser Forsyth	Convener, Licensing Committee (until 7 October 2014)	15,036	84	61	15,181	
522,675	Total		503,013	5,363	32,063	540,439	

Table 4: Notes

- Note 1:** Prior to her appointment as Leader of the Council, Councillor Laing was Convener, Education Culture and Sport. As such a full year disclosure of remuneration has been made.
- Note 2:** Councillor Boulton was also Convener of Licensing Board throughout 2014/15 and Culture and Events Spokesperson from 8 October 2014.
- Note 3:** Prior to her appointment as Convener, Appeals, Councillor Allan was Convener, Property Sub Committee. As such a full year disclosure of remuneration has been made.
- Note 4:** Councillor Crockett was also Council Leader until 14 May 2014.
- Note 5:** Prior to her appointment as Social Care Spokesperson Councillor Dunbar was Vice Convener, Social Care, Wellbeing and Safety. As such a full year disclosure of remuneration has been made.
- Note 6:** Prior to his appointment as Vice Convenor Communities, Housing and Infrastructure Councillor Graham was Vice Convener, Social Care, Wellbeing and Safety. As such a full year disclosure of remuneration has been made.
- Note 7:** Prior to his appointment as Regeneration and Transport Spokesperson Councillor Grant was Convener, Appeals Committee. As such a full year disclosure of remuneration has been made.
- Note 8:** Prior to his appointment as Vice Convener, Education and Children's Services Councillor Ironside was Convener, Social Care, Wellbeing and Safety. As such a full year disclosure of remuneration has been made.
- Note 9:** Prior to her appointment as Convener, Education and Children's Services Councillor Taylor was Vice Convener, Enterprise, Strategic Planning and Infrastructure. As such a full year disclosure of remuneration has been made.

Table 5: Remuneration of Senior Employees of the Council

2013/14	2013/14	Name	Post Title	Full Time Equivalent	2014/15	2014/15	Compensation for Loss of Employment	Total Remuneration	Note
Full Time Equivalent £	Total Remuneration £			£	Salary, Fees and Allowances £	£	£	£	
110,925	40,115	Angela Scott	Chief Executive (from 1 July 2014) Director of Corporate Governance (until 30 June 2014)	144,686	141,065	-	-	141,065	
143,253	143,858	Valerie Watts	Chief Executive (until 30 June 2014)	-	39,182	-	-	39,182	
110,925	112,823	Gayle Gorman	Director of Education and Children's Services	112,035	112,235	-	-	112,235	
110,925	13,869	Ewan Sutherland	Acting Director of Corporate Governance (from 1 June 2014)	112,035	93,597	-	-	93,597	
110,925	37,836	Stewart Carruth	Director of Corporate Governance (until 2 August 2013)	-	-	-	-	-	
110,925	13,869	Paul Fleming	Acting Director of Corporate Governance (from 16 September until 1 November 2013)	-	-	-	-	-	
110,925	110,925	Pete Leonard	Director of Community and Infrastructure Services	112,035	112,235	-	-	112,235	
110,925	55,417	Elizabeth Taylor	Transitioning Director	112,035	112,035	-	-	112,035	
110,925	55,615	Fred McBride	Director of Social Care and Wellbeing (until 30 September 2013)	-	-	-	-	-	
110,925	110,925	Gordon McIntosh	Transitioning Director	112,035	112,285	-	-	112,285	
81,410	69,997	Steven Whyte	Head of Finance (s.95 Officer)	82,224	82,424	-	-	82,424	1
81,410	85,653	Barry Jenkins	Head of Finance (s.95 Officer) (until 31 August 2013)	-	-	-	-	-	
81,410	82,606	Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	82,224	82,424	105,041	187,465		
77,938	78,541	Ciaran Monaghan	Head of Service, Office of Chief Executive	78,717	83,826	-	-	83,826	
	1,012,049	Total			971,308	105,041	1,076,349		

Note 1: Steven Whyte is also the s.95 Officer for Shetland Islands Council

Note 2: With effect from 1 October 2014 Judith Proctor was Chief Officer, Aberdeen City Adult Health and Social Care Partnership. This post is shared 50:50 with NHS Grampian, the cost being recharged to Aberdeen City Council.

The senior employees included in Table 5 include any Council employee:

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

Table 6: Remuneration – the Council's Subsidiary Bodies

2013/14		2014/15					
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Performance Related Pay £	Benefits Other Than in Cash £	Total Remuneration £	Note
140,505	Brian Horsburgh	Managing Director Aberdeen Exhibition & Conference Centre Ltd	228,350	-	1,813	230,163	1
80,822	Alistair Robertson	Managing Director Sport Aberdeen Ltd	81,563	-	-	81,563	
61,276	Sandra Ross	Managing Director Bon Accord Support Services Ltd	93,358	-	-	93,358	
282,603	Total		403,271	-	1,813	405,084	

Note 1: Brian Horsburgh resigned in February 2015. The remuneration reported includes a payment for pay in lieu of notice.

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Aberdeen City Council is a member of the North East Scotland Pension Fund (NESPF).

Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees, this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership.

The tiers and members contribution rates for 2014/15 are as follows:

Whole time pay	Contribution rate 2013/14
On earnings up to and including £19,800	5.5%
On earnings above £19,800 and up to £24,200	7.25%
On earnings above £24,200 and up to £33,200	8.5%
On earnings above £33,200 and up to £44,300	9.5%
On earnings above £44,200	12%

Whole time pay	Contribution rate 2014/15
On earnings up to and including £20,335	5.5%
On earnings above £20,335 and up to £24,853	7.25%
On earnings above £24,853 and up to £34,096	8.5%
On earnings above £34,096 and up to £45,393	9.5%
On earnings above £45,393	12%

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without a reduction on account of its payment at that age; without exercising any option to commute their 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 necessarily just their current appointment.

The scheme's normal retirement age for both Councillors and employees is 65.

Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 2015.

Table 8: Details of pension contributions made by the Council to the NESPF on behalf of Senior Employees of the Council, and their individual pension entitlements as at 31 March 2015.

Table 9: Details of pension contributions made by the Council's subsidiary bodies i.e. Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd, on behalf of their Senior Employees.

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits	
		For year to 31 March 2014 £	For year to 31 March 2015 £	As at 31 March 2015 £'000	Difference from 31 March 2014 £'000
Jennifer Laing	Leader of the Council (from 15 May 2014)	5,538	7,233	3	1
Marie Boulton	Depute Council Leader	5,538	5,593	2	1
George Adam	Lord Provost	5,538	5,593	3	1
John Reynolds	Depute Provost	4,154	4,195	2	-
Yvonne Allan	Convener, Appeals (from 8 October 2014)	4,154	4,195	2	-
Neil Cooney	Convener, Communities, Housing and Infrastructure	5,538	5,593	3	1
Barney Crockett	Convener, Pensions Panel	7,384	5,143	2	-
Alan Donnelly	Convener, Petitions (from 8 October 2014)	-	1,538	5	5
Lesley Dunbar	Social Care Spokesperson (from 8 October 2014)	4,154	4,195	9	9
Andrew Finlayson	Vice Convener, Planning Development Management	-	3,196	1	-
Fraser Forsyth	Convener, Licensing Committee	4,999	2,902	1	-
Gordon Graham	Vice Convener, Communities, Housing and Infrastructure (from 8 October 2014)	4,768	4,195	1	-
Ross Grant	Regeneration and Transport Spokesperson (from 8 October 2014)	4,154	4,195	1	-
Aileen Malone	Vice Convener, Audit and Risk (until 21 August 2013)	1,485	-	3	-
Callum McCaig	Convener, Audit, Risk and Scrutiny Committee	5,261	5,314	2	-
Ramsay Milne	Convener, Planning Development Management	4,154	4,195	3	-
Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure	4,151	4,195	1	-
Angela Taylor	Convener, Education and Children's Services (from 8 October 2014)	4,154	4,865	1	-
Ross Thomson	Vice Convener, Finance, Policy and Resources (from 8 October 2014)	4,154	4,195	1	-
William Young	Convener, Finance, Policy and Resources	5,538	5,593	3	1
Ian Yuill	Vice-Convener, Audit, Risk and Scrutiny	3,084	4,053	2	-
Scott Carle	Convener, Licensing Committee (from 8 October 2014)	-	2,003	1	-
Sub Total		87,900	92,179	50	15
				Lump Sum	28
					12

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits	
		For year to 31 March 2014 £	For year to 31 March 2015 £	As at 31 March 2015 £'000	Difference from 31 March 2014 £'000
Angela Scott	Chief Executive (from 1 July 2014) Director of Corporate Governance (until 30 June 2014)	7,742	26,871	Pension 52	51
Valerie Watts	Chief Executive (until 30 June 2014)	27,648	6,962	Pension 83	1
Gayle Gorman	Director of Education and Children's Services	21,409	21,623	Pension 4	2
Ewan Sutherland	Acting Director of Corporate Governance (from 1 June 2014)	2,677	18,016	Pension 38	7
Stewart Carruth	Director of Corporate Governance (until 2 August 2013)	7,273	-	Lump Sum 83	9
Paul Fleming	Acting Director of Corporate Governance (from 16 September 2013 until 1 November 2013)	2,735	-	Pension -	(7)
Pete Leonard	Director of Community and Infrastructure Services	21,409	21,623	Pension 35	2
Elizabeth Taylor	Transitioning Director	10,696	21,623	Lump Sum 72	1
Fred McBride	Director of Social Care and Wellbeing (until 30 September 2013)	10,062	-	Pension 49	9
Gordon McIntosh	Transitioning Director	21,409	21,623	Lump Sum 115	18
Steven Whyte	Head of Finance (s.95 Officer)	13,509	15,869	Pension -	(37)
Barry Jenkins	Head of Finance (s.95 Officer) (until 31 August 2013)	6,547	-	Lump Sum -	(86)
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	15,943	15,869	Pension 46	3
Ciaran Monaghan	Head of Service, Office of Chief Executive	15,042	15,192	Lump Sum 103	1
Total		184,101	185,271	Pension 22	3
				Lump Sum 40	2
				Pension -	(30)
				Pension 35	1
				Lump Sum 81	(1)
				Pension 33	2
				Lump Sum 76	1
				Pension 397	2
				Lump Sum 570	(55)

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment. This may be enhanced in some cases where the employee has transferred in a previous pension from another pension scheme.

Table 9: Pension Benefits – the Council's Subsidiary Bodies

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits		
		For year to 31 March 2014 £	For year to 31 March 2015 £		As at 31 March 2015 £'000	Difference from 31 March 2014 £'000
Brian Horsburgh	Managing Director, Aberdeen Exhibition & Conference Centre Ltd	30,254	30,396		n/a	n/a
Alistair Robertson	Managing Director, Sport Aberdeen Ltd	10,426	10,478	Pension	39	1
Sandra Ross	Managing Director, Bon Accord Support Services Ltd	8,061	14,190	Pension	3	2
Total		48,741	55,064	TOTAL	42	3

Note 1: Aberdeen Exhibition & Conference Centre Ltd contributes towards a money purchase pension scheme for Mr Horsburgh and therefore all the benefits that may become payable are retirement benefits, the rate and amount of which is calculated by reference to the payments made by the person (or on behalf of the person) and which are not average salary benefits. As a result no accrued pension benefits are shown.



Angela Scott
Chief Executive

29 September 2015



Councillor Jennifer Laing
Leader of the Council

Movement in Reserves Statement

This statement shows the movement on the different reserves held by the Council analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2013	(11,291)	(37,938)	(5,979)	(2,431)	(51,050)	-	(97)	(108,786)	(968,938)	(1,077,724)
Movement in Reserves during 2013/14										
(Surplus) or deficit on provision of services	1,252	0	20,613	0	0	0	0	21,865	0	21,865
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(109,062)	(109,062)
Total Comprehensive Income and Expenditure	1,252	0	20,613	0	0	0	0	21,865	(109,062)	(87,197)
Adjustments between accounting basis & funding basis under regulations (note 5)	(16,112)	0	(21,609)	0	7,812	0	0	(29,909)	29,909	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(14,860)	0	(996)	0	7,812	0	0	(8,044)	(79,153)	(87,197)
Transfers to/from Earmarked Reserves (note 6)	14,860	(7,918)	261	(249)	(6,954)	0	0	0	0	0
(Increase)/Decrease in 2013/14	0	(7,918)	(735)	(249)	858	0	0	(8,044)	(79,153)	(87,197)
Balance at 31 March 2014 carried forward	(11,291)	(45,856)	(6,714)	(2,680)	(50,192)	0	(97)	(116,830)	(1,048,091)	(1,164,921)

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2014 brought forward	(11,291)	(45,856)	(6,714)	(2,680)	(50,192)	-	(97)	(116,830)	(1,048,091)	(1,164,921)
Movement in Reserves during 2014/15										
(Surplus) or deficit on provision of services	(8,743)	0	17,983	0	0	0	0	9,240	0	9,240
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(35,440)	(35,440)
Total Comprehensive Income and Expenditure	(8,743)	0	17,983	0	0	0	0	9,240	(35,440)	(26,200)
Adjustments between accounting basis & funding basis under regulations (note 5)	(16,547)	0	(21,773)	0	9,706	0	0	(28,614)	28,614	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(25,290)	0	(3,790)	0	9,706	0	0	(19,374)	(6,826)	(26,200)
Transfers to/from Earmarked Reserves (note 6)	25,290	(7,681)	2,449	278	(12,158)	0	0	8,183	(8,183)	0
(Increase)/Decrease in Year	0	(7,681)	(1,341)	278	(2,452)	0	0	(11,191)	(15,009)	(26,200)
Balance at 31 March 2015	(11,291)	(53,537)	(8,055)	(2,402)	(52,644)	0	(97)	(128,026)	(1,063,101)	(1,191,127)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with IFRS.

2013/14			2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,397	(2,994)	2,403	Central Services to the Public	5,692	2,159
41,518	(7,672)	33,846	Cultural and Related Services	43,589	34,175
183,269	(11,265)	172,004	Education Services	191,918	(10,543)
39,374	(9,226)	30,148	Environmental Services	42,247	(11,529)
169,315	(148,440)	20,875	Housing Services	182,374	(155,351)
15,623	(6,803)	8,820	Planning and Development Services	16,777	(7,681)
32,850	(14,144)	18,706	Roads and Transport Services	34,308	(15,433)
172,350	(37,914)	134,436	Social Work Services	173,497	(37,567)
7,207	(549)	6,658	Corporate and Democratic Core	6,386	(344)
7,946	151	8,097	Non Distributed Costs	12,912	1,347
1,463	0	1,463	Joint Boards	1,433	0
676,312	(238,856)	437,456	Cost of Services	711,133	(250,048)
0	(2,695)	(2,695)	Other Operating Expenditure (note 7)	0	(6,932)
79,241	(47,964)	31,277	Financing and Investment Income and Expenditure (note 8)	72,613	(48,030)
0	(444,174)	(444,174)	Taxation and Non Specific Grant Income (note 9)	0	(469,496)
755,553	(733,689)	21,864	(Surplus) or Deficit on Provision of Services (note 17)	783,746	(774,506)
		(17,245)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		(68,892)
		0	Impairment losses on non current assets charged to the Revaluation Reserve		0
		62	(Surplus)/deficit on revaluation of available for sale financial assets		233
		(91,880)	Actuarial (gains)/losses on pension assets/liabilities		33,219
		(109,063)	Other Comprehensive Income and Expenditure		(35,440)
		(87,199)	Total Comprehensive Income and Expenditure		(26,200)

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council.

1 April 2013 £'000	31 March 2014 £'000		Note	31 March 2015 £'000
1,796,422	1,790,107	Property, Plant & Equipment	30	1,816,313
150,715	151,881	Heritage Assets	29	171,370
83,288	84,771	Investment Property	27	84,870
388	180	Intangible Assets	28	80
10,897	10,835	Long Term Investments	40	10,602
9,416	13,870	Long Term Debtors	40	22,121
2,051,126	2,051,644	Long Term Assets		2,105,356
36,445	18,047	Cash and Cash Equivalents	16	44,179
20,341	25,234	Short Term Investments	40	40,199
65,242	57,313	Short Term Debtors	35	54,429
1,654	1,507	Inventories	34	1,505
5,731	2,206	Assets Held for Sale	33	3,412
129,413	104,307	Current Assets		143,724
(121,660)	(117,608)	Short Term Borrowing	40	(92,658)
(65,355)	(59,533)	Short Term Creditors	36	(82,378)
(2,928)	(5,899)	Short Term Provisions	37	(3,698)
(2,728)	(2,488)	PPP Short Term Liabilities	32	(1,773)
(8,683)	(8,009)	Accumulated Absences Account	12	(7,170)
(1,054)	(1,540)	Grants Receipts in Advance - Revenue	39	(1,120)
(1,902)	(4,836)	Grants Receipts in Advance - Capital	39	(495)
(204,310)	(199,913)	Current Liabilities		(189,292)

1 April 2013	31 March 2014			31 March 2015
£'000	£'000		Note	£'000
(460,777)	(435,168)	Long Term Borrowing	40	(469,621)
(59)	0	Long Term Creditors	40	(451)
(5,511)	(3,584)	Long Term Provisions	37	(3,371)
(110,230)	(107,836)	PPP Long Term Liabilities	32	(106,063)
(321,928)	(244,529)	Pension Liabilities	22	(289,155)
(898,505)	(791,117)	Long Term Liabilities		(868,661)
1,077,724	1,164,921	Net Assets		1,191,127
		Usable Reserves:	11	
(49,229)	(57,147)	General Fund Balance		(64,828)
(8,410)	(9,394)	Housing Revenue Account		(10,457)
(51,050)	(50,192)	Statutory and Other Reserves		(52,644)
0	0	Capital Receipts Reserve		0
(97)	(97)	Capital Grants Unapplied Account		(97)
(968,938)	(1,048,091)	Unusable Reserves	12	(1,063,101)
(1,077,724)	(1,164,921)	Total Reserves		(1,191,127)



Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 26 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

Cash Flow Statement

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2013/14 £'000		2014/15 £'000
(21,865)	Net Surplus or (Deficit) on the provision of services	(9,240)
118,601	Adjust net surplus or deficit on the provision of services for non cash movements	140,171
(35,322)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(51,613)</u>
61,414	Net cash flows from Operating Activities (note 13)	79,318
(47,264)	Net cash flows from Investing Activities (note 14)	(60,118)
(32,548)	Net cash flows from Financing Activities (note 15)	<u>6,932</u>
(18,398)	Net increase or decrease in cash and cash equivalents	26,132
36,445	Cash and cash equivalents at the beginning of the reporting period	18,047
18,047	Cash and cash equivalents at the end of the reporting period (note 16)	44,179

Notes to the Accounts

1. Accounting Policies

i General Principles

The Annual Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year ending 31 March 2015. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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.

ii Accruals of Income and Expenditure

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

- Revenue 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;
- Revenue 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 those rendered by the Council's officers) 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 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 revenue 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.

Where the Council is acting as an agent for another party (e.g. in the collection of National Non Domestic Rates and Water Charges), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

iii Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The CRC is a mandatory cap and trade emissions trading scheme for organisations whose electricity consumption is greater than 6000MWh or approximately £500k. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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

v Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi Employee Benefits

Benefits Payable during Employment

Short term employee benefits (those that fall due wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave 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 remuneration rates applicable in the following financial year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements 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.

Post Employment Benefits

Employees of the Council can be members of two separate pension schemes:

- the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency on behalf of the Scottish Government; and
- the Local Government Pension Scheme (referred to as NESPF), administered by Aberdeen City Council.

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

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

The Local Government Pension Scheme

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

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

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

vii Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is 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 is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts is 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.

viii Financial Liabilities

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

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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

The Council has provided a number of financial guarantees which are reflected as a contingent liability and disclosed as a note to the annual accounts. A suitable value is earmarked from the General Fund Balance to provide financial backing in the event of there being a call on these guarantees.

ix Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 – except for the Council's Small Business Loan Scheme) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available for Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

x 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 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 Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached 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 Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

xii Heritage Assets

The Council's Heritage Assets are held primarily in the City's Art Gallery and Museums. There are eight collections of heritage assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

- **Fine Art & Applied Art Collection**

The Art collection includes paintings (both oil and watercolour), installations and sculptures, decorative and applied art including silver, ceramics and glass etc and is reported in the Balance Sheet at market value. There is no periodic programme of valuations although items in the collection are prompted for revaluation when they are loaned to exhibitions or if a similar item is sold at auction. The Council's Art Gallery and Museums' curators value the items and base this on commercial market values. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation as provided by the Curators with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an ad hoc basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Art Gallery and Museum's curators in accordance with the Council's policy on valuations of Civic Insignia. Subsequent measurement is based on insurance valuation performed in line with the Council's Policy.

- **Archaeology**

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet. The Council's acquisitions are well focused with the aim of reflecting the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland. Future collecting will largely be due to continued excavation in Aberdeen City. The Council does not (normally) make any purchases of archaeological items.

- **Library and Information Services**

The collection of reference items which could be deemed to be held and maintained principally for their contribution to knowledge and culture include historical book collections, directories and local newspaper archives. The collection is not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £2,000.

- **Other Heritage Assets**

Collections outwith those stated above are reported in the Balance Sheet at market value where possible as determined by the curator. This includes city monuments, maritime & social history, numismatics and science technology & industry. Acquisitions are rare and most additions are due to donations which are accepted provided suitable storage is available. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations of heritage assets.

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 xxi in this summary of significant accounting policies. Disposal of heritage assets is carried out occasionally following the procedures outlined in the Acquisition and Disposal Policy, approved by the Education Culture and Sport committee on 16 October 2010. The Policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the annual accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi in this summary of significant accounting policies).

xiii 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) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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 only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xiv Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at net worth.

xv Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value except for the inventories held by Building Services and Roads Services which are valued at latest price and average price respectively. The difference between these valuations and the lower of cost or net realisable value is not material.

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.

xvi 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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 Comprehensive Income and Expenditure Statement. 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 Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xvii Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xiii 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, plant or equipment 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.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

xix Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

xx Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

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

xxi 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 or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. 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.

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 where there is a legal obligation.

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

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

- infrastructure and vehicles, plant and equipment – depreciated historical cost;
- community assets – historical cost or nominal value;
- council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- specialised properties – depreciated replacement cost (DRC); and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

Where decreases in value are identified, the revaluation loss is accounted for by:

- 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 insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

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 by:

- 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 insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 in the Movement in Reserves Statement.

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 not applied to an asset in the year of acquisition nor to expenditure on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer; and
- infrastructure and vehicles, plant and equipment – straight-line allocation over the useful life as estimated by management.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

xxii Public Private Partnerships (PPP) and Similar Contracts

PPP and similar 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 PPP contractor. As the Council is deemed to control the services that are provided under its PPP 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.

PPP 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 PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- 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 Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xxiii Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be exposed to liabilities from court cases that could eventually result in the making of a settlement or the payment of compensation, e.g. equal pay claims, or consider that over time the collection of income will become more difficult and thereby fail to secure the full value of the debt, or may have made a decision in relation to changes in service delivery from which costs arise, e.g. redundancy costs.

Estimation techniques are based on previous experience, prevailing economic conditions, aged analysis, expert and specialist advice and current data held by the Council.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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.

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.

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 or otherwise of uncertain future 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.

xxiv Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxv Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but do not result in the creation of a non current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement 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.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

xxvi VAT

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

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement (May 2011);
- IFRIC 21 Levies (May 2013);
- Changes to UK GAAP; and
- Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 annual accounts.

IFRS 13 will impact up on surplus assets only. Surplus assets will be measured at fair value in accordance with IFRS 13 and this will require some additional disclosures. IFRIC 21 provides guidance on the recognition of liabilities to pay levies. Changes to UK GAAP apply to VAT, Heritage Assets and Pension Funds. However, there are no substantial changes to the Code as a result of the changes to UK GAAP. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the annual accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (valued at £178.9 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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 made.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.

Service Concession Arrangement (PPP)	The council has a contract with an operator to provide ten schools. The contract regulates price revisions over the period of the service arrangement. Fees are adjusted by an indexation factor each year which is based on RPI plus the Bank of England base rate.	The indexation adjustment is applied to approximately 48% of the Unitary Charge (UC) and 100% of the monthly Service Fee (SF). If RPI were to increase by 1% and the base rate was 1% rather than 0.5%, the UC and SF would increase by £8,542.62 and £4,135.88 per month respectively.
Provisions	The Council has made a provision of £2.284 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.228 million to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.7 million. However, if another assumption were increased, e.g. pay inflation, by 0.1% then this would result in an increase in the pension liability of £21.1 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2015 the Council had a balance of short term debtors of £106.319 million. A review of significant balances suggested that an allowance for impairment of debt of £51.890 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 2% on impairment would require a further provision of £2.126 million.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. Movement in Reserves Statement – 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.

2013/14	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account (CAA):						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(40,083)	(29,252)	0	0	0	69,335
Revaluation losses on Property, Plant and Equipment	(1,017)	(23,587)	0	0	0	24,604
Capital grants and contributions applied	20,243	2,520	0	0	0	(22,763)
Write off carrying amount of non current assets sold	(4,571)	(5,293)	0	0	0	9,864
Write off carrying amount of non current assets scrapped	(473)	(30)	0	0	0	503
Statutory provision for the financing of Capital spend (3R's)	2,728	0	0	0	0	(2,728)
Movement in the fair value of Investment Properties	2,081	0	0	0	0	(2,081)
Amortisation of Intangible Assets	(208)	0	0	0	0	208
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	12,429	4,580	0	0	0	(17,009)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	462	22,575	12,430	0	0	(35,467)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,618)	12,559	0	(7,941)
Proceeds from sale of non current assets	5,110	7,871	0	(12,981)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(236)	(186)	0	422	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	422	0	0	0	0	(422)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(40,369)	(2,398)	0	0	0	42,767
Employer's pensions contributions and direct payments to pensioners payable in the year	26,696	1,590	0	0	0	(28,286)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	674	1	0	0	0	(675)
Total Adjustments	(16,112)	(21,609)	7,812	0	0	29,909

2014/15	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account (CAA):						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(37,832)	(30,956)	0	0	0	68,788
Revaluation losses on Property, Plant and Equipment	(8,749)	(23,976)	0	0	0	32,725
Capital grants and contributions applied	30,570	4,554	0	0	0	(35,124)
Write off carrying amount of non current assets sold	(13,303)	(5,254)	0	0	0	18,557
Write off carrying amount of non current assets scrapped	(1,890)	0	0	0	0	1,890
Statutory provision for the financing of Capital spend (3R's)	2,488	0	0	0	0	(2,488)
Movement in the fair value of Investment Properties	3,069	0	0	0	0	(3,069)
Amortisation of Intangible Assets	(100)	0	0	0	0	100
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	10,789	4,885	0	0	0	(15,674)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	2,314	18,725	15,200	0	0	(36,239)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			(5,494)	16,489	0	(10,995)
Proceeds from sale of non current assets	5,867	11,120	(16,987)	0	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(280)	(217)	497	0	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	424	0	0	0	0	(424)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(36,572)	(2,257)	0	0	0	38,829
Employer's pensions contributions and direct payments to pensioners payable in the year	25,821	1,601	0	0	0	(27,422)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	837	2	0	0	0	(839)
Total Adjustments	(16,547)	(21,773)	9,706	0	0	28,614

6. Movement in Reserves Statement – Transfers to/from Earmarked Reserves and Other Statutory Funds

Earmarked Reserves: This note sets out the amounts set aside from the General Fund and HRA balances as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet future General Fund and HRA expenditure.

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
General Fund:								
Strategic Infrastructure Plan	0	(334)	33	(301)	(464)	408	(357)	Continued investment towards the delivery of the plan
ICT Projects	(1,650)	(719)	472	(1,897)	(1,079)	727	(2,249)	Implement various approved ICT projects
Business Plan Service Option	(3,762)	0	826	(2,936)	0	661	(2,275)	Continued investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(30)	(12)	16	(26)	(15)	16	(25)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which take place each year
Shopmobility	0	(91)	0	(91)	0	0	(91)	Unspent funding to be utilised on the development of the scheme
Employee Benefit Scheme	0	0	0	0	(113)	0	(113)	For marketing the Employee Benefit Scheme
City Deal	(300)	0	0	(300)	0	0	(300)	Funding to support the city deal scheme
Fairer Aberdeen	0	(36)	0	(36)	0	0	(36)	Unspent funding to be utilised for Community Planning Aberdeen
Queens Links Reinstatement Fund	(102)	0	0	(102)	0	102	0	Historic fund in relation to potential reinstatement work at beach
Energy Efficiency Fund	(670)	(7)	(433)	(1,110)	(568)	494	(1,184)	Pump-prime funding for energy saving schemes
Road Repairs/Projects	(129)	(562)	129	(562)	0	400	(162)	Road repair and maintenance sum approved by Finance, Policy & Resources Committee May 2014
"The Green" Townscape Project	(326)	0	276	(50)	0	0	(50)	Match funding in relation to the Heritage Lottery Funding awarded for works at "the Green"
South of the City Regeneration	(1,345)	0	0	(1,345)	0	8	(1,337)	Fully committed to the Aberdeen City Hydrogen Energy Storage (ACES) project
Windfarm setup	(100)	0	0	(100)	0	7	(93)	Professional fees for legal advice, business case consultancy and client advisor services
Bus Lane Enforcement	0	(896)		(896)	(953)	584	(1,265)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfers	0	(370)	0	(370)	0	215	(155)	Funding in relation to the transfer of Thomas Blake Glover House to the Council as agreed at Finance, Policy & Resources Committee Sept 2015
Sub Total	(8,414)	(3,027)	1,319	(10,122)	(3,192)	3,622	(9,692)	

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
General Fund cont'd:	(16,562)	(4,915)	2,004	(19,473)	(5,939)	4,766	(20,646)	
Property Improvements	(260)	(165)	140	(285)	0	285	0	Carry out improvement works to Tullos Pool and Rosemount & Loirston Community Facilities as agreed at Education Culture and Sport Committee March 2013
Music Hall Redevelopment	0	(1,000)		(1,000)			(1,000)	To contribute towards the redevelopment of the Music Hall, approved by Council June 2013
Reclaiming Social Work	0	(371)	0	(371)	(2,930)	34	(3,267)	Contribution towards costs, as agreed at Social Care & Wellbeing Committee Sept 2013 & Council Feb 2015
Hilton Outdoor Centre	0	0	0	0	(25)		(25)	Improvements to outdoor area, approved at Finance, Policy & Resources June 2015
Social Care & Wellbeing Projects	(234)		214	(20)	0	20	0	Balance of OT store funding
Local Autism Action Plan	(35)	0	0	(35)	0	35	0	Production of plan for which funding provided through revenue grant determination
Police and Fire Amounts Repaid	(5,242)	0	5,242	0	0	0	0	Reserves of the local Police and Fire bodies initially repayable to the Council but primarily earmarked for transfer to the Scottish Government in 2013/14
De-risk the Council	(5,762)	0	0	(5,762)	0	2,890	(2,872)	Cash backing for Council guarantees to external organisations
Welfare Reform	(2,000)	0	0	(2,000)	0	0	(2,000)	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on
Financial Risk Fund	(5,541)	0	0	(5,541)	0	0	(5,541)	As agreed at Finance and Resources Committee October 2012, to provide funding to support the cost pressure risks associated with Priority Based Budgeting
Scottish Welfare Fund	0	(143)	0	(143)	0	103	(40)	Unspent funding to be utilised in 2014/15 as per advice from the Scottish Government
Investment Strategy	0	(9,174)	0	(9,174)	(6,808)	0	(15,982)	Funding set aside towards the future investment strategy of the Council
Revenue Grants Unspent	(2,302)	(530)	780	(2,052)	(173)	61	(2,164)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Total General Fund	(37,938)	(16,298)	8,380	(45,856)	(15,875)	8,194	(53,537)	

	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA):								
Housing repairs	(1,617)	(1,543)	1,617	(1,543)	(1,207)	1,543	(1,207)	Repairs ordered prior to the year end
Scottish Secure Tenancy	0	0	0	0	0	0	0	Ongoing costs in relation to SST
House Sales - Non right to buy	(57)	(188)	0	(245)	0	0	(245)	One-off vacant properties sold on the open market
Purchase of internal land/properties	(305)	0	0	(305)	0	0	(305)	Recognition of value of land to be transferred to housing account from general fund
Central Heating	(452)	(134)	0	(586)	(59)	0	(645)	Finance lease liability in relation to a long-term lease agreement
Total HRA	(2,431)	(1,865)	1,617	(2,679)	(1,266)	1,543	(2,402)	
Total Earmarked Reserves	(40,369)	(18,163)	9,997	(48,535)	(17,141)	9,737	(55,939)	

2013/14	General Fund £'000	HRA £'000
Total Transfers in during the year	(16,298)	(1,865)
Total Transfers out during the year	8,380	1,617
Net Movement in Earmarked Reserves in 2013/14	(7,918)	(248)

2014/15	General Fund £'000	HRA £'000
Total Transfers in during the year	(15,875)	(1,265)
Total Transfers out during the year	8,194	1,543
Net Movement in Earmarked Reserves in 2014/15	(7,681)	278

Other Statutory Funds: The Council holds a number of other statutory funds. This note sets out the amounts held and a summary of transactions undertaken in the financial year.

Name of Fund	Balance at 1 April 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Purpose of the Earmarked Reserve
Capital	(48,948)	(11,131)	12,429	(47,650)	(17,938)	15,200	(50,388)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,757)	(1,629)	1,213	(2,173)	(250)	516	(1,907)	To meet the cost of uninsured claims
City Improvement	(339)	(24)	(1)	(364)	(3)	23	(344)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)	0	0	(5)	To meet the costs of maintaining Lord Byron's statue
Total Statutory and Other Funds	(51,049)	(12,784)	13,641	(50,192)	(18,191)	15,739	(52,644)	

7. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2013/14 £'000		2014/15 £'000
(2,695)	(Gains)/losses on the disposal on non current assets	(6,932)
(2,695)	Total	(6,932)

8. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2013/14 £'000		2014/15 £'000
33,622	Interest payable and similar charges	31,189
12,785	Pensions interest cost and expected return on pensions assets	10,129
(680)	Interest receivable and similar income	(986)
(6,476)	Income and Expenditure in relation to investment properties and changes in their fair value	(7,718)
(7,974)	Other Investment income	(8,031)
31,277	Total	24,583

9. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2013/14 £'000		2014/15 £'000
(102,749)	Council Tax Income	(103,567)
(176,952)	Non domestic rates *	(193,805)
(141,710)	Non ring-fenced government grants	(137,000)
(22,763)	Capital grants and contributions	(35,124)
(444,174)	Total	(469,496)

* The 2014/15 figures reflect that no excess has been retained by the Council in relation to exceeding the Business Rates Incentivisation Scheme (BRIS) revised target.

10. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

During 2014/15, a number of contributions from Council Services, totalling £9.3 million were made to the Capital Fund to capture funding for future capital investment.

11. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

12. Balance Sheet – Unusable Reserves

31 March 2014 £'000		31 March 2015 £'000
(601,744)	Revaluation Reserve	(670,990)
(538)	Available for Sale Financial Instruments Reserve	(306)
(715,505)	Capital Adjustment Account	(704,865)
17,158	Financial Instruments Adjustment Account	16,735
244,529	Pensions Reserve	289,155
8,009	Accumulated Absences Account	7,170
(1,048,091)	Total Unusable Reserves	(1,063,101)

Revaluation Reserve

The Revaluation Reserve contains the gains/loses made by the Council arising from increases/decreases 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;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are reaised.

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.

2013/14		2014/15	
£'000	£'000	£'000	£'000
	(596,135)	Balance at 1 April	(601,744)
(20,793)		Upward revaluation of assets	(95,636)
3,548		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	26,744
	(17,245)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	(68,892)
11,248		Difference between fair value depreciation and historical cost depreciation	11,847
738		Accumulated gains on assets sold or scrapped	(12,201)
11,986			(354)
(350)		Amount written off to the Capital Adjustment Account	0
(601,744)		Balance at 31 March	(670,990)

2013/14		2014/15
£'000		£'000
(720,394)	Balance at 1 April	(715,505)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
69,335	Charges for depreciation and impairment on non current assets	68,788
24,603	Revaluation losses on Property, Plant and Equipment	32,724
208	Amortisation of intangible assets	100
0	Revenue expenditure funded from capital under statute	0
504	Carrying amount of non current assets scrapped	
9,864	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	20,447
104,514		122,059
(11,637)	Adjusting amounts written out of the Revaluation Reserve	354
92,877	Net written out amount of the cost of non current assets consumed in the year	122,413
	Capital financing applied in the year:	
(7,941)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10,995)
(12,429)	Use of the Capital Fund to finance new capital expenditure	(15,200)
(22,763)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(35,124)
(17,009)	Loans Fund principal repayments	(15,674)
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0
(23,037)	Capital expenditure charged against the General Fund and HRA balances	(21,040)
(2,728)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(2,488)
(85,907)		(100,521)
	Deferred Capital Receipt	(8,183)
(2,081)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,069)
0	Movement in the market value of Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	0
(715,505)	Balance at 31 March	0 (704,865)

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 this account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement 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 to be met. 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 2015 will be charged to the General Fund over the next 45 years.

2013/14		2014/15
£'000		£'000
17,580	Balance at 1 April	17,158
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	
(25)	Long Term Borrowing – Stepped Loans	(27)
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)
(422)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(424)
17,158	Balance at 31 March	16,735

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 Comprehensive Income and Expenditure Statement 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 employers contributions to pension 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.

2013/14		2014/15
£'000		£'000
321,928	Balance at 1 April	244,529
(91,880)	Remeasurements of the net defined benefit liability/(asset)	33,219
42,767	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	38,829
(28,286)	Employer's pensions contributions and direct payments to pensioners payable in the year	(27,422)
244,529	Balance at 31 March	289,155

Accumulated Absences Account

The Accumulated Absences 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.

2013/14		2014/15
£'000		£'000
8,683	Balance at 1 April	8,009
(8,683)	Settlement or cancellation of accrual made at the end of the preceding year	(8,009)
8,009	Amounts accrued at the end of the current year	7,170
(674)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(839)
8,009	Balance at 31 March	7,170

13. Cash Flow Statement – Operating Activities

2013/14 £'000		2014/15 £'000
(21,865)		(9,240)
(21,865)		(9,240)
	Adjustment to surplus or deficit on the provision of services for noncash movements:	
69,335	Depreciation	68,789
24,603	Impairment, downward revaluations & non sale derecognitions	32,723
147	(Increase)/Decrease in Stock	2
3,475	(Increase)/Decrease in Debtors	(5,367)
0	Increase/(Decrease) in impairment provision for bad debts	0
(3,751)	Increase/(Decrease) in Creditors	16,859
14,481	Payments to Pension fund	11,407
10,367	Carrying amount of non current assets sold	20,447
1,817	Contributions to Other Reserves/Provisions	(1,720)
0	Assets held for sale movement	0
0	Capital Grants unapplied transactions	0
208	Amortisation of Intangible Assets	100
(2,081)	Movement in value of investment properties	(3,069)
118,601		140,171
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
0	Proceeds from short term and long term investments	0
(22,763)	Receipt of Capital Grants and Contributions	(35,124)
(12,559)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(16,489)
(35,322)		(51,613)
61,414	Net cash flows from operating activities	79,318

^a includes the following:

2013/14 £'000		2014/15 £'000
680	Interest received	989
(33,622)	Interest paid	(31,183)

14. Cash Flow Statement – Investing Activities

2013/14 £'000		2014/15 £'000
(77,755)	Purchase of property, plant and equipment, investment property and intangible assets	(96,999)
(4,831)	Purchase of short term and long term investments	(14,731)
0	Other payments for investing activities	0
12,981	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,985
(422)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(497)
0	Proceeds from short term and long term investments	0
22,763	Capital grants and contributions received	35,124
0	Other receipts from investing activities	0
(47,264)	Net cash flows from investing activities	(60,118)

15. Cash Flow Statement – Financing Activities

2013/14 £'000		2014/15 £'000
0	Cash receipts of short term and long term borrowing	0
(25)	Other receipts from financing activities	(25)
(2,862)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(2,546)
(29,661)	Repayments of short term and long term borrowing	9,503
0	Other payments for financing activities	0
(32,548)	Net cash flows from financing activities	6,932

16. Cash Flow Statement – Cash and Cash Equivalents

31 March 2014 £'000		31 March 2015 £'000
42	Cash held by the Authority	42
18,005	Bank current accounts	44,137
0	Short term deposits with building societies	0
18,047	Total cash and cash equivalents	44,179

17. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the annual accounts. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure 2013/14	Education Culture & Sport £'000	Social Care & Wellbeing £'000	Housing & Environment £'000	Enterprise, Planning & Infrastructure £'000	Corporate Governance £'000	Total £'000
Fees, charges and other service income	(7,270)	(33,195)	(26,186)	(47,263)	(8,980)	(122,894)
Government grants	(1,499)	(4,536)	(1,107)	8,910	(53,387)	(51,619)
Total Income	(8,769)	(37,731)	(27,293)	(38,353)	(62,367)	(174,513)
Employee Expenses	113,606	39,029	25,083	28,689	22,882	229,289
Other service expenses	56,670	118,931	35,500	46,838	66,209	324,148
Support service recharges	0	24	430	9	217	680
Total Other Service Expenses	56,670	118,955	35,930	46,847	66,426	324,828
Total Expenditure	170,276	157,984	61,013	75,536	89,308	554,117
Net Expenditure	161,507	120,253	33,720	37,183	26,941	379,604

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14 comparative figures	Portfolio	Services and	Amounts not	Amounts not	Allocation of	Corporate	Cost of	Group	Total
	Analysis	Support Services	reported to	included in					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(122,894)	(136,998)	(2,695)	0	(19,210)	0	(281,797)	0	(281,797)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	28,127	28,127
Interest and investment income	0	0	0	0	0	(680)	(680)	0	(680)
Income from council tax	0	0	0	0	0	(102,749)	(102,749)	0	(102,749)
Government grants and contributions	(51,619)	(122)	(22,763)	0	0	(318,662)	(393,166)	0	(393,166)
Total Income	(174,513)	(137,120)	(25,458)	0	(19,210)	(422,091)	(778,392)	28,127	(750,265)
Employee expenses	229,289	31,375	42,093	(28,286)	0	0	274,471	0	274,471
Other service expenses	324,148	126,459	(2,787)	(47,000)	0	0	400,820	0	400,820
Support Service recharges	680	12,839	0	0	19,210	0	32,729	0	32,729
Depreciation, amortisation and impairment	0	0	92,064	0	0	0	92,064	0	92,064
Interest Payments	0	166	6	0	0	0	172	0	172
Total Expenditure	554,117	170,839	131,376	(75,286)	19,210	0	800,256	0	800,256
Surplus or deficit on the provision of services	379,604	33,719	105,918	(75,286)	0	(422,091)	21,864	28,127	49,991
2014/15	Portfolio	Services and	Amounts not	Amounts not	Allocation of	Corporate	Cost of	Group	Total
	Analysis	Support Services	reported to	included in	CIES	Recharges	Amounts	Services	Amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(139,074)	(142,236)	(6,932)		(15,834)		(304,076)	0	(304,076)
Surplus or deficit on associates and joint ventures							0	(2,954)	(2,954)
Interest and investment income							0	0	0
Income from council tax							(103,568)	(103,568)	0 (103,568)
Government grants and contributions	(56,906)	(817)	(35,124)				(330,805)	(423,652)	0 (423,652)
Total Income	(195,980)	(143,053)	(42,056)	0	(15,834)	(434,373)	(831,296)	(2,954)	(834,250)
Employee expenses	227,889	32,533	37,990	(27,422)			270,990	0	270,990
Other service expenses	362,121	125,423	(1,081)	(45,462)			441,001	0	441,001
Support Service recharges	547	13,566			15,834		29,947	0	29,947
Depreciation, amortisation and impairment			98,544				98,544	0	98,544
Interest Payments		52	2				0	54	0 54
Total Expenditure	590,557	171,574	135,455	(72,884)	15,834	0	840,536	0	840,536
Surplus or deficit on the provision of services	394,577	28,521	93,399	(72,884)	0	(434,373)	9,240	(2,954)	6,286

18. Trading Operations

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

		2012/13 £'000	2013/14 £'000	2014/15 £'000
Building and Maintenance	Turnover	(29,213)	(31,909)	(31,743)
Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings.	Expenditure	25,394	28,600	28,155
Cumulative surplus over the last three financial years: £9.060 million.	Exceptional Items	0	0	0
	Interest	(25)	(2)	(3)
	Net (Surplus)/Deficit	(3,844)	(3,311)	(3,591)
	Refunds/(Charges)	1,161	347	178
	Net (Surplus)/Deficit	(2,683)	(2,964)	(3,413)
Provision and Management of Car Parking Facilities	Turnover	(8,074)	(9,200)	(8,730)
Responsible for the management and operation of off-street and on-street pay and display parking as well as policing the regime for dealing with decriminalised parking offences.	Expenditure	3,716	4,315	4,221
Cumulative surplus over the last three operational financial years: £14.051 million.	Exceptional Items	0	0	0
	Interest	(65)	(125)	(109)
	Net (Surplus)/Deficit	(4,423)	(5,010)	(4,618)
	Refunds/(Charges)	0	0	0
	Net (Surplus)/Deficit	(4,423)	(5,010)	(4,618)
Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)		(7,106)	(7,974)	(8,031)
Letting of Industrial, Commercial and Other Properties	Turnover	(5,662)	(6,521)	(6,747)
Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates.	Expenditure	2,503	3,000	2,839
Cumulative surplus in the last three financial years: £21.218 million.	Exceptional Items	(2,962)	(2,081)	(3,069)
	Interest	(903)	(874)	(741)
	Net (Surplus)/Deficit	(7,024)	(6,476)	(7,718)
Net (Surplus)/Deficit on Trading Operations		(14,130)	(14,450)	(15,749)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement within the Financing and Investment Income and Expenditure line. The properties held within the Letting of Industrial, Commercial and Other Properties are classed as Investment Properties and thus the results of this operation are included within this category.

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Net (Surplus)/Deficit on trading operations	(14,130)	(14,450)	(15,749)
Investment Properties	(7,024)	(6,476)	(7,718)
Other Trading Operations	(7,106)	(7,974)	(8,031)
Net Surplus credited to Financing and Investment Income and Expenditure (note 8)	(14,130)	(14,450)	(15,749)

19. Agency Services

Under various statutory powers a Council may agree with other local authorities and government departments to do work on their behalf, and likewise certain of the Council's service work may be undertaken on our behalf by other bodies. The main items of agency expenditure and income were as follows:-

Agency Expenditure	2013/14 £'000	2014/15 £'000	Agency Income	2013/14 £'000	2014/15 £'000
Payments to voluntary organisations for the provision of care home places	19,167	16,441	Income from other local authorities in respect of the provision of public analyst services	506	509
Payments to voluntary organisations for the provision of day care	2,663	2,997	Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	181	206
Payments to voluntary organisations for the provision of community based care	14,994	19,279	Net receipts from partners in respect of trunk roads (including administration) – AWPR *	0	10,140
Payments to residential schools Education, Culture & Sport	2,556	3,451	Receipts from other bodies for administrative services:		
Payments to residential schools Social Care & Wellbeing	3,768	4,826	Scottish Water	637	761
Payments to other public authorities for the provision of care home places	203	269	Scottish Police Authority	73	67
Payments to other public authorities for the provision of community based care	818	713	Scottish Fire and Rescue Service	0	0
Payment to private organisations for the provision of care home places	30,331	29,441	Moray Council	75	71
Payments to private organisations for the provision of day care	732	857	Highland Council	0	0
Payments to private organisations for the provision of community based care	16,425	15,139	Shetland Council	0	17
Payment to other public authorities for the provision of mortuary services	5	22	Receipts from Aberdeenshire Council for goods supplied	772	963
Payment to Aberdeenshire Council for Aberdeen City and Shire Economic Forum	134	169			
Net payments to partners in respect of trunk roads (including administration) - AWPR *	1,671	0			
Payment to Bon Accord Support Services	16,445	26,026			
	109,912	119,630		2,244	12,734

* The council is the appointed managing agent on behalf of Transport Scotland and Aberdeenshire Council for the Aberdeen Western Peripheral Route (AWPR/BT) project. During 2014/15 expenditure on the project amounted to £37.9 million. The council incurred expenditure of £34.6 million including £7.2 million requisitioned by Transport Scotland and received income of £17.3 million from Aberdeenshire Council thus making a net contribution of £17.3 million to the project in the year.

20. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and any non-audit services provided by the Council's external auditors

	2013/14 £'000	2014/15 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	449	455
Recharge to Trust Funds	(7)	(10)
Recharge to Pension Fund	(39)	(39)
Total	403	406
2013/14 figure restated to reflect recharge to Trust Funds		

21. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2014, the Council's own contributions equate to approximately 2.7%.

In 2014/15, the council paid £9.531 million to the Scottish Government in respect of teachers' pension costs, which represents 14.9% of teachers' pensionable pay. The figure for 2013/14 was £9.387 million representing 14.9% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 22. The Council is not liable to the scheme for any other entities obligations under the plan.

22. Defined Benefit Pension Schemes

The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

The Scheme was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. The scheme is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).

Employees of admitted bodies can join the scheme subject to their individual admission criteria which are outwith the control of Aberdeen City Council.

There are 12 scheduled bodies and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, Visit Scotland, North East Scotland College, Moray College, Northern Community Justice Authority, Grampian Valuation Joint Board and Nestrans.

The Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

Under the Local Government Pension Scheme (Administration) (Scotland) Regulations, there is a requirement for the Council to publish a pension fund annual report from 2011. The report covers, amongst other things, a report by the Head of Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under www.nespf.org.uk or on request from the Head of Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB

Participation in pension schemes

As part of the terms and conditions of employment of its officers, 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 to disclose them at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

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 plan assets built up to meet these pension liabilities.

Transactions relating to post employment benefits

The cost of retirement benefits is recognised 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 required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	£'000		£'000	
	2013/14	2014/15	2013/14	2014/15
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	29,404	28,044	0	0
• administration expenses	480	477	0	0
• past service costs	24	0	0	0
• (gain)/loss from settlements	74	179	0	0
Financing and Investment Income and Expenditure				
• net interest expense	11,732	8,911	1,053	1,218
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	41,714	37,611	1,053	1,218
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(52,516)	(1,028)	2,797	0
• actuarial gains and losses arising on changes in demographic assumptions	0	(18,461)	0	(226)
• actuarial gains and losses arising on changes in financial assumptions	(39,974)	134,180	(2,187)	2,812
• other	0	(84,058)	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(50,776)	68,244	1,663	3,804
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(41,714)	(37,611)	(1,053)	(1,218)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	24,105	23,202	0	0
• retirement benefits payable to pensioners	2,402	2,435	1,779	1,785

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Present value of the defined benefit obligation	(1,156,159)	(1,164,497)	(1,245,520)	(43,814)	(42,312)	(43,807)
Fair value of plan assets	863,568	949,189	987,605	0	0	0
Sub total	(292,591)	(215,308)	(257,915)	(43,814)	(42,312)	(43,807)
Scottish Teachers Superannuation Scheme	(29,337)	(29,221)	(31,240)	0	0	0
Net liability arising from defined benefit obligation	(321,928)	(244,529)	(289,155)	(43,814)	(42,312)	(43,807)

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £289.2 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2016 is £26.8 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2016 are £4.1million.

Assets and liabilities in relation to post employment benefits*Reconciliation of fair value of the scheme (plan) assets:*

	Total Assets: Local Government Pension Scheme £'000		Includes: Discretionary Benefits Arrangements £'000	
	2013/14	2014/15	2013/14	2014/15
Opening fair value of scheme assets	863,568	949,189	0	0
Interest income	36,215	41,680	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	52,516	1,028	0	0
• Other	(480)	(477)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	26,507	25,637	2,324	2,333
Contributions from employees into the scheme	7,494	7,403	0	0
Benefits paid	(36,631)	(36,855)	(2,324)	(2,333)
Other	0	0	0	0
Closing fair value of scheme assets	949,189	987,605	0	0
<hr/>				
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2013/14	2014/15		
Opening fair value of scheme assets	0	0		
Contributions from employer	1,779	1,785		
Benefits paid	(1,779)	(1,785)		
Closing fair value of scheme assets	0	0		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £107.327 million (2013/14: £88.731m).

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

	Total Liabilities:		Includes:	
	Local Government Pension Scheme £'000		Discretionary Benefits £'000	
	2013/14	2014/15	2013/14	2014/15
Opening balance at 1 April	(1,156,159)	(1,164,497)	(43,814)	(42,312)
Current service cost	(29,404)	(28,044)	0	0
Interest cost	(47,947)	(50,591)	(1,791)	(1,809)
Contributions from scheme participants	(7,494)	(7,403)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	18,461	0	791
• Actuarial gains/losses arising from changes in financial assumptions	39,974	(134,180)	969	(3,891)
• Other	0	84,058	0	1,081
Past service cost	(24)	0	0	0
Losses/(gains) on curtailment	(74)	(179)	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	36,631	36,855	2,324	2,333
Liabilities extinguished on settlements	0	0	0	0
Closing balance at 31 March	(1,164,497)	(1,245,520)	(42,312)	(43,807)
	Total Liabilities:		Includes:	
	Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2013/14	2014/15		
Opening balance at 1 April	(29,337)	(29,221)		
Interest cost	(1,053)	(1,218)		
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	226		
• Actuarial gains/losses arising from changes in financial assumptions	2,187	(2,812)		
• Other	(2,797)	0		
Benefits paid	1,779	1,785		
Closing balance at 31 March	(29,221)	(31,240)		

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2013/14 £'000	%	Fair value of scheme assets 2014/15 £'000	%
Cash and cash equivalents	23,160	2.4%	28,641	2.9%
Equity instruments:				
• UK quoted and unquoted	371,323		201,473	
• Global quoted and unquoted	371,228		230,112	
• Global Frontier Fund	12,055		11,851	
• Pooled UK & Global	0		326,897	
Sub total equity	754,606	79.5%	770,333	78.0%
Bonds:				
• Corporate	20,882		20,739	
• Government	59,229		61,231	
Sub total bonds	80,111	8.4%	81,970	8.3%
Property:				
• UK Direct	53,060		66,170	
• Property funds - Global	3,417		3,950	
Sub total property	56,477	6.0%	70,120	7.1%
Private equity:				
• European	15,472		11,851	
• Global	18,699		21,727	
Sub total private equity	34,171	3.6%	33,578	3.4%
Other investment funds:				
• Infrastructure	664		1,975	
• Property	0		988	
Sub total other investment funds	664	0.1%	2,963	0.3%
Derivatives:				
• Forward foreign exchange contracts	0	0.0%	0	0.0%
Total assets	949,189	100.0%	987,605	100.0%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2013/14	2014/15	2013/14	2014/15
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	6.5%	-	-
Government Bonds	3.4%	2.2%	-	-
Other Bonds	4.3%	2.9%	-	-
Other	7.0%	6.4%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5	22.1	22.5	22.1
Women	25.5	24.7	25.5	24.7
Longevity at 65 for future pensioners:				
Men	24.8	24.3	-	-
Women	27.9	27.5	-	-
Rate of inflation	2.4%	2.0%	2.4%	2.0%
Rate of increase in salaries	4.15%	3.50%	4.15%	3.50%
Rate of increase in pensions	2.4%	2.0%	2.4%	2.0%
Rate for discounting scheme liabilities	4.4%	3.2%	4.3%	3.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes to 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.

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Assumption £'000
Longevity (increase by 1 year in life expectancy)	24,944
Rate of inflation (increase by 0.1%)	21,061
Rate of increase in salaries (increase by 0.1%)	4,549
Rate for discounting scheme liabilities (increase by 0.1%)	(20,711)

23. Events after the Balance Sheet Date

The unaudited Annual Accounts was authorised for issue by the Head of Finance on 26 June 2015. Events taking place after this date are not reflected in the annual accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the annual accounts and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

24. 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.

Central Government

Central 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 government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. During 2014/15 payments to 39 organisations, amounting to £11.4 million (2013/14, 43 organisations, £11.1 million) were made by means of grant support and for the delivery of services. Approval of these grants and service contracts was undertaken in accordance with Council policies and procedures. Details of all members' interests are disclosed on the Council website at www.aberdeencity.gov.uk

Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.124 million for this service in 2014/15 (2013/14, £1.026 million).

For 2014/15 the Council paid £27.422 million to the Pension Fund representing its employer contributions in respect of current and former employees (2013/14, £28.286 million).

Entities Controlled or Significantly Influenced by the Council

The Council has substantial interests in other entities and the relevant transactions are as follows –

	2013/14		2014/15	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Joint Boards				
Grampian Joint Valuation Board	0	1,463	0	1,434
AECC/Mountwest Ltd	204	3,962	205	1,495
Common Good	1,805	31 *	2,111	34
Trust Funds	32	37	11	35
Aberdeen Sports Village	16	1,373	2,469	3,750
Sport Aberdeen	1,370	6,203	1,099	5,787
Aberdeen Heat & Power	16	6,142	16	8,641
NESTRANS	2,422	1,078	4,428	1,305
SDPA	0	67	0	60
Scotland Excel	0	124	0	224
Bon Accord Care	744	243	118	50
Bon Accord Support Services	1,867	16,445	1,573	26,026

* 2013/14 Figures have been restated to correct a transposition of Receipts & Payments.

The majority of these bodies form part of the Council's group accounts which are set out on pages 139 to 159.

25. Partnership Arrangements

During the last year under the Community Care and Health (Scotland) Act 2002, Aberdeen City Council continued to have in place a signed Local Partnership Agreement, with the following partner bodies:

- NHS Grampian and
- Aberdeen City Health & Social Care Partnership.

The principal objective of the Partnership is the achievement of a better quality of life for the people of Aberdeen, including empowerment, social inclusion, and improved health, through ease of access to an increasingly integrated health and social care service.

In financial year 2014/15 the Partnership Agreement continued to include services to older people, those with physical illness, people with learning disabilities, and people needing mental health services.

The Partnership had a budget, covering each of the above client groupings, in excess of £150m during 2014/15. The budgets are aligned throughout the Partnership, which means that each Partner organisation holds their own element of the budget and records the expenditure and income that relates to the part of the services it is responsible for. At appropriate levels the budgets are then accumulated from across the Partnership and the total represents the overall Partnership budget. Aberdeen City Council's expenditure (and related income) on services to clients is included within the Comprehensive Income and Expenditure Statement.

Aberdeen City Council contributed a budget of approximately £115.7 million in respect of the specific services. This can be broken down as follows:

- | | |
|------------------------------------|---------------|
| • Older People and Physical Health | £78.9 million |
| • Learning Disabilities | £26.5 million |
| • Mental Health & Addictions | £10.3 million |

These budgets cover a range of services from the assessment of needs and the Council's provision of day and home care to the commissioning and purchase of care home places from private and voluntary sector organisations.

In accordance with the Public Bodies (Joint Working) Bill it is intended that an Integration Joint Board will replace the Aberdeen City Health & Social Care Partnership with effect from 1 April 2016, with shadow arrangements in place during the 2015/16 financial year. The budgets outlined above will form the core of the funding to be delegated into the Integration Joint Board.

26. Leases

Council as Lessee

Finance Leases

The Council installed central heating systems within some of its Council Dwellings under finance leases. These leases were repaid in full at 31 March 2015.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet within the overall valuation for Council Dwellings and thus the net carrying amounts cannot be separately identified.

The minimum lease payments are made up of the following amounts:

	31 March 2014 £'000	31 March 2015 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	59	0
• non current	0	0
	2	0
Finance costs payable in future years	61	0
Minimum lease payments		

The Minimum lease payment will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	61	0	59	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	61	0	59	0

Operating Leases

The Council has entered into a number of land and buildings operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	3,129	3,252
Later than one year and not later than five years	9,635	10,284
Later than five years	30,039	27,693
	42,803	41,229

The Council has considered contract arrangements which may contain implied leases. This identified contracts for social care residential services within which it is considered that the Council has the exclusive use of the care homes that it funds. Thus, there is an implied lease in operation within the funding agreement in place. The nature of the lease is operating as the agreements with the service providers are subject to review within the next three years. Given there is the potential to revoke funding within three years and therefore cease implied control of the properties there is no long term commitment.

The future minimum lease payments due under non-cancellable leases in future years is as follows:

	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	504	523
Later than one year and not later than five years	1,512	1,568
Later than five years	0	0
	2,016	2,091

Council as Lessor

Operating Leases

The Council leases out land and buildings for a variety of purposes. It also leases out hydrogen buses to the two local bus operators. The future minimum lease payments due under non cancellable leases in future years are:

	Land and Buildings		Hydrogen Buses	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	6,932	6,938	0	80
Later than one year and not later than five years	20,404	19,051	0	241
Later than five years	149,538	142,521	0	0
	176,874	168,510	0	321

27. Investment Properties

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement:

	31 March 2014 £'000	31 March 2015 £'000
Rental and interest income from investment property	(7,395)	(7,488)
Expenses arising from investment property	3,000	2,839
Revaluation (gains)/losses	(2,081)	(3,069)
Net (gain)/loss	(6,476)	(7,718)

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:

	2013/14 £'000	2014/15 £'000
Balance at start of the year	83,288	84,771
Additions:		
• Purchases	124	2
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	(722)	(2,972)
Net gains/losses from fair value adjustments	2,081	3,069
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	84,771	84,870

28. Intangible Assets

The Council accounts for its capitalised software licences as intangible assets. Consideration is also given to whether any internally generated software should be included as intangible assets. As at 31 March 2015 no material software has been identified.

Software licences are given a finite useful life based on assessments of the period that the licence is expected to be of use to the Council. The majority of licences have a useful life of five years with a small number having been assessed as having a ten year useful life. Of the latter, a maximum of two years remains of the ten year useful life assigned.

The carrying amount of intangible assets is amortised on a straight line basis. Of the amortisation charged to revenue in 2014/15, £0.100 million was charged to IT Administration and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14	2014/15
	Software Licences £'000	Software Licences £'000
Balance at start of year:		
• Gross carrying amounts	1,361	1,361
• Accumulated amortisation	(973)	(1,181)
Net carrying amount at start of year	388	180
Additions	0	0
Other disposals	0	0
Amortisation for the period	(208)	(100)
Other changes	0	0
Net carrying amount at end of year	180	80
 Comprising:		
• Gross carrying amounts	1,361	550
• Accumulated amortisation	(1,181)	(470)
	180	80

29. Heritage Assets

i Reconciliation of the Carrying Value of Heritage Assets Held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or valuation							
At 1 April 2013	608	1,984	6	10	147,807	300	150,715
Additions	0	0	0	0	107	0	107
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	1,111	0	1,111
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	(52)	0	(52)
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
At 31 March 2014	608	1,984	6	10	148,973	300	151,881
Cost or valuation							
At 1 April 2014	608	1,984	6	10	148,973	300	151,881
Additions	0	0	11	0	7	0	18
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	19,471	0	19,471
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
At 31 March 2015	608	1,984	17	10	168,451	300	171,370

City Monuments

The Council's collection of City Monuments is reported in the Balance Sheet at insurance valuation which is based on market values. The most recent valuations were performed between 2007 and 2010.

Maritime & Social History, Numismatics, Science, Technology & Industry

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature there is little movement in the market for the sale of these collections and it is often difficult to value an item. For items within the Maritime collection, most were valued between 2002 and 2013. The numismatics collection consists of a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection consists of a Rawlins of London Carriage dated 1817 which was valued in 2001.

Art Collection

The Council's collection of art consists of applied art and fine art. Due to the size of the collection an external valuer was not used to determine the asset worth. For items within applied art, most were valued between 2002 and 2013 where items in the collection were prompted for revaluation when they were loaned to exhibitions or if a similar item was sold at auction.

Civic Insignia

The Council's collection of Civic Insignia is reported in the Balance Sheet at insurance valuation which is based on market values. The most recent valuations were undertaken in 2013.

Additions of Heritage Assets

The following items were added during the year:

	£'000
Obscure Outing, I, 2014 by Kevin Harman	7
Military General Service Medal Peninsular War Medal, 1848	11
Net carrying amount at end of year	18

There were no disposals made in the financial year.

ii Heritage Assets: Five Year Summary of Transactions

Due to the nature and number of Heritage Assets held it is deemed impractical to disclose a five year summary of transactions for accounting periods before 1 April 2010.

iii Heritage Assets: Further Information on the Museum's Collections

City Monuments

This collection boasts over 100 monuments from around the Aberdeen City Centre area including the William Wallace Monument by William Grant Stevenson and King Edward VII by Alfred Drury dating back to 1910. Only five monuments have been recognised on the Council's Balance Sheet due to the difficulty in obtaining accurate valuations which reflect the true monuments' value.

Maritime & Social History

The collection is maintained to allow locals and visitors of Aberdeen to see real things relating to the lives of the people who built and sailed the ships, fished the seas and defined the harbour from the medieval period to today's busy oil port. A rich collection of "Captain's Paintings" from the clipper ship era, ship models from 1689 to the present, whaler's harpoons, 14th century jugs traded to Aberdeen from Holland, a fine lighthouse lens assembly, the deck house of a steamer and underwater unmanned remotely controlled vehicles are all presented along with hundreds of other fascinating objects from Aberdeen's long association with the sea.

Numismatics

The main strength of this superb collection is in Scottish coins and banknotes, including no fewer than 16 gold coins, ranging in date from the 13th to the 20th century. In addition to that group are the 14th century coin hoards found in Aberdeen, which are of major European significance. Coins from ancient Greece and Rome are among the City's collection, which also features coinage and banknotes from most countries of the modern world. Communion tokens from churches in Aberdeen, North East Scotland and beyond as well as trade tokens further enhance this assemblage, while a fine range of medals, both commemorative and military, are also included. In line with the Council's capitalisation policy only one item from the collection is reported in the Balance Sheet. This is a Mary Queen of Scots coin dated 1555 valued at £6,300.

Science, technology and industry

This collection records the working lives of the people of Aberdeen and how technology has changed communities, work and leisure. This most important local history collection includes items from Aberdeen's great industries such as granite and local engineering. Tools, machines and photographs give an insight into the work of local craftsmen such as the cooper, joiner and shoemaker. The introduction of gas and new transport systems changed the City and are also represented in the collection, as is the gradual increase in technology in the home and office. This collection seeks to record Aberdeen's continued growth and development. In line with the Council's capitalisation policy only one item from the collection is reported in the Balance Sheet. This is a Rawlins of London Carriage dated 1817 valued at £10,000.

Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both value and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which has been valued by the curator at £32 million.

Applied and Decorative Art

The collection comprises over 15,000 items, covering all aspects of applied and decorative art, design and craft and costume and textiles. The collection is particularly strong in the area of ceramics, costume, glass, jewellery, metalwork and textiles, with particular emphasis on Scottish work. An active policy of collecting contemporary British Craft has resulted in one of the most important collections of this type in Scotland. There is a significant group of enamels by the Aberdeen artist James Cromar Watt (1862-1940). The fashion designer Bill Gibb (1943-1988), who was born in Aberdeenshire, is represented by the largest collection of his outfits in the UK along with an archive of over 2,000 fashion sketches, working drawings and notes. In addition, the collection boasts a Lacquer Box valued at £250,000.

Civic Insignia

This small collection of around 10 items consists of insignia relating to civic duties in Aberdeen including items such as badges and chains of office of the Lord and Lady Provost, the Treasurer and the Dean of Guild. Most items boast the Aberdeen City Coat of Arms and date back as early as the 16th century.

Archaeology

These collections reflect the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland and the internationally significant excavations which have taken place since the 1970s. The great strength lies in the substantial body of local medieval material, which, owing to special staff expertise in this field, is an important resource for research and interpretation. The collection – which continues to grow as new discoveries are made – also includes many organic objects, such as leather shoes, textile fragments, rope and wooden artefacts, which survived hundreds of years of burial owing to the rare waterlogged soil conditions of Aberdeen. Prehistoric objects from the locality, as well as objects from ancient Greece and Egypt, are also part of the collection. Due to the nature of the items within this collection, it is the Council's opinion that because of their rarity, it is not possible to provide a reliable estimate of the collection's value.

Library & Information Services

Aberdeen City Libraries hold a number of reference collections which could be deemed to be held and maintained principally for their contribution to knowledge and culture. The collection consists of Historic book collections of Local and National significance including:

- Cosmo Mitchell Bequest – a collection of books on the art and execution of dance spanning the late 19th and early 20th centuries;
- Aberdeen in WW2 – a comprehensive photographic record of air-raid damage suffered by Aberdeen during World War Two; and
- James Walker Collection – a collection of books on the theory of music and music scores including some rare examples of early Scottish music.

The Council's Library Service also includes historic directories; the historic local newspaper archive and a photographic archive which is an extensive collection of historical photographs covering buildings, streets and harbour scenes in the City. Due to the immaterial value of these items, this collection has not been disclosed on the Balance Sheet.

Preservation and Management

Each of the collections, with the exception of the Library & Information Service and Civic Insignia is managed by a curator of Aberdeen Art Gallery and Museums in accordance with policies that are approved by the Education, Culture and Sport Committee of the Council. Further information on the management of Heritage Assets is provided in the "Acquisition and Disposal Policy" which has been produced in line with the requirements of the Arts Council in England. Acquisitions are small and primarily made by donation. However, on rare occasions when a particularly important asset is available for purchase, the Council will undertake the purchase provided that it meets the objectives of the Museum and the Council in terms of its collection of Heritage Assets. The policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. Assets are collated, preserved and managed in accordance with the aforementioned policy. There is a computerised record of all assets held within each collection which contains a brief description of the asset, the artist/author, type of asset and value. Each asset also has a unique identifier for reference purposes.

30. Property, Plant and Equipment

Movements in 2013/14:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets included in Property, Plant & Equipment £'000
Cost or Valuation									
At 1 April 2013	808,870	859,699	68,492	191,110	21,359	39,316	16,161	2,005,007	156,074
Additions	35,941	9,676	7,606	7,895	1,010	181	15,215	77,524	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	509	8,535	0	0	0	(1,595)	0	7,449	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,587)	(1,739)	0	0	0	(1,090)	0	(26,416)	0
Derecognition – Disposals	(4,340)	0	(1,931)	0	0	(600)	0	(6,871)	0
Derecognition – Other	0	(231)	0	0	0	0	0	(231)	0
Reclassifications and Transfers	(1,354)	1,523	0	0	0	0	(1,523)	(1,354)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
At 31 March 2014	816,039	877,463	74,167	199,005	22,369	36,212	29,853	2,055,108	156,074
Accumulated Depreciation and Impairment									
At 1 April 2013	(77,644)	(21,926)	(40,466)	(66,300)	0	(2,249)	0	(208,585)	(11,480)
Depreciation charge	(29,071)	(23,943)	(9,438)	(6,344)	0	(539)	0	(69,335)	(4,318)
Depreciation written out to the Revaluation Reserve	112	8,626	0	0	0	0	0	8,738	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,654	0	0	0	0	0	1,654	0
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	159	0	159	0
Derecognition – Disposals	548	0	1,734	0	0	6	0	2,288	0
Derecognition – Other	0	80	0	0	0	0	0	80	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2014	(106,055)	(35,509)	(48,170)	(72,644)	0	(2,623)	0	(265,001)	(15,798)
Net Book Value									
At 31 March 2014	709,984	841,954	25,997	126,361	22,369	33,589	29,853	1,790,107	140,276
At 31 March 2013	731,226	837,773	28,026	124,810	21,359	37,067	16,161	1,796,422	144,594

Property, Plant and Equipment

Movements in 2014/15:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets included in Property, Plant & Equipment £'000
Cost or Valuation									
At 1 April 2014	816,039	877,463	74,167	199,005	22,369	36,212	29,853	2,055,108	156,074
Additions	36,755	8,137	10,546	11,738	936	246	28,621	96,979	1
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,064	25,878	0	0	0	5,721	0	32,663	33,513
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,978)	(5,107)	0	0	0	(7,852)	0	(36,937)	(2,643)
Derecognition – Disposals	(5,474)	0	(1,161)	0	0	(10,836)	0	(17,471)	0
Derecognition – Other	0	(1,023)	(18,499)	0	0	0	(435)	(19,957)	0
Reclassifications and Transfers	825	3,526	0	0	0	(2,730)	(3,525)	(1,904)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
At 31 March 2015	825,231	908,874	65,053	210,743	23,305	20,761	54,514	2,108,481	186,945
Accumulated Depreciation and Impairment									
At 1 April 2014	(106,055)	(35,509)	(48,170)	(72,644)	0	(2,623)	0	(265,001)	(15,798)
Depreciation charge	(30,569)	(24,281)	(6,712)	(6,720)	0	(506)	0	(68,788)	(4,318)
Depreciation written out to the Revaluation Reserve	130	16,630	0	0	0	0	0	16,760	11,150
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,277	0	0	0	2,933	0	4,210	907
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	918	0	1,119	0	0	5	0	2,042	0
Derecognition – Other	0	110	18,499	0	0	0	0	18,609	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2015	(135,576)	(41,773)	(35,264)	(79,364)	0	(191)	0	(292,168)	(8,059)
Net Book Value									
At 31 March 2015	689,655	867,101	29,789	131,379	23,305	20,570	54,514	1,816,313	178,886
At 31 March 2014	709,984	841,954	25,997	126,361	22,369	33,589	29,853	1,790,107	140,276

Depreciation – Useful Lives

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – up to 35 years
- Other Land and Buildings – up to 60 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

Capital Commitments

As at 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £37.431 million in future years. Similar commitments as at 31 March 2014 were £20.229 million. The major commitments are:

- Housing – Structural Repairs Multi Storeys- £1.697 million
- Housing – Cooper Roof Refurbishment - £0.257 million
- Non Housing – Brimmond Primary School - £9.577 million
- Non Housing – Kittybrewster Depot - £0.296 million
- Non Housing – Hydrogen Facility - £0.458 million
- Non Housing – Museum Collection Centre - £5.129 million
- Non Housing – Deeside Family Centre - £0.379 million
- Non Housing – Town House - £1.093 million
- Non Housing – St Machar Academy - £0.424 million
- Non Housing – Craigielea Childrens Centre - £0.268 million
- Non Housing – Duthie Park Winter Gardens - £0.414 million
- Non Housing – 74-82 Spring Garden - £0.439 million
- Non Housing – Aberdeen Western Peripheral Route - £17 million

Effects of Changes in Estimates

In 2014/15, the Council made no material change to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. 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 RICS.

The significant assumptions applied in estimating the fair values are:

- Buildings constructed under PPP arrangements have been valued as if they were assets wholly owned by the Council without any deferment.
- Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of properties other than Beacon properties is not considered necessary due to the similarity of the property types covered by the Beacons.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2015	0	224,020	0	0	0	0	0	224,020
31 March 2014	0	186,933	0	0	0	0	0	186,933
31 March 2013	1,484	394,425	0	0	0	6,073	0	401,982
31 March 2012	6,218	271,190	0	0	0	4,440	0	281,848
31 March 2011	766,904	43,840	0	0	0	0	0	810,744
31 March 2010	0	135,062	0	0	0	9,385	0	144,447
Total cost or valuation	829,012	1,176,681	68,484	191,110	21,359	38,474	16,161	2,341,281

* The historical cost of the assets revalued in the five years stated cannot be accurately confirmed due to disposals and transfers between asset categories taking place since assets have been revalued.

31. 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 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.

	HRA 2013/14 £'000	General Fund 2013/14 £'000	Total 2013/14 £'000	HRA 2014/15 £'000	General Fund 2014/15 £'000	Total 2014/15 £'000
Opening Capital Financing Requirement	234,168	497,606	731,774	235,659	490,872	726,531
<i>Capital investment</i>						
Property, Plant and Equipment	35,941	41,583	77,524	36,755	60,225	96,980
Investment Properties	0	124	124	0	2	2
Heritage Assets	0	107	107	0	18	18
Loan for National Housing Trust Initiative	2,910	0	2,910	0	0	0
<i>Sources of finance</i>						
Capital receipts	(7,871)	(257)	(8,128)	(11,120)	(93)	(11,213)
Government grants and other contributions	(2,520)	(20,243)	(22,763)	(4,554)	(30,570)	(35,124)
Other contributions	0	(12,429)	(12,429)	0	(15,200)	(15,200)
<i>Sums set aside from revenue:</i>						
• Direct revenue contributions	186	0	186	217	0	217
• Capital for Current Revenue (CFCR)	(22,575)	(462)	(23,037)	(18,725)	(2,315)	(21,040)
• Loans fund principal	(4,580)	(12,429)	(17,009)	0	(15,674)	(15,674)
• PPP liability repayments	0	(2,728)	(2,728)	0	(2,488)	(2,488)
Closing Capital Financing Requirement	235,659	490,872	726,531	238,232	484,777	723,009
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	(215)	(2,296)	(2,511)	10	(1,043)	(1,033)
Assets acquired under finance leases	0	0	0	0	0	0
Assets acquired under PFI/PPP contracts	0	(2,728)	(2,728)	0	(2,488)	(2,488)
Increase/(decrease) in Capital Financing Requirement	(215)	(5,024)	(5,239)	10	(3,531)	(3,521)

32. Public Private Partnerships (PPP) and Similar Contracts

3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

The Council has entered into a 30 year PPP contract for the construction or renovation, maintenance and operation of ten schools. The schools came into operation between May 2009 and April 2011. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies 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 renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 30.

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 PPP contract at 31 March 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2015/16	5,636	1,773	7,037	14,446
Payable within two to five years	20,776	11,309	27,834	59,919
Payable within six to ten years	34,079	15,197	31,774	81,050
Payable within eleven to fifteen years	40,395	19,619	28,719	88,733
Payable within sixteen to twenty years	45,647	27,530	23,994	97,171
Payable within twenty one to twenty five years	37,359	32,408	15,488	85,255
Payable within twenty six to thirty years	0	0	0	0
Total	183,892	107,836	134,846	426,574

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

	2013/14 £'000	2014/15 £'000
Balance outstanding at start of year	112,958	110,324
Payments during year	(2,728)	(2,488)
Capital expenditure incurred in the year	0	0
Other Movements	94	0
Balance outstanding at end of year	110,324	107,836

33. Assets Held for Sale

	2013/14 £'000	2014/15 £'000
Balance Outstanding at start of year	5,731	2,206
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,354	1,904
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale:		
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Assets sold	(4,879)	(698)
Transfers from non current to current	0	0
Balance outstanding at end of year	2,206	3,412

34. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Balance outstanding at start of year	1,567	1,392	0	37	87	78	1,654	1,507
Purchases	19,981	18,009	30,066	25,284	187	201	50,234	43,494
Recognised as an expense in the year	(20,136)	(17,976)	(30,029)	(25,272)	(196)	(248)	(50,361)	(43,496)
Written off balances	(20)	0	0	0	0	0	(20)	0
Reversals of write offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at end of year	1,392	1,425	37	49	78	31	1,507	1,505

35. Short Term Debtors

	31 March 2014	31 March 2015
	£'000	£'000
Central government bodies	10,613	11,171
Other local authorities	1,525	2,089
NHS bodies	1,480	2,022
Public corporations and trading funds	5,758	2,967
Other entities and individuals	88,797	88,070
Gross Total	108,173	106,319
Deduct: Provision for Impairment	(50,860)	(51,890)
Net Total	57,313	54,429

36. Short Term Creditors

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	(10,991)	(6,961)
Other local authorities	(1,387)	(12,618)
NHS bodies	(510)	(888)
Public corporations and trading funds	(3,871)	(6,382)
Other entities and individuals	(42,774)	(55,529)
Total	(59,533)	(82,378)

37. Provisions

2014/15	Note 1	Note 2	Note 3	Note 4	Total £'000
	Compensation Payments - Equal Pay £'000	Property - Asset Management £'000	Housing Benefit Subsidy £'000	Other £'000	
Balance at 1 April 2014	(2,241)	(2,160)	(509)	(4,573)	(9,483)
Additional provisions made in 2014/15	(152)	(99)	(200)	(2,180)	(2,631)
Amounts used in 2014/15	109	692	244	3,510	4,555
Unused amounts reversed in 2014/15	0	145	265	80	490
Unwinding of discounting in 2014/15	0	0	0	0	0
Balance at 31 March 2015	(2,284)	(1,422)	(200)	(3,163)	(7,069)
<i>Represented by:</i>					
Current provisions	(335)	0	(200)	(3,163)	(3,698)
Long term provisions	(1,949)	(1,422)	0	0	(3,371)

Notes on Provisions –

1. Compensation Payments – Equal Pay £ 2.284 million

This is a provision for arrears of equal pay under Single Status legislation for the period from June 2006, subsequent to compromise settlements already paid. The primary groups of staff involved are employed in the Cleaning, Catering, Education and Social Work services. This provision may have an extended life due to uncertainty in relation to Employment Tribunal outcomes which may also alter the amounts due.

2. Property – Asset Management - £1.422 million

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2013 and 2020. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation.

3. Housing Benefit Subsidy - £0.200 million

This Provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing Benefit Subsidy Grant. Liability will depend on the outcome of the audit scrutiny, testing and a final determination by DWP. The figure is based on a worst case scenario by the Corporate Debt/Income Manager. The full liability could be called upon in 2015/16.

4. Other

• General Fund - £0.759 million

This provision relates to outstanding claims against the Council. These are in relation to environmental services and other potential compensation payments.

• Holiday Pay - £0.826 million

This is a provision for arrears of Holiday Pay due based on the decision in the case of Lock v British Gas Trading Ltd which reviewed the basis of calculation for holiday pay. The full liability could be paid out in 2015/16.

• Council Tax Discount on Second Homes and Long Term Empty Properties - £0.553 million

This provision relates to amounts committed towards affordable housing projects, which are expected to be released in 2015/16.

• HRA - £1.025 million

This provision relates to a potential ICO penalty notice and other potential compensation payments.

38. Contingent Liabilities

At 31 March 2015 the Council had material contingent liabilities as undernoted:

- **Satrosphere**

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £131,500 in support of an overdraft facility and card transactions until 31 March 2016.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of loans of £340,000 and a maximum overdraft facility of £200,000 as well as a guarantee of £200,000 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2022.

- **Landfill Sites**

The Council is responsible under environmental legislation for the ongoing monitoring, maintenance and ultimately capping and re-instatement of 3 closed landfill sites. The costs associated with two of these sites, Ness and Hill of Tramaud, have been accounted for through a mix of revenue and capital funding.

The third site at Mill of Dyce was previously operated by the Council under a lease. The Council purchased the site in 2012/13, and following an assessment of the environmental monitoring and reinstatement requirements works were carried out in 2014. The works are now complete with no further activity planned for the site.

- **Waste Disposal**

The Council has a long term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run for 25 years.

As a result of changes in environmental legislation, problems in obtaining planning consents for elements of the contract and changes in operational costs resulting therefrom, the contractor submitted a number of substantial claims in respect of additional costs incurred, which have been accounted for through both revenue and capital funding. The value of claims reduced substantially in 2014/15 and the continuing costs arising from agreed settlements will be met from revenue funding.

It is unknown whether any further liabilities may arise from this contract.

- **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The penalties have never been imposed and it is expected that the regulations will be repealed in due course. However, until such a repeal is formalised there remains a potential liability on the Council.

- **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed a number of such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

		2013/14* £'000	2014/15 £'000
Credited to Taxation and Non Specific Grant Income			
Total Revenue Funding Grant		318,662	330,805
Total		318,662	330,805
Credited to Services			
Department of Work and Pensions			
Housing Benefit Grant		51,749	51,980
Housing Benefit Admin Grant		1,183	918
Discretionary Housing Payment		367	308
Other		0	57
Grampian Health Board			
Resource Transfer		18,122	18,692
Other Local Authorities			
Western Peripheral Route Works		9,044	17,373
Other		922	449
Scottish Government			
S27 Community Justice Grant		4,340	4,488
Home Insulation		708	2,210
Waste Collection		814	409
Education Maintenance		348	313
Other		1,098	1,225
Department for Culture, Media and Sport			
Accelerate Aberdeen		128	1,799
European Funding			
Hydrogen Bus Project		0	457
Hydrogen Transport Economy		93	261
Other		558	218
Sport Scotland			
Creative Scotland		395	524
Heritage Lottery Fund		191	327
Home Office		107	201
Sustrans		66	59
Other		0	180
Total		90,508	102,747

* 2013/14 figures have been restated following a review of grant income

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

Current Liabilities

	2013/14*	2014/15
	£'000	£'000
Revenue Grants - Receipts in Advance		
Anti Terrorism	8	0
Social Care & Wellbeing (Telecare,Kinship Care,Luggage)	26	6
Equality Funding	16	16
Self Directed Support / Caledonian Funding	508	456
Bequest / Europe Direct for Libraries	0	51
Substance Misuse Training	0	0
Creative Scotland – Various Projects	133	218
Creative Learning Network	0	8
Sport Scotland – Various Projects	169	24
Award Scotland - various projects	2	0
Education Scotland	4	35
Scottish Government	521	201
DWP	0	50
Community Safety Hub Funding	123	50
Heritage Lottery Fund - various projects	13	5
NHS Food - Focus Women's Connection Centre	17	0
Total	1,540	1,120
Capital Grants - Receipts in Advance		
Gypsy Traveller Grant	103	103
Hydrogen Bus Project	4,733	192
Sport Scotland Grant	0	200
Total	4,836	495

* 2013/14 figures have been restated following a review of grant income

40. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments Balances	Long term		Current	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Investments				
Loans and receivables	0	0	25,234	40,199
Available for sale financial assets	10,835	10,602	0	0
Total investments	10,835	10,602	25,234	40,199
Debtors				
Loans and receivables	13,870	22,121	0	0
Financial assets carried at contract amount	0	0	57,313	54,429
Total debtors	13,870	22,121	57,313	54,429
Borrowings				
Financial liabilities at amortised cost	(435,168)	(469,621)	(117,608)	(92,658)
Overdraft	0	0	0	0
Total borrowings	(435,168)	(469,621)	(117,608)	(92,658)
Other Long term Liabilities				
PPP liabilities	(107,836)	(106,062)	(2,488)	(1,773)
Finance lease liabilities (Creditors)	0	0	0	0
Total other long term liabilities	(107,836)	(106,062)	(2,488)	(1,773)
Creditors				
Financial liabilities carried at contract amount	0	(451)	(59,533)	(82,378)
Total creditors	0	(451)	(59,533)	(82,378)

Note: Lenders Option/Borrowers Option (LOBO's) of £45.9m have been included in long term borrowing but have a call date in the next 12 months.

Reclassifications

Income, Expense, Gains and Losses

Financial Instruments Gains/(Losses)	2013/14			2014/15		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(33,622)	0	(33,622)	(31,189)	0	(31,189)
Total expense in Surplus or (Deficit) on the Provision of Services	(33,622)	0	(33,622)	(31,189)	0	(31,189)
Interest income	0	680	680	0	986	986
Total income in Surplus or (Deficit) on the Provision of Services	0	680	680	0	986	986
Net gain/(loss) for the year	(33,622)	680	(32,942)	(31,189)	986	(30,203)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables 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 that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2015 of 1.90% to 11.00% for loans from the PWLB and 3.98% to 5.00% 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.

Fair Value of Liabilities	31 March 2014				31 March 2015			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
PWLB – maturity	(373,717)	(7,369)	(381,085)	(434,402)	(388,591)	(6,841)	(395,432)	(526,405)
PWLB – annuity	0	0	0	0	0	0	0	0
PWLB – EIP	(980)	(41)	(1,021)	(1,127)	(588)	(24)	(613)	(649)
LOBOs	(93,893)	(663)	(94,556)	(97,622)	(93,893)	(665)	(94,558)	(124,404)
Transfer Interest to Short Term in line with Code requirements	0	8,073	8,073	0	0	7,530	7,530	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	35,518	0	0	0	15,518	0
Financial Instrument Adjustments	0		(2,097)	0	0	0	(2,066)	0
Total Long Term Borrowing	(468,590)	0	(435,168)	(533,151)	(483,072)	0	(469,621)	(651,458)
Short term borrowing	(73,921)	(96)	(74,017)	(74,017)	(69,527)	(82)	(69,609)	(69,609)
Transfer Interest from Long Term in line with Code requirements	0	(8,073)	(8,073)	0	0	(7,530)	(7,530)	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(35,518)	0	0	0	(15,518)	0
Total Short Term Borrowing	(73,921)	(8,169)	(117,608)	(74,017)	(69,527)	(7,612)	(92,657)	(69,609)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Assets	31 March 2014				31 March 2015			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
Deposits with banks/building societies	35,658	161	35,819	35,847	67,095	199	67,293	67,335

The above deposits are shown within Cash and Cash Equivalents and Short Term Investments in the Balance Sheet.

41. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in its annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £30 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £67.1m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

Credit Risk A		Amount at 31 March 2015 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability at 31 March 2015 £'000
Estimated maximum exposure at 31 March 2014 £'000	A	B	C	(A x C)	
0 Deposits with banks and building societies	67,293	0	0	0	
1,169 Customers	24,682	4.07%	4.07%	1,005	
1,169					1,005

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £24.7m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2014 £'000	31 March 2015 £'000
Less than three months	6,545	7,431
Three to six months	946	1,175
Six months to one year	1,846	1,636
More than one year	14,815	14,440
	24,152	24,682

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any financial year and 50% within any rolling five year period through a combination of prudent planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	31 March 2014 £'000	31 March 2015 £'000
Less than one year	110,082	92,657
Between one and two years	15,838	24,781
Between two and five years	59,152	43,447
Between five and ten years	26,369	16,000
More than ten years	338,596	383,329
	550,037	560,214

In the "More than 10 years" category in the table above there are £45.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2015, if discount rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	489
Increase in interest receivable on variable rate investments	<u>(400)</u>
Impact on Surplus or Deficit on the Provision of Services	89
Share of overall impact debited to the HRA	28
Decrease in fair value of fixed rate investment assets	126
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	99,180

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

Foreign exchange risk

The Council operates a Bank Account denominated in Euros but has no exposure to loss arising from movements in exchange rates.

Loans Fund

The Loans Fund is the central financing agency of the Council. It is an accounting arrangement which simplifies on the one hand expenditure on various capital projects and, on the other hand, the borrowing of money to finance such projects. Effectively the Council's services borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from the Government through the Public Works Loan Board or from the London Money Market. At the end of each financial year the capital expenditure incurred by services is added to their prior year's expenditure to reflect the total debt owed by each service to the Loans Fund.

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2014/15, the average interest rates were 3.85% for capital (2013/14, 4.20%), 0.39% for revenue advances (2013/14, 0.41%) and 0.02% for expenses (2013/14 0.02%) on raising loans.

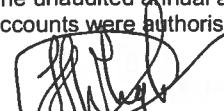
The management of all money and capital market transactions in connection with cash and funding resources for the Council has been carried out in accordance with the Council's Treasury Policy Statement as recommended by the CIPFA Code of Practice for Treasury Management in Local Authorities.

Amounts Borrowed from the Loans Fund

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
General Fund						
Corporate Governance	4,436	5,840	7,679	7,076	4,141	2,407
Education, Culture & Sport	154,005	155,016	151,392	146,250	145,962	146,953
Enterprise, Planning & Infrastructure	147,184	176,524	187,345	189,751	204,988	219,821
Housing & Environment	34,607	39,665	41,397	46,982	45,320	44,407
Social Care & Wellbeing	22,074	21,529	21,140	21,372	21,016	21,587
Other	10,855	9,952	(6,114)	(13,777)	(24,870)	(37,861)
	373,161	408,526	402,839	397,654	396,557	397,314
Trading Operations						
Enterprise, Planning & Infrastructure	24,237	22,633	22,102	23,717	23,005	21,209
Housing & Environment	674	624	576	565	78	74
	24,911	23,257	22,678	24,282	23,083	21,283
Housing Revenue Account						
Housing & Environment	163,850	185,923	193,225	196,880	196,665	196,675
Total	561,922	617,706	618,742	618,816	616,305	615,272

Loans Fund			Loans Fund		
Revenue Account			Balance Sheet as at 31 March		
2013/14 £'000		2014/15 £'000	2014 £'000		2015 £'000
Expenditure					
26,229	Interest paid to External Bodies	23,987			
825	Interest paid to Other Council Accounts	912	616,305		615,272
147	General Expenses	153	2		2
27,201		25,052	14,804		14,407
	Income		631,111		629,681
	Interest & Expenses charged to Aberdeen City Council				
(16,968)	General Fund	(15,700)	35,550	Temporary Investments	67,000
(8,694)	Housing Revenue Account	(8,008)	269	Sundry Debtors	293
(1,003)	Trading Operations	(852)	666,930		696,974
(536)	From Temporary Investments	(492)			
(27,201)		(25,052)	123,272		
			8,169	Temporary Advances from Council Services	156,062
			(630)	Sundry Creditors	7,613
			130,811	Bank Overdraft	(8,635)
			536,119		155,040
				Net Assets	541,934
				Financed by:	
			(374,697)	Public Works Loan Board	(389,179)
			(93,893)	Money Market Loans	(93,893)
			(2)	Stock Issue & Gas Annuities	(2)
			(67,527)	Temporary Loans	(58,860)
			(536,119)		(541,934)

The unaudited annual accounts were issued on 26 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.



Steven Whyte, CPFA
Head of Finance
29 September 2015

Housing Revenue Account

This represents the statutory requirement to account for local authority housing provision as defined in the Housing (Scotland) Act 1987.

Housing Revenue Account Income and Expenditure Statement

2013/14		2014/15	
	£'000		£'000
Income			
(75,997)	Dwelling Rents	(78,661)	
(3,007)	Non dwelling Rents	(3,550)	
0	Hostel Grant	0	
(1,069)	Other Income	(958)	
(80,073)		(83,169)	
Expenditure			
606	Staff Costs	550	
606		550	
Premises Costs:			
21,816	Repairs and Maintenance	25,443	
3,228	Maintenance of amenity areas	3,164	
1,138	Bad debts written off/provisions	1,117	
1,560	Loss of rent vacant periods	1,896	
1,427	Other costs	1,586	
29,169		33,206	
Administration Costs:			
7,051	Management and Administration	7,156	
1,029	Other costs	1,961	
8,080		9,117	
Supplies and Services:			
3,804	Communal Lighting and Heating, etc.	3,293	
249	Information Technology	175	
200	Other Costs	148	
4,253		3,616	

2013/14		2014/15	
	£'000	£'000	£'000
	Agencies:		
227	Contributions	240	
406	Supporting People Contribution	406	
565	Tenant's Participation/Helplines	655	
1,198		1,301	
	Capital Charges:		
29,252	Depreciation	30,956	
23,587	Impairment of Non Current Assets	23,976	
52,839		54,932	
96,145	Gross Expenditure		102,722
16,072	Net Cost of HRA Services per Council's		19,553
143	Corporate and Democratic Core	148	
16,215	Net Cost of HRA Services		19,701
(2,364)	(Gain) / Loss on Sale of HRA Non Current Assets	(5,648)	
8,694	Interest payable and similar charges	8,007	
(131)	Interest and investment income	(114)	
718	Pensions interest and return on assets	591	
(2,520)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(4,554)	
20,612	(Surplus)/deficit for the year on HRA Services		17,983

Movement on the Housing Revenue Account Statement

2013/14 £'000		Notes	2014/15 £'000
(8,410)	Balance on the HRA at start of Year		(9,395)
20,612	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		17,983
(21,597)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(21,773)
(985)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(3,790)
0	Transfers to or (from) Reserves	2	2,730
(985)	(Increase) or Decrease in Year on the HRA		(1,060)
(9,395)	Balance on the HRA at end of Year		(10,455)

Housing Revenue Account Disclosures**1. Adjustments between Accounting Basis and Funding Basis under Statute**

2013/14 £'000		2014/15 £'000
2,363	Gain or (loss) on sale of HRA non-current assets	5,648
22,575	Capital expenditure funded by the HRA	18,725
	Transfer to/from the Capital Adjustment Account:	
(52,839)	Depreciation and Impairment	(54,931)
2,520	Capital Grants and Contributions	4,554
4,580	Repayment of Debt	4,885
(808)	HRA share of contributions to or from the Pensions Reserve	(656)
	0 Adjustment involving the Accumulated Absences Account	2
12	Statutory Reserves	0
(21,597)		(21,773)

2. Transfers (to) or from Reserves

2013/14 £'000		2014/15 £'000
0	Transfer to/(from) the General Fund	2,730
0	Total	2,730

3. Housing Stock

The Council's housing stock at 31 March 2015 was 22,348 (22,500 at 31 March 2014) in the following categories:

2013/14 Number	Type of Property	2014/15 Number
2,237	Sheltered Property	2,152
5	Wardens Property	2
4,671	Cottage	4,465
8,888	Flat	8,778
2,192	Four in Block	2,170
564	Maisonette	558
2,131	Multi Storey Flat	2,116
122	Split Level Flat	121
441	Multi Storey Maisonette	439
867	Amenity	1,124
358	Homeless	373
22,476	Sub Total	22,298
24	Properties off the charge	50
22,500	HRA Total	22,348
Other Assets		
1	Hostel	1
245	Garages Sites	245
2,058	Lock Up Garages	2,053
918	Parking Spaces	917
17	Travelling Peoples Sites	17
3,239		3,233

4. Rent Arrears

2013/14 £'000		2014/15 £'000
4,434	Current Tenant Arrears	3,850
4,249	Former Tenant Arrears	3,195
8,683	Total Rent Arrears	7,045

5. Impairment of Debtors

In 2014/15 an impairment of £5,839,000 has been provided in the Balance Sheet for irrecoverable rents, a decrease of £1,727,000 from the provision in 2013/14.

6. Exceptional or Prior Year Adjustments

There are no exceptional or prior year adjustments not disclosed in the statement.

National Non Domestic Rates

National Non Domestic Rates (NNDR) income is collected by local authorities and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

Occupiers of non domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non domestic rate (NDR) poundage for 2014/15, which is set annually by the Scottish Ministers, is 47.1 pence. There is also a small supplement on the poundage rate of 1.1 pence for subjects with a rateable value greater than £35,000 to cover the additional costs of the Small Business Bonus Scheme. In addition, large retail properties with a rateable value of £300,000 or more which sell alcohol and tobacco are required to pay a Public Health Levy of 13 pence. In 2013/14, the NDR poundage rate was set at 46.2 pence and the supplement at 0.9 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

	2013/14 £'000	2014/15 £'000
(209,691)		(218,913)
Gross Rates Levied and Contributions in Lieu		
<i>Deduct:</i>		
24,307	Reliefs, remissions, etc.	23,896
0	Payment of Interest	0
1,911	Write off of uncollectable debts and allowances for impairment	1,014
(183,473)		24,910
		(194,003)
5,602	Adjustment to previous years' National Non Domestic Rates	1,040
(177,871)		(192,963)
(177,084)		(193,738)
<i>Add:</i>		
(138)	Adjustment for Statutory Additions	(365)
		(365)
(138)		298
<i>Less:</i>		
270	Charity Relief adjustment	
(176,952)		(193,805)
Income credited to the Comprehensive Income and Expenditure Statement *		

* The figures above assume that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target.

Category	Number of Subjects	Rateable Value at 1 April 2015
		£'000
Shops	2,098	91,862
Public Houses	166	6,739
Offices	2,104	146,497
Hotels	284	16,240
Industrial Factories, Warehouses, Stores	1,828	100,895
Leisure Entertainment, Caravans and Holiday Sites	309	12,799
Garages and Petrol Stations	204	3,744
Cultural	14	771
Sporting Subjects	50	414
Education & Training	157	29,292
Public Service Subjects	538	15,686
Communications	317	2,287
Quarries, Mines etc.	9	95
Petrochemical	2	848
Religious	133	2,393
Health / Medical	124	14,023
Other	414	4,516
Care Facilities	132	5,200
Advertising	381	421
Undertaking	7,642	1,928
Total Non Domestic Rates Subjects	16,906	456,650

Council Tax

Local authorities raise taxes from its residents through the Council Tax which is a property tax linked to property values. Each dwelling in Aberdeen City is placed into one of eight valuation bands (A to H), as determined by Grampian Valuation Joint Board. The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more. All domestic dwellings that appear on the valuation list are liable for the tax, but in some circumstances, for example single occupancy, discounts can apply, and some dwellings, for instance students' residences and certain unoccupied dwellings, are exempt.

In 2014/15, for Band D properties, the Council's Council Tax was frozen at £1,230.39. The full range of bandings is set out after the Council Tax Income Account.

Council Tax Income Account

2013/14 £'000		2014/15 £'000
(134,141)	Gross Assessments	(135,856)
(695)	Net band adjustments	(494)
(134,836)	Council Tax Collectable	(136,350)
	<i>Deduct:</i>	
8,672	Exemptions	9,093
62	Disabled Relief	62
12,396	Discounts	12,261
3,235	Provision for non collection	2,220
9,838	Council Tax Reduction	9,180
233	Other	201
(100,400)		(103,333)
	<i>Add:</i>	
(1,127)	Statutory Additions	1,153
(1,264)	Prior Year Adjustments	(825)
52	Write Ons	(98)
(102,739)	Net Council Tax income for the Year	(103,563)
(10)	Arrears of Community Charge (Poll Tax) recovered during the year	(4)
(102,749)	Net Council Tax income transferred to General Fund	(103,567)

The calculation of the Council Tax Base 2014/15:

	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A (subject to disabled relief)			5			5	5/9	3
Band A	22,092	(2,382)	22	(3,057)	(450)	16,226	6/9	10,817
Band B	28,068	(2,108)	12	(3,253)	(346)	22,374	7/9	17,402
Band C	18,669	(1,290)	(12)	(1,602)	(258)	15,508	8/9	13,785
Band D	14,580	(1,665)	6	(1,178)	(348)	11,395	9/9	11,395
Band E	14,002	(480)	(4)	(973)	(240)	12,306	11/9	15,041
Band F	8,284	(177)	10	(460)	(109)	7,548	13/9	10,903
Band G	7,287	(114)	(35)	(270)	(86)	6,782	15/9	11,303
Band H	891	(22)	(4)	(21)	(18)	827	18/9	1,654
							Total	92,303
							Council Tax Reduction	(9,416)
							Contributions in Lieu	6
							Provision for Bad Debts (2.4%)	(2,215)
							Council Tax Base	80,678

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2014/15 was £1,230.39 (2013/14 £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	6/9	820.26
27,001 – 35,000	B	7/9	956.97
35,001 – 45,000	C	8/9	1,093.68
45,001 – 58,000	D	9/9	1,230.39
58,001 – 80,000	E	11/9	1,503.81
80,001 – 106,000	F	13/9	1,777.23
106,001 – 212,000	G	15/9	2,050.65
Over 212,000	H	18/9	2,460.78

Common Good

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

Movement in Reserves Statement

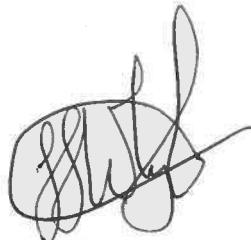
	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
Balance at 1 April 2013	(78,097)	(68)	(78,165)
<u>Movement in Reserves during 2013/14</u>			
(Surplus) or Deficit on provision of services	(21,177)	0	(21,177)
Total Comprehensive Expenditure and Income	(21,177)	0	(21,177)
Balance at 31 March 2014 carried forward	(99,274)	(68)	(99,342)
<u>Movement in Reserves during 2014/15</u>			
(Surplus) or Deficit on provision of services	(6,392)	0	(6,392)
Total Comprehensive Expenditure and Income	(6,392)	0	(6,392)
Balance at 31 March 2015	(105,666)	(68)	(105,734)

Comprehensive Income and Expenditure Statement

2013/14		2014/15		
		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
16	Official Catering	17	0	17
81	Administration Costs	108	0	108
1,216	Donations, Grants, Contributions etc.	1,293	0	1,293
373	Civic Hospitality	441	0	441
0	Civic Expenditure	0	0	0
84	Funding of International Budget	73	0	73
113	Christmas Illuminations & Festivities	104	0	104
218	Civic Administration Unit	216	0	216
83	Other Projects	82	0	82
304	Miscellaneous Expenditure	497	0	497
4	Greenfern Master plan	318	0	318
50	Youth Activity Funding	0	0	0
0	Exhibitions, Displays and Galas	0	0	0
68	Duthie Park HLF	102	0	102
2,610	Cost Of Services	3,251	0	3,251
	Other Operating Expenditure:			
(1,391)	Gains/losses on the disposal of non current assets			(4,554)
	Financing and Investment Income and Expenditure:			
(2,222)	Investment property income & expenditure			(2,897)
(159)	Interest receivable and other investment income			(160)
(1,162)	(Surplus) or Deficit on Provision of Services			(4,360)
(20,015)	(Surplus) or Deficit on revaluation of investment property			(2,032)
(21,177)	Total Comprehensive Income and Expenditure			(6,392)

Balance Sheet

31 March 2014 £'000		31 March 2015 £'000
88,526	Investment Property	90,558
88,526	Long Term Assets	90,558
10,693	Investments in Aberdeen City Council Loans Fund	15,021
136	Investment Property Held for Sale	136
472	Short Term Debtors	464
11,301	Current Assets	15,621
(485)	Short Term Creditors	(445)
(485)	Current Liabilities	(445)
99,342	Net Assets	105,734
(99,274)	Common Good Fund	(105,666)
(68)	Reserve Fund	(68)
(99,342)	Total Reserves	(105,734)



Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 26 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

The property portfolio was valued internally by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS who are RICS Registered Valuers, in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

Trust Funds and Endowments

The Council is responsible for the administration of various trusts. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2015 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

Included in these funds are 8 trusts which are registered as Scottish charities under the Charities and Trustee Investment (Scotland) Act 2005. In recent years, the numbers of charities has reduced due to re-organisation in consultation with the Office of the Scottish Charity Regulator (OSCR), to rationalise the number of funds held and streamline their administration through a scheme of amalgamation. A separate audited Annual Report and Accounts for the council's registered Charitable Trusts is submitted to OSCR within statutory deadlines.

In addition to these Trusts there are a number of independent Trusts which are separately supported and administered by the council e.g. the Chris Anderson Trust and the Aberdeen International Youth Festival Trust.

Trust Funds have been incorporated into the Group accounts on the basis that they are entirely controlled by the Council, which appoints 100% of the trustees. However, it is acknowledged that the funds belong to the Trusts and that they may be used solely for the purposes specified in the Trust articles. The assets are not the property of the Council. The Common Good Fund has investments in the Lands of Skene Trust (31%) and the Lands of Torry Trust (51%).

Reorganisation work is ongoing in relation to the John Murdoch Henderson Trust (part of SC025063, EEIF) through the adoption of a revised constitution as agreed by OSCR.

Movement in Funds

Charity	Balance as at 31 March 2014 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2015 £'000
EEIF	(163)		(10)	(3)	1	(175)
Educational Trusts	0					0
Guildry	(2,535)	(135)	(8)	(14)	22	(2,670)
Bridge of Don	(1,360)		(6)	(5)	12	(1,359)
Bridge of Dee	(35)				1	(34)
Alexander MacDonald Bequest	(32)				1	(31)
Aberdeen Art Gallery Trust	(46)				1	(45)
Lands of Skene	(1,196)		(6)	(50)	50	(1,202)
Lands of Torry	(1,034)		(18)	(128)	128	(1,052)
McBey Trust	(832)			(8)	13	(827)
Charitable Trusts	0					0
Miscellaneous Trusts	0					0
Total - Charitable Trusts	(7,233)	(135)	(48)	(208)	228	(7,396)
 Non Charity	 Balance as at 31 March 2014 £'000	 Transfer between Funds £'000	 Revaluation of Investments £'000	 Income £'000	 Expenditure £'000	 Balance as at 31 March 2015 £'000
Educational Trusts	(1,013)		(17)	(63)	63	(1,030)
Endowment Funds						
- Educational	(975)		(76)	(19)		(1,070)
- Social Work	0					0
Guildry	(136)	135				(1)
Arts & Heritage	(74)			(1)	1	(74)
Graveyards	(27)				2	(25)
Monuments	(7)					(7)
John Rickart	(55)			(1)	1	(55)
Lands of Elsick	(3)			0		(3)
Total - Non Charitable Trusts	(2,290)	135	(93)	(84)	67	(2,265)
Total	(9,523)	0	(141)	(292)	295	(9,661)

Investment of Funds

* Charitable Trusts 2013/14 £'000	* Non Charitable Trusts 2013/14	* Total 2013/14 £'000	Charitable Trusts 2014/15 £'000	Non Charitable Trusts 2014/15 £'000	Total 2014/15 £'000
Invested in:					
4,563	0	4,563	Land & Buildings	4,617	0
106	771	877	Equities – Listed	115	844
5	36	41	Gilt Edged Securities	5	39
2,118	1,547	3,665	Council Loans Fund	2,249	1,451
400	0	400	Other Investments	400	400
55	(1)	54	Debtors	53	53
(14)	(64)	(78)	Creditors	(44)	(68)
7,233	2,289	9,522		7,395	2,266
(4,895)	(1,786)	(6,681)	Unrestricted Funds	(5,024)	(1,687)
	(501)	(501)	Endowment Funds	(118)	(577)
(2,338)	0	(2,338)	Designated Funds – Common Good Fund	(2,253)	0
0	(2)	(2)	Designated Funds – Grampian Health Board		(2)
(7,233)	(2,289)	(9,522)		(7,395)	(2,266)
					(9,661)

* Figures have been restated to reflect the charities recognised by OSCR



Steven Whyte, CPFA
Head of Finance

29 September 2015

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The property portfolio was valued internally by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS who are RICS Registered Valuers, in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

Group Accounts

The Council has an interest in a number of companies and joint ventures and where material their financial results are consolidated into the Group Accounts.

Group Movement in Reserves Statement

	Total Usable Reserves (Page 34) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
Balance at 31 March 2013	(136,986)	(968,938)	(1,105,924)	(84,485)	(1,190,409)
Movement in Reserves during 2013/14					
(Surplus) or deficit on provision of services *	21,865	0	21,865	28,125	49,990
Other Comprehensive Income and Expenditure *	0	(109,062)	(109,062)	(14,632)	(123,694)
Total Comprehensive Income and Expenditure	21,865	(109,062)	(87,197)	13,493	(73,704)
Adjustments between Group and Council accounts	28,200		28,200	(28,203)	(3)
Net Increase /Decrease before Transfers	50,065	(109,062)	(58,997)	(14,710)	(73,707)
Adjustments between accounting basis & funding basis under regulations	(29,909)	29,909	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	20,156	(79,153)	(58,997)	(14,710)	(73,707)
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0	0	0
Increase/Decrease in Year	20,156	(79,153)	(58,997)	(14,710)	(73,707)
Balance at 31 March 2014 carried forward	(116,831)	(1,048,091)	(1,164,922)	(99,195)	(1,264,116)
Movement in Reserves during 2014/15					
(Surplus) or deficit on provision of services	9,236		9,236	(2,954)	6,282
Other Comprehensive Income and Expenditure	0	(35,440)	(35,440)	847	(34,593)
Total Comprehensive Income and Expenditure	9,236	(35,440)	(26,203)	(2,107)	(28,311)
Adjustments between Group & Council accounts			0	0	0
Net Increase/Decrease before Transfers	9,236	(35,440)	(26,203)	(2,107)	(28,311)
Adjustments between accounting basis & funding basis under regulations	(28,614)	28,614	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(19,378)	(6,826)	(26,203)	(2,107)	(28,311)
Transfers to/from Earmarked Reserves & Statutory Reserves	8,183	(8,183)	0	0	0
Increase/Decrease in Year	(11,195)	(15,009)	(26,203)	(2,107)	(28,311)
Balance at 31 March 2015	(128,026)	(1,063,101)	(1,191,127)	(101,300)	(1,292,427)

Group Comprehensive Income and Expenditure Statement

2013/14		2014/15		
Net Expenditure 1 April 2013	Net Expenditure 31 March 2014	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
£'000	£'000	£'000	£'000	£'000
1,705	(3,116)	Central Services to the Public	5,693	(3,533)
35,288	33,249	Cultural and Related Services	56,531	(21,690)
214,766	172,066	Education Services	192,054	(10,543)
27,842	30,372	Environmental Services	42,253	(11,529)
17,239	20,890	Housing Services	182,363	(155,375)
9,641	14,423	Planning and Development Services	16,787	(7,681)
16,617	18,705	Roads and Transport Services	34,355	(15,433)
136,498	135,570	Social Work Services	173,197	(37,600)
7,593	7,986	Corporate and Democratic Core	8,527	1,167
6,400	8,228	Non Distributed Costs	13,415	1,347
29,705	1,463	Joint Boards	1,433	1,433
0	0	Exceptional Items		0
503,294	439,836	Cost Of Services	726,608	(260,870)
(4,320)	23,591	Other Operating Expenditure		(11,486)
28,975	30,491	Financing and Investment Income and Expenditure (note vi)	41,331	(20,144)
(477,355)	(444,173)	Taxation and Non-Specific Grant Income		(469,496)
50,594	49,745	(Surplus) or Deficit on Provision of Services	767,939	(761,996)
404	246	Share of (Surplus) or Deficit on the provision of services by associates and joint ventures		343
50,998	49,991	Group (Surplus) / Deficit (note 17)		6,286
1,451	(37,973)	Surplus or deficit on revaluation of non current assets		(71,040)
213	62	Surplus or deficit on revaluation of available for sale financial assets		233
28,109	(84,771)	Actuarial gains / losses on pension assets / liabilities		36,277
(82)	(1,013)	Share of other comprehensive expenditure and income of associates and joint ventures		(63)
29,691	(123,695)	Other Comprehensive Income and Expenditure		(34,593)
80,689	(73,704)	Total Comprehensive Income and Expenditure		(28,307)

Group Balance Sheet

1 April 2013	31 March 2014		31 March 2015
£'000	£'000		£'000
1,825,865	1,791,359	Property, Plant and Equipment (note xi)	1,817,555
155,872	175,629	Investment Property (note xii)	177,792
388	180	Intangible Assets	80
20,038	12,344	Long Term Investments and/or Investments in Associates and Joint Ventures	20,288
150,715	151,881	Heritage Assets	171,370
9,416	13,987	Long Term Debtors	22,121
2,162,294	2,145,380	Long Term Assets	2,209,206
20,341	33,276	Short Term Investments	40,199
1,912	1,937	Inventories	2,323
66,543	59,379	Short Term Debtors	54,758
38,923	21,489	Cash and Cash Equivalents	47,683
5,867	2,342	Assets held for sale	3,548
133,586	118,423	Current Assets	148,511
(306)	0	Cash and Cash Equivalents	(107)
(118,499)	(109,266)	Short Term Borrowing	(77,217)
(66,453)	(65,417)	Short Term Creditors	(89,275)
(2,929)	(5,899)	Provisions	(3,698)
(2,728)	(2,488)	PPP Short Term Liabilities	(1,773)
(2,529)	(5,223)	Capital Grants Receipts in Advance	(752)
(1,054)	(1,540)	Revenue Grants Receipts in Advance	(1,120)
(8,682)	(8,009)	Other Short Term Liabilities	(7,508)
(203,180)	(197,842)	Current Liabilities	(181,450)
(59)	0	Long Term Creditors	(453)
(5,511)	(3,584)	Provisions	(3,371)
(460,805)	(435,192)	Long Term Borrowing	(469,812)
(1,969)	(1,201)	Liabilities in Associates and Joint Ventures	(1,481)
(110,230)	(107,836)	PPP Long Term Liabilities	(106,062)
0	0	Other Long Term Liabilities	0
(323,723)	(254,032)	Pension Liabilities	(302,661)
(902,297)	(801,845)	Long Term Liabilities	(883,840)
1,190,403	1,264,116	Net Assets	1,292,427

Group Balance Sheet

1 April 2013 £'000	31 March 2014 £'000		31 March 2015 £'000
(136,986)	(116,831)	Usable Reserves	(128,025)
(968,938)	(1,048,091)	Unusable Reserves	(1,063,102)
17,711	30,678	Group - Usable Reserves	33,129
(102,190)	(129,872)	Group - Unusable Reserves	(134,429)
(1,190,403)	(1,264,116)	Total Reserves	(1,292,427)

* 1 April 2013 figures represent the impact of the removal of Police and Fire following their transfer from local to central government on this date.



Steven Whyte, CPFA
Head of Finance

29 September 2015

The unaudited annual accounts were issued on 24 June 2015 and the audited annual accounts were authorised for issue by Steven Whyte on 29 September 2015.

Group Cash Flow

31 March 2014		31 March 2015
	£'000	£'000
(49,991)	Net surplus or (deficit) on the provision of services	(6,286)
148,902	Adjust net surplus or deficit on the provision of services for non cash movements	137,464
(35,322)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(51,613)
63,589	Net cash flows from Operating Activities (Note vii)	79,565
(48,170)	Net cash flows from Investing Activities (note viii)	(60,410)
(32,548)	Net Cash flows from Financing Activities (note ix)	6,932
(17,129)	Net increase or decrease in cash and cash equivalents	26,087
38,618	Cash and cash equivalents at the beginning of the reporting period	21,489
21,489	Cash and cash equivalents at the end of the reporting period (note x)	47,576

Notes to the Group Accounts

Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity, except in the following cases:

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2015, and due to the nature and age of the buildings it is anticipated that there would be no material impact of undertaking a revaluation as at the point of the assets becoming operational.
- Aberdeen Exhibition and Conference Centre Ltd, Mountwest 343 Ltd and Aberdeen Sports Village Ltd are not required to prepare their annual accounts on an IFRS basis and on the grounds of materiality no consolidation adjustments have been made to the group accounts.

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line by line basis. Associates have been incorporated using the equity method where the Council's investment in the associates is adjusted each year by the Council's share of the associate's results and other gains and losses. Joint Ventures have been incorporated using the gross equity method.

The accounting periods for all entities are from 1 April 2014 to 31 March 2015, with the exception of ASV Ltd, whose accounting year end is 31 July, in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the annual accounts produced at 31 March 2014, 31 July 2014 and 31 March 2015. This means that a 12 month period of activity is incorporated into the Group Accounts.

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

Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

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

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Mountwest 343 Limited 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. The Joint Venture with the University of Aberdeen is in Aberdeen Sports Village Limited 50%.

Subsidiaries

Aberdeen Exhibition and Conference Centre Limited (AECC)

AECC is wholly owned and controlled by Aberdeen City Council who are represented on the board of directors. The Council holds a 100% shareholding, comprising 28,065,000 £1 ordinary shares fully paid up, in Aberdeen Exhibition and Conference Centre Limited (AECC) to conduct of exhibitions, conferences and other events.

Common Good

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

Trust Funds

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

Sport Aberdeen

Sport Aberdeen Limited is a charity and constitutes a limited company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity, under chapter 9 of the Code the Council have determined that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited appears to be operating as a structured entity of the Council as defined by IFRS 12.

In the event that Sport Aberdeen incurs any reasonable and properly incurred losses or liabilities, damage claims, demand, costs, expenses, penalties, legal and other professional fees, the council will indemnify Sport Aberdeen on demand for these losses.

Aberdeen City Council as the Scheme employer of the North East Scotland Pension Fund in which Sport Aberdeen is an Admission Body guarantees to discharge on demand the guaranteed obligations by making immediate payment to the fund.

Bon Accord Care and Bon Accord Support Services

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% held by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

Joint Ventures

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts.

ASV Ltd was incorporated on 17 July 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

Associates

Aberdeen City Council incorporates the following Associate in its group annual accounts;

Grampian Valuation Joint Board 39%

There is no share capital issued by the Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to the Board.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

Distribution of Reserves

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from Sportscotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £101.3 million (increase of £99.2 million in 2013/14).

Note iv Group Entities

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2013/14	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	152	(26,719)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	0	(1,210)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	99,344	21,178	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,292	264	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	527	844	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(8,195)	(8,195)	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(426)	(426)	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Joint Ventures					
Aberdeen Sports Village Limited	50	50	21,670	(201)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Valuation Joint Board	39	39	(3,080)	1,969	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

For the financial year 2014/15	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	1,648	(201)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	0	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	105,736	6,392	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,408	113	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(1,380)	(1,906)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(10,219)	(2,024)	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(411)	14	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Joint Ventures					
Aberdeen Sports Village Limited	50	50	21,204	(467)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Valuation Joint Board	39	39	(3,798)	(718)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

Note v Non-Material Interest in Other Entities

On the grounds of materiality, Aberdeen Heat and Power Limited (AH&P Ltd), the North East Transport Partnership (NESTRANS), Grampian Venture Capital Fund Ltd, Strategic Development Planning Authority and Scotland Excel have been excluded from the foregoing Group Accounts.

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole guarantor. Control of the Company rests with the Board of Directors which is independent from Aberdeen City Council. The Council is entitled to appoint 2 out of 10 directors i.e. 20% of the Board. In the event that AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2015, AH&P Ltd made a profit of £437,047 (a profit of £207,472 in 2013/14) and the net assets of the company were £1,467,088 (£1,030,041 in 2013/14). Turnover was £2,940,346 (£2,467,086 in 2013/14). The accounts for 2014/15 are subject to audit. Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2014/15, Aberdeen City Council contributed £122,000 (£122,000 in 2013/14) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The audited accounts for 2014/15 show a deficit of £2,000 (surplus of £2,000 2013/14) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2014, net assets amounted to £316,395 (£316,812 in 2012/13) with a loss for the year of £417 (surplus of £1,028 in 2012/13). The accounts for 2014/15 are being prepared. It is anticipated that there will be no significant changes as at March 2015. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities-region planning authorities. The current legislative position of SPDA prevents it from retaining a surplus and reserves. In 2014/15, Aberdeen City Council contributed £60,237 (£67,121 in 2013/14) towards the costs of the organisations.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2014/15, Aberdeen City Council contributed £224,308 (£124,108 2013/14) towards the cost of these services. This represents Aberdeen City Council's share at 3.90%.

Note vi Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2013/14 £'000		2014/15 £'000
35,248	Interest payable and similar charges	31,202
12,785	Pensions interest cost and expected return on pensions assets	10,129
(875)	Interest receivable and similar income	(1,133)
(8,494)	Income and expenditure in relation to investment properties and changes in their fair value	(10,615)
(8,173)	Other investment income	(8,396)
30,491	Total	21,187

Note vii Cash Flow Statement – Group Operating Activities

2013/14 £'000		2014/15 £'000
(49,991)	Net surplus or (deficit) on the provision of services	(6,286)
(49,991)		(6,286)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
70,408	Depreciation	69,052
24,570	Impairment, downward revaluations & non sale derecognitions	32,723
(25)	(Increase)/Decrease in Stock	(386)
352	(Increase)/Decrease in Debtors	(4,676)
0	Increase/(Decrease) in impairment provision for bad debts	0
8,319	Increase/(Decrease) in Creditors	16,729
7,373	Payments to Pension fund	11,407
38,397	Carrying amount of non current assets sold	20,447
0	Carrying amount of written off assets	0
1,817	Contributions to Other Reserves / Provisions	(1,720)
(2,081)	Movement in value of investment properties	(3,069)
0	Assets held for sale movement	0
208	Amortisation of intangible assets	100
(436)	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(3,143)
148,902		137,464
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(22,763)	Receipt of Capital Grants and Contributions	(35,124)
(12,559)	Proceeds from the sale of PP&E, investment property and intangible assets	(16,489)
(35,322)		(51,613)
63,589	Net cash flows from operating activities	79,565

Note viii Cash Flow Statement – Group Investing Activities

(78,665)	Purchase of property, plant and equipment, investment property and intangible assets	(97,250)
(4,831)	Purchase of short term and long term investments	(14,731)
0	Other payments for investing activities	
12,981	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,985
(422)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(497)
0	Proceeds from short term and long term investments	(34)
22,763	Capital grants and contributions received	35,124
4	Other receipts from investing activities	(7)
(48,170)	Net cash flows from investing activities	(60,410)

Note ix Cash Flow Statement – Group Financing Activities

2013/14 £'000		2014/15 £'000
0	Cash receipts of short term and long term borrowing	0
(25)	Other receipts from financing activities	(25)
(29,661)	Repayments of short term and long term borrowing	9,503
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet	
(2,862)		(2,546)
0	Other payments for financing activities	0
(32,548)	Net cash flows from investing activities	6,932

Note x Cash Flow Statement – Group Cash and Cash Equivalents

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

31 March 2014 £'000		31 March 2015 £'000
42	Cash held by officers	42
21,447	Bank current accounts	47,534
21,489	Total cash and cash equivalents	47,576

Note xi Group Property, Plant and Equipment*Movements on Balances*

Comparative Movements in 2013/14:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets Included in Property, Plant & Equipment £'000
Cost or Valuation									
At 1 April 2013	808,870	900,854	72,131	191,110	21,359	39,316	16,161	2,049,801	156,074
Additions	35,941	10,280	7,915	7,895	1,010	181	15,215	78,437	0
Revaluations	(23,078)	6,795	0	0	0	(2,685)	0	(18,968)	0
Derecognition / Disposals	(4,340)	(41,769)	(3,336)	0	0	(600)	0	(50,045)	0
Transfers	(1,354)	1,523	0	0	0		(1,523)	(1,354)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
At 31 March 2014	816,039	877,683	76,710	199,005	22,369	36,212	29,853	2,057,871	156,074
Accumulated Depreciation and Impairment									
At 1 April 2013	(77,644)	(35,111)	(42,632)	(66,300)	0	(2,248)	0	(223,935)	(11,480)
Depreciation charge	(29,071)	(24,583)	(9,871)	(6,344)	0	(539)	0	(70,407)	(4,318)
Depreciation & Impairment written out	112	10,279	0	0	0	159	0	10,550	0
Derecognition / Disposals	548	13,905	2,821	0	0	6	0	17,281	0
Transfers	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2014	(106,055)	(35,510)	(49,682)	(72,644)	0	(2,622)	0	(266,511)	(15,798)
Net Book Value									
At 31 March 2014	709,984	842,173	27,028	126,361	22,369	33,590	29,853	1,791,360	140,276
At 31 March 2013	731,226	865,743	29,499	124,810	21,359	37,068	16,161	1,825,866	144,594

Group Property, Plant and Equipment

Movements in 2014/15:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets Included in Property, Plant & Equipment £'000
Cost or Valuation									
At 1 April 2014	816,039	877,685	76,709	199,005	22,369	36,212	29,853	2,057,872	156,074
Additions	36,755	8,165	10,770	11,738	936	246	28,621	97,231	0
Revaluations	(22,914)	20,771				(2,132)		(4,275)	33,513
Derecognition / Disposals	(5,474)	(1,023)	(19,743)			(10,836)	(435)	(37,511)	(2,643)
Transfers	826	3,526				(2,730)	(3,525)	(1,903)	0
Other movements in Cost or Valuation								0	0
At 31 March 2015	825,232	909,124	67,736	210,743	23,305	20,760	54,514	2,111,414	186,944
Accumulated Depreciation and Impairment									
At 1 April 2014	(106,055)	(35,510)	(49,682)	(72,644)	0	(2,623)	0	(266,514)	(15,798)
Depreciation charge	(30,569)	(24,296)	(6,958)	(6,720)		(506)		(69,049)	(4,318)
Depreciation & Impairment written out	130	17,907				2,933		20,970	12,057
Derecognition / Disposals	918	110	19,701			6		20,735	0
Transfers								0	0
Other movements in Depreciation and Impairment								0	0
At 31 March 2015	(135,576)	(41,789)	(36,939)	(79,364)	0	(190)	0	(293,858)	(8,059)
Net Book Value									
At 31 March 2015	689,656	867,335	30,797	131,379	23,305	20,570	54,514	1,817,555	178,885
At 31 March 2014	709,984	842,173	27,028	126,361	22,369	33,590	29,853	1,791,360	140,276

Note xii Investment Properties

The following items of income and expense have been accounted for in the Group Comprehensive Income and Expenditure Statement:

	2013/14 £'000	2014/15 £'000
Rental and interest income from investment property	(10,303)	(10,619)
Expenses arising from investment property	3,542	2,936
Revaluation (gains)/losses	(2,322)	(3,123)
Net (gain)/loss	(9,083)	(10,806)

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

	2013/14 £'000	2014/15 £'000
Balance at start of the year	155,872	175,629
Additions:		
• Purchases	124	2
• Construction	0	
• Subsequent expenditure	0	
Disposals	(2,159)	(2,971)
Net gains/losses from fair value adjustments	21,792	5,131
Transfers:		
• to/from Inventories	0	
• to/from Property, Plant and Equipment	0	
Other changes		
Balance at end of the year	175,629	177,792

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2014 and 2015 are as follows:

	Loans		Debtors		Creditors	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
AECC	0	0	0	23	(348)	0
Mountwest 343 Limited	0	0	109	0	0	0
Bon Accord Care Ltd	(1,387)	(1,558)	0	0	0	(23)
Bon Accord Support Services Ltd	(830)	(475)	0	0	0	(1,974)
Sport Aberdeen	(2,800)	(2,970)	0	13	0	(192)
Common Good	(2,653)	(6,980)	0	0	0	0
Trust Funds	(3,472)	(3,458)	0	0	0	0
	(11,142)	(15,441)	109	36	(348)	(2,189)

Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Education, Cultural and Related, Planning and Development, Housing and Social Work Services, and Corporate & Democratic Core.

Note xv Share of Operating (surplus)/deficit, Total assets and liabilities of Joint Ventures and Associates

Analysis of operating results and balance sheet of Joint Ventures and Associates

2013/14	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	145	591	(1,792)	(1,201)
Associates Total	145	591	(1,792)	(1,201)
Joint Venture				
Aberdeen Sports Village Limited	101	24,063	(13,228)	10,835
Joint Ventures Total	101	24,063	(13,228)	10,835
2014/15	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	110	661	(2,142)	(1,481)
Associates Total	110	661	(2,142)	(1,481)
Joint Venture				
Aberdeen Sports Village Limited	234	26,120	(15,518)	10,602
Joint Ventures Total	234	26,120	(15,518)	10,602

Note xvi Pension Costs

Aberdeen City Council (ACC) participates in the Local Government Pension Scheme and Teachers' Scheme administered by the Scottish Government. Aberdeen City Council acts as an administering authority for the Local Government Pension Scheme. Both schemes are defined benefit schemes based on final pensionable salary.

Subsidiaries

Aberdeen Exhibition and Conference Centre Limited (AECC) operate a defined contribution pension scheme for employees where assets of the scheme are held separately from those of the Group. Contributions are charged to the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The pension costs for the year are £230,893 (£169,780 in 2013/14).

Sport Aberdeen Limited (SA) participates, as an admitted body, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £1,946,000 (£1,266,000 in 2013/14).

Bon Accord Care (BAC) and Bon Accord Support Services (BASS) participate as admitted bodies, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £2,024,000 and £33,000 respectively (£8,195,000 and £42,000 respectively in 2013/14).

Joint Ventures

Aberdeen Sports Village Limited (ASV Ltd) participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year are £75,927 (£36,794 in 2013/14).

Associates

Grampian Valuation Joint Board participates in the Local Government Pension Scheme administered by ACC.

Share of Associates Pension Interest Costs and Expected Return on Pension Assets

	2013/14 £'000	2014/15 £'000
Grampian Valuation Joint Board	97	65
Total	97	65

Note xvii Net Pension Liabilities

ACC share of pension liabilities of the Joint Boards are shown as below. These have been accounted for under IAS 19 'Post Employment Benefits'.

	2013/14 £'000	2014/15 £'000
ACC	(244,529)	(289,155)
Share of Associates		
Grampian Valuation Joint Board	(1,563)	(1,836)
Total	(246,092)	(290,991)

Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeen City Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Loans Fund, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, National Non-domestic Rates Accounts, Council Tax Income Accounts, Common Good, the Trust Funds and Endowments and the related notes. 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 2014/15 (the 2014/15 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of Aberdeen City Council as at 31 March 2015 and of the income and expenditure of the group and the council 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 2014/15 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.

Opinion on other prescribed matters

In my opinion:

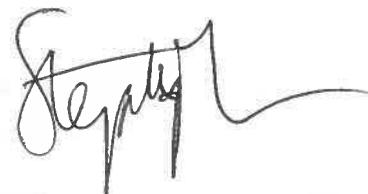
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Stephen Boyle
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

29 September 2015

Glossary of Terms

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

Capital Expenditure: *This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally finance by borrowing over a period of years, or utilising income from the sale of existing assets.*

CIPFA: *The Chartered Institute of Public Finance and Accountancy.*

COSLA: *Convention of Scottish Local Authorities*

LASAAC: *The Local Authority (Scotland) Accounts Advisory Committee.*

SeRCOP: CIPFA's *Service Reporting Code of Practice 2014/15.*

PWLB: *Public Works Loans Board, a Government agency that provides loans to the Council.*

IFRS: *International Financial Reporting Standards.*

IAS: *International Accounting Standard.*

OSCR: *Office of the Scottish Charity Regulator*

