



ABERDEEN
CITY COUNCIL

STATEMENT OF ACCOUNTS
FOR THE PERIOD
1 APRIL 2012 TO 31 MARCH 2013

Contents

Explanatory Foreword	2	<u>Note 14</u> Cash Flow - Investing Activities	75	<u>Note 35</u> Short Term Debtors	115
Statement of Responsibilities	13	<u>Note 15</u> Cash Flow - Financing Activities	75	<u>Note 36</u> Short Term Creditors	116
Annual Governance Statement	14	<u>Note 16</u> Cash and Cash Equivalents	76	<u>Note 37</u> Provisions	116
Remuneration Report	21	<u>Note 17</u> Amounts Reported for Resource Allocation Decisions	76	<u>Note 38</u> Contingent Liabilities	118
Movement in Reserves Statement	33	<u>Note 18</u> Trading Operations	80	<u>Note 39</u> Grant Income	121
Comprehensive Income and Expenditure Statement	35	<u>Note 19</u> Agency Services	84	<u>Note 40</u> Financial Instruments	123
Balance Sheet	36	<u>Note 20</u> External Audit Costs	85	<u>Note 41</u> Nature and Extent of Risks Arising from Financial Instruments	127
Cash Flow Statement	38	<u>Note 21</u> Pension Schemes Accounted for as Defined Contribution Schemes	85		
<u>Note 1</u> Accounting Policies	39	<u>Note 22</u> Defined Benefit Pension Schemes	86	Loans Fund	132
<u>Note 2</u> Accounting Standards Issued, Not Adopted	55	<u>Note 23</u> Events After the Balance Sheet Date	93	Housing Revenue Account	135
<u>Note 3</u> Critical Judgements in Applying Accounting Policies	56	<u>Note 24</u> Related Parties	94	National Non-Domestic Rates	141
<u>Note 4</u> Assumptions Made about the Future & Other Major Sources of Estimation Uncertainty	56	<u>Note 25</u> Partnership Arrangements	95	Council Tax	143
<u>Note 5</u> Adjustments between Accounting Basis and Funding Basis under Regulations	58	<u>Note 26</u> Leases	96	Common Good	146
<u>Note 6</u> Transfers to/from Earmarked Reserves and Other Statutory Funds	62	<u>Note 27</u> Investment Properties	99	Trust Funds & Endowments	149
<u>Note 7</u> Other Operating Expenditure	67	<u>Note 28</u> Intangible Assets	100	Group Accounts	151
<u>Note 8</u> Financing and Investment Income and Expenditure	67	<u>Note 29</u> Heritage Assets	102	Notes to the Group Accounts	156
<u>Note 9</u> Taxation & Non-Specific Grant Income	67	<u>Note 30</u> Property, Plant and Equipment	106		
<u>Note 10</u> Material Items of Income and Expense	68	<u>Note 31</u> Capital Expenditure & Financing	111	Independent Auditor's Report	172
<u>Note 11</u> Usable Reserves	68	<u>Note 32</u> PPP and Similar Contracts	113		
<u>Note 12</u> Unusable Reserves	68	<u>Note 33</u> Assets Held for Sale	114	Glossary of Terms	174
<u>Note 13</u> Cash Flow - Operating Activities	74	<u>Note 34</u> Inventories	115		

Explanatory Foreword

Introduction

On an annual basis the Council, by statute, must publish a Statement of Accounts that complies with recognised accounting codes of practice. The purpose of the Statement of Accounts is to demonstrate the Council's proper stewardship and accountability of the public funds with which it is entrusted.

The Statement of Accounts has been prepared in accordance with the International Financial Reporting Standard (IFRS) based *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code)*. The Statement of Accounts is also based on the *Service Reporting Code of Practice 2012/13 (SeRCOP)*.

Following the adoption of IFRS in 2010/11 there have been no significant changes to the presentation of the financial statements for 2012/13. The Statement of Accounts therefore comprises the following financial statements and accompanying explanatory notes:

Statement of Responsibilities: This statement sets out the respective responsibilities of the Council and the Head of Finance for the Statement of Accounts.

Annual Governance Statement: This explains how the Council and group entities conducts their business, both internally and in its dealings with others. The statement details the review of effectiveness of the Local Code of Governance and outlines any actions the Council and/or group entities are taking to address significant issues.

Remuneration Report: This report presents detailed information on the remuneration and pension benefits of senior Councillors and senior employees of the Council and the remuneration and pension benefits of the Chief Executive of the Council's subsidiary bodies. Also disclosed is the number and cost to the Council of employee exit packages.

Movement in Reserves Statement: This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus) or Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and rent setting purposes for dwellings. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. The value of Usable Reserves as at 31 March 2013 was £108.8 million.

Comprehensive Income and Expenditure Statement: This statement shows the accounting cost in the year of providing services in accordance with IFRS as applied to the public sector, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet: The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The net worth of the Council as at 31 March 2013 was £1,078 million.

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

Notes to the Core Financial Statements: The notes provide additional information on the various financial transactions that are not separately detailed in the above statements.

Loans Fund: A statutory fund that acts as an internal bank, borrowing externally to provide long-term loans to the Council, which it then uses to fund the expenditure on capital projects.

Housing Revenue Account: This represents the statutory requirement to account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing expenditure and how these are funded through rents and other income.

Non-Domestic Rates Income Account: This account provides details of the gross and net income raised from Non-Domestic Rates and details the amount payable to the National Non-Domestic Rates pool.

Council Tax Income Account: This account provides details of the gross and net income raised from Council Tax, together with details of the numbers of properties on which Council Tax is levied and the band charge per property.

Common Good and Trust Funds: These statements present the Comprehensive Income and Expenditure Statements, Balance Sheet and Movement in Reserves Statements for the Common Good Fund and separately the various Trust Funds administered by the Council. The value of the Common Good and the Trust Funds as at 31 March 2013 was £78.2 million and £8.9 million respectively.

Group Accounts: The Council has an interest in a number of companies and joint ventures. Where material the financial results of subsidiaries, associates and joint ventures are consolidated into the Group Accounts. The aim of these accounts is to show the full extent of the Council's control and influence over service provision, resources and exposure to risk that the Council has taken on through its involvement in the various entities. The Group Accounts comprise: Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Group Balance Sheet and a Group Cash Flow Statement. The net worth of the Group as at 31 March 2013 was £710.9 million.

Changes to Accounting Policies

In complying with the Code for 2012/13 the Council has not made any changes to its accounting policies.

As disclosed in the 2011/12 Statement of Accounts there was one International Financial Reporting Standard (IFRS) that had been issued but had yet to be adopted and this was amendments to IFRS 7, Financial Instruments: Disclosures, which had been issued in October 2010. In 2012/13 this Standard has been adopted. No changes to accounting policies have had to be made as a result of adopting the amendments to IFRS 7 and it has had no impact on the Council's financial statements.

Financial Performance

Revenue

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement (CIES), which can be seen on page 35. The Comprehensive Income and Expenditure Statement complies with the International Financial Reporting Standards based Code of Practice on Local Authority Accounting. However to show the net position of the Council, it is necessary to adjust this statement for additional items required by statute or non-statutory proper practice in determining the position of the General Fund for the year. These are shown in Note 5.

The outturn position for the General Fund, which has been the subject of monthly scrutiny by the Corporate Management Team and regular reporting to Finance and Resources Committee, excluding accounting practice adjustments, compared to budget is summarised below:

As at 31 March 2013	Annual Budget 2012/13	Actual Operating Expenditure 2012/13	(Under) / Over Budget	
	£'000	£'000	£'000	%
Services:				
Office of Chief Executive	1,167	1,047	(120)	(10.3)%
Corporate Governance	27,962	25,419	(2,543)	(9.1)%
Enterprise Planning and Infrastructure	40,783	38,986	(1,797)	(4.4)%
Housing and Environment	34,029	30,132	(3,897)	(11.5)%
Education Culture and Sport	160,389	159,403	(986)	(0.6)%
Social Care and Wellbeing	120,076	119,862	(214)	(0.2)%
Total Service Budgets	384,406	374,849	(9,557)	(2.5)%
Total Corporate Budgets	67,269	76,467	9,198	13.7%
Total Net Expenditure	451,675	451,316	(359)	(0.1)%
Funding:				
General Revenue Grant & NDRI	(343,964)	(347,307)	(3,343)	(1.0)%
Council Tax and Community Charge Arrears	(107,711)	(109,704)	(1,993)	(1.9)%
Total Funding	(451,675)	(457,011)	(5,336)	(1.2)%
General Fund surplus for the year	0	(5,695)	(5,695)	

Fees and charges levied by the Council have been offset against the cost of providing services and are included within the actual cost of Services shown above.

Budget Performance

Overall, the financial performance has been very positive with an overall contribution to the General Fund from operations of £5.7 million. Net expenditure was delivered within budget achieving savings of £0.4 million against budget. Notably all Service budgets have performed within budget and a number of factors contribute to the movement from budget in the year with the principal reasons being summarised as:

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- Enterprise, Planning and Infrastructure achieved higher levels of income (£0.5 million) through their architectural design services as a result of the content of the General Fund capital programme, while Housing and Environment was affected by slippage in the Housing capital programme and as a result fees generated for their design services were below budget by £0.3 million;
 - Other areas of Enterprise, Planning and Infrastructure delivered positive results such as school transport costs, because of contract changes, while planning, property and rental income were all ahead of budget to the value of £1 million. The Service also committed funding for the replacement of the vehicle fleet, which in future years will be funded from revenue and capital and this amounted to £2.3 million being transferred to the Capital Fund;
 - Waste disposal costs were lower than had been budgeted primarily due to lower costs in relation to the use of consultants, while due to the waste volumes, tonnage related disposal costs were lower than had been budgeted for, saving £3 million including staff cost savings. This saving was identified early in the year to support the future waste disposal strategy and was transferred to the Capital Fund;
 - Homelessness budgets had an underspend due to the changed delivery of accommodation options, having moved away from bed and breakfast and making use of Council owned housing, supplemented by the private sector leasing scheme. A saving in the region of £1 million has been achieved;
 - Education, Culture and Sport achieved savings through close budgetary control across a wide range of budgets primarily in the Communities, Culture and Sport portfolio budget with £1 million of savings overall. The schools budgets were supplemented by funding carried forward from previous years under the Devolved Education Management (DEM) scheme, with investment in supplies and equipment being undertaken. This resulted in a reduction of £0.6 million in the carry forward reserves for schools, leaving £1.8 million available for 2013/14;
 - Higher than budget costs in relation to the commissioning of social care services amounted to £2.1 million due to need and cost increases. Examples include the national negotiations on care home fees and local negotiations on care at home fees;
 - Savings arising from the management of staff across all services produced an overall saving of £9.2 million, representing 3.7% of the total staff budget for the General Fund. The exception is in Social Care and Wellbeing where additional staff have been used, for example, to cover care at home packages that are not being delivered by external providers;
 - Generally the purchase of supplies and services and administration costs has been lower than budget due to tight financial management coupled with the procurement arrangements that are in place across the Council;
 - The Corporate Budgets include payments to the Police, Fire and Valuation Joint Boards as well as Councillor expenses, Council contingencies and a contribution from the trading operations that are operated by the Council. The trading operations overall surplus of £11.9 million was £0.5 million higher than had been budgeted after taking account of rebates to Services;
 - Capital financing costs, associated with the repayment of borrowing, were lower than had been budgeted due to favourable market conditions and a pro-active investment strategy which led to a reduction in the loans pool rate and the level of borrowing being lower than originally planned, realising a saving of £4.6 million. Savings arising from requisitions to the Joint Boards were £0.6 million. This enabled a review of future capital investment and funding requirements;
 - The Insurance Fund and Capital Fund were reviewed and additional contributions of £10.1 million were made to secure resources for future use (see page 66 for further details of these funds); and
 - A number of significant projects did not incur the full expenditure during the year and as a result, rather than reporting a larger than expected underspend, these values were earmarked for carrying forward in the General Fund balance to be used in 2013/14. The impact of this is shown against the corporate budgets and amounted to £4 million across the Council.
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The principal sources of funding for the Council during the year are determined centrally by the Scottish Government (General Revenue Grant and Non-Domestic Rates distribution) and locally by the Council, through the setting of the Council Tax level. In 2012/13 the level of Council Tax was frozen at a level of £1,230.39 for Band D properties (£1,230.39 2011/12). During 2012/13 the in-year collection rate for Council Tax was 94.2% reflecting positively over the collection rate in 2011/12, which was 93.7%.

The total funding in 2012/13 amounted to:	Council Tax / Community Charge Arrears	£109.704 million	(this represents 24.00% of funding (2011/12: 24.15%))
	Distribution from Non-Domestic Rates Pool	£167.277 million	
	General Revenue Grant	<u>£180.029 million</u>	
	Total	<u>£457.010 million</u>	

Other Year End Transactions

While the table of financial results against budget, above, shows that a surplus on the General Fund of £5.7 million was achieved this did not take into account the impact of transactions in relation to the use of and contribution to earmarked reserves, as these were monitored separately during 2012/13. In recognising the range of earmarked sums held in the General Fund reserve, the Movement in Reserves Statement takes into account all of the relevant costs and funding streams.

The changes to police and fire services, moving from local to central government from 1 April 2013, have also resulted in a change to the overall movement on the General Fund, with both joint boards returning their reserves as at 31 March 2013 to the constituent local authorities. This is a unique situation in so far as it will only happen this year and a substantial proportion of the reserves are then payable to the Scottish Government. The result is that the returned reserves are being earmarked for use in 2013/14 because it will lead to an adjustment being applied to the funding received by the Council in 2013/14 and the earmarked sum will be required to fund the reduced amount.

Having taken these transactions into account at the year end a total of £17.9 million was transferred into the General Fund.

	Actual Expenditure 2012/13 £'000
General Fund surplus for the year from operations	(5,695)
Other Year End Transactions:	
Grampian Joint Fire & Rescue Board - Return of Reserves	(411)
Grampian Joint Police Board - Return of Reserves	(4,830)
Movement on General Fund Earmarked Sums from Net Expenditure	(6,919)
Total Year End Transactions	(12,160)
(Increase) / Decrease of General Fund Balance in year	(17,855)

This compares favourably with 2011/12, when a reduction of £4.1 million resulted from significant transactions to make appropriate provisions to address the debt owed by the Council subsidiary, Aberdeen Exhibition and Conference Centre. It is extremely positive to again be able to contribute towards reserves to mitigate risks and uncertain economic conditions that lie ahead.

During the Priority Based Budget setting process for financial year 2013/14 it was recognised that risks exist in respect of changes in demographics, demands, needs, cost pressures and efficiencies, many of which the Council can not directly influence. In order to address the potential financial impact approval was sought to set up a financial risk reserve and to use the surplus from 2012/13 to fund it. A total of £5.5 million has been set aside for this purpose from the Council's in-year underspend.

Reserves

At its meeting of 4 October 2012 the Finance and Resources Committee approved the Revenue and Capital Reserves Strategy for the General Fund (excluding Housing Revenue Account) and other statutory funds.

The Council's General Fund comprises two elements – i) the Uncommitted Balance; and ii) the Earmarked Balance, for sums set aside for specific purposes.

The uncommitted balance is held against the risk of unexpected or unplanned expenditure or reduced income arising in any particular year. The approved strategy agreed that the appropriate level for this fund was £11.3 million (based upon four significant risks) and this represents approximately 2.5% of net revenue expenditure. The actual uncommitted balance as at 31 March 2013 is £11.3 million and it remains in a stable financial position.

In reviewing the balance sheet and inherent risks that the Council has taken on, it is important to note that changes have taken place in the earmarked balance, where a value of £38 million has now been set aside to de-risk the Council and to provide funding for specific purposes. A full list of the commitments in the earmarked balance can be seen in Note 6, and can be summarised as needed for the following reasons:

- Balances set aside for financial risks, which are likely to arise in the short to medium term – for example demographic growth leading to increased demand, pay inflation or the impact of welfare reform. The Council holds £7.5 million against these future risks;
- Balances set aside for specific contingent risks, which may arise and are reliant on other factors, which are outside the control of the Council – for example bank overdraft and loan guarantees given to external organisations. The Council is maintaining its commitment to these risks by providing financial backing to arrangements that it has in place. Doing so means that the Council remains in a strong position. The Council holds £5.8 million against these potential future risks;
- Balances set aside, primarily from grant income due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £2.3 million of income which has been received in advance of planned expenditure;
- Balances set aside to enable the Council to undertake specific projects, some of which are specifically designed to deliver savings in the future. Examples include the energy efficiency fund, ICT projects and funding for the City of Culture bid. The revenue savings from energy efficiency work are used to reinstate the earmarked balance to ensure that the terms of the original Scottish Government Grant to initiate the Fund are met. The Council holds £10.2 million for project related work;
- Balances held in relation to reserves returned by Grampian Joint Police Board and Grampian Joint Fire and Rescue Board. The Council holds £5.2 million;
- Balances held under the Devolved Education Management (DEM) scheme, which covers Schools and Community Education Centre funds, which permit balances on individual school budgets to be carried forward to the following year. The current balance is £1.8 million for schools and £2.2 million for Community Education Centres; and
- Balances set aside from additional Council Tax income generated by reducing the discount awarded on second homes / long term empty properties to 10%, which is ring-fenced for funding towards affordable housing. The Council holds £3 million for this purpose.

As at 31 March 2013 the level of reserves is considered to be appropriate in view of the financial liabilities and risks that the Council is likely to face in the short to medium term.

Housing Revenue Account

The Council has a statutory obligation to maintain a revenue account for its housing provision in accordance with the Housing (Scotland) Act 1987. The Housing Revenue Account (HRA) records all expenditure and income relating to the Council's housing stock. Revenue expenditure on housing management and repairs and maintenance is funded from rent paid by tenants. In addition, the Council pursues a major capital investment programme to improve its housing stock to meet the Scottish Housing Quality Standard by 2015. This programme is funded through both borrowing and rent collected from tenants.

The HRA recorded a £1.3 million surplus for the financial year and this has increased the working balances to mitigate the risks that exist in relation to Welfare Reform. The significant movements against budget can be summarised as i) the cost of financing borrowing being lower than had been budgeted (£1.9 million) as a consequence of the reduced pooled interest rate and lower levels of borrowing in the previous year; ii) increased rent arising from new build housing beginning to be let (£0.6 million); iii) savings against administration and management of the housing stock (£1.1 million); and iv) repairs and maintenance savings (£1.6 million). These savings enabled an additional £3.9 million of capital expenditure to be paid directly from the collection of rent and a total of £21.5 million was paid in this way, resulting in lower borrowing levels for Housing than had been budgeted in 2012/13. This will have a positive impact on the cost of funding debt in 2013/14 and future years.

Significant Trading Operations

Under the Best Value Requirements contained within the Local Government in Scotland Act 2003, Councils are required to consider all services provided and determine which are "Significant Trading Operations". The Act requires statutory trading accounts to be maintained for Significant Trading Operations and that they should break even over a three-year rolling period.

During 2012/13 the Council determined that three Significant Trading Operations were to be maintained, reducing the number from four the previous year. Note 18 provides summarised details for each of the operations. In 2012/13 total expenditure amounted to £29.7 million with turnover of £42.9 million. A gross surplus of £13.2 million was generated prior to refunds of £1.2 million to client services. After taking account of these refunds, a net surplus of £12 million was generated and returned to the General Fund balance.

The Code requirements resulted in adjustments of £2.1 million being applied and the final outturn in the statement of accounts is a surplus of £14.1 million.

All of the services achieved an operating surplus in 2012/13 and each of the Significant Trading Operations have achieved a cumulative surplus on an aggregate rolling basis over the three year period from 1 April 2010, as required by the legislation.

Capital

Capital expenditure is undertaken by the Council having regard to the Prudential Code for Finance in Local Authorities and considerations, in all years, of affordability and sustainability.

An analysis of the capital programme for the year is summarised in the table below and reveals the following:

- The General Fund capital budget set by Council was £32.1 million. Subsequently, a further £7.5 million has been approved by Committee or rolled forward from 2011/12, which increased the budget to £39.6 million. Funding of £39.6 million was put in place through a mixture of capital grants, borrowing and capital receipts. The Corporate Asset Group work with Services to ascertain a minimum budget requirement during the year which was latterly forecast at £31.2 million. Expenditure for the year was significantly lower than budget due to a number of factors, including changes to the funding of the Western Peripheral Route, contracts not being in place for progress to be made in relation to hydrogen buses or the city broadband project and due to changes in Police services from 1 April 2013 grants due to Grampian Joint Police Board were retained by the Council.

- The Housing capital budget set by Council was £47 million. The level of slippage required on the Housing programme allows for contract variations, projects starting later than anticipated and projects being amended. The approved net programme was therefore £41.8 million. The final expenditure is £37 million and is principally funded by a revenue contribution from the HRA of £21.5 million and borrowing from the Council's Loans Fund of £8.2 million, with grants and capital receipts making up the difference.
- The Loans Fund advanced £16.5 million in support of the 2012/13 capital programmes (advances in 2011/12 were £19.5 million).

As at 31 March 2013	Revised Budget £'000	Service Determined Minimum Required £'000	Actual Expenditure £'000	Variance Amount £'000
Capital Expenditure:				
General Fund Services	39,573	31,223	26,487	(4,736)
Housing	47,002	36,200	36,997	797
Total Capital Expenditure	86,575	67,423	63,484	(3,939)
Funding:				
Borrowing	(41,586)	(18,440)	(16,468)	1,972
General Capital Grant	(15,879)	(15,879)	(14,060)	1,819
Specific & Other Capital Grants	(252)	(1,100)	(4,090)	(2,990)
Capital Receipts / Capital Fund	(5,000)	(10,500)	(6,512)	3,988
Revenue Contributions	(18,681)	(21,504)	(22,354)	(850)
Total Funding	(81,398)	(67,423)	(63,484)	3,939
Slippage Required/ (Underspend)	5,177	0	0	0

Within the capital programmes the most significant project has been the improvement of corporate property and retaining the suitability of the Council assets, with £5.3 million being spent in 2012/13. Other significant projects within the General Fund Services programme included roads infrastructure (£3.5 million), Duthie Park and Winter Gardens (£3 million) and Ness landfill site (£3.5 million). The Housing programme included heating system replacement (£4.5 million), structural work on multi-storey blocks (£3.5 million) and housing modernisation (£18.9 million).

The public private partnership for the creation and refurbishment of schools in Aberdeen was completed in 2011/12. The Council has accounted for the schools as though they had been constructed and funded through capital expenditure, recognising the influence it has in the use and ultimate ownership of the assets. It does however pay for these buildings through an annual unitary charge from its revenue budget, based upon the contractual obligations that are actually in place between the operators of the buildings and the Council.

In line with its accounting policy on Non-Current Assets of revaluing assets on a rolling programme over five years the Council revalued a range of operational assets such as schools, social care facilities and new build housing in 2012/13. This resulted in a decrease in the value of those assets, as at 31 March 2013, of £79.6 million and represents a mixture of valuation changes across the city. Furthermore, in accordance with the same policy, the Council recognised impairment losses of £3.6 million in its Comprehensive Income and Expenditure Statement on the city waste disposal sites for expenditure incurred during 2012/13.

In line with the Prudential Code the Council must ensure that over the medium term net external borrowing does not exceed the total of the capital financing requirement. In 2012/13 the capital financing requirement, excluding the public private partnership, was £618.8 million while external borrowing levels were £565.4 million and so were in accordance with the requirements of the code. The Council also has to consider the affordability of its external borrowing and when split between the General Fund and Housing Revenue Account the ratio of capital financing costs to net revenue streams is 6.7% and 15.5% respectively.

The estimate of the impact of the capital investment decisions on council tax and weekly housing rent is of particular significance and in 2012/13 this was £nil and £1.27 per week respectively. The impact on council tax being £nil is due to the freeze on council tax level in 2012/13 and therefore capital investment decisions were funded through efficiencies achieved in service delivery and changes to other funding streams available to the Council.

Pension Liabilities

International Accounting Standard 19 (IAS 19), Employee Benefits, details the accounting treatment to be applied for post-employment benefits and classifies them into defined contribution and defined benefit pension arrangements. For defined benefit pension schemes the principle to be applied is that the Council should account for these post-employment benefits at the point at which it commits to paying them, rather than when payment actually falls due.

The Cost of Services in the Comprehensive Income and Expenditure Statement therefore includes an appropriate amount for the value of the post-employment benefits that the Council has committed to pay, while the effect on the amount to be met from government grants and Council Tax payers is balanced by entries permitted by statutory regulation meaning only the actual cost falling due in the year is charged to the General Fund in that year. This is because the Council is only funded, and therefore sets its budget, to meet a specific contributable amount each year rather than the benefit entitlement earned by employees. The employer's pension contribution is set on a triennial basis and for 2012/13 was 19.3%.

The net pension liability as at 31 March 2013 shown in Note 22, in accordance with the requirements of IAS 19, amounts to £321.9 million (£284.1 million as at 31 March 2012). This represents an increase in the liability of £37.8 million and is principally due to the increase in liabilities arising from service earned by current members and of changes to underlying assumptions made by the Fund actuaries.

It should be noted that the values calculated are estimates and based on assumptions, providing a snapshot of the position as at 31 March 2013. The triennial valuation, carried out by actuaries, takes a longer term view and considers the appropriate employer's contribution rates and this, together with employee contributions and revenues generated from fund investments, will be utilised to meet the fund's commitments. The latest triennial valuation was carried out as at 31 March 2011 and contribution changes arising from this valuation applied from 1 April 2012.

Other Funds

Common Good: The Common Good performed well against its budgeted use of working balances of £0.3 million, recording a surplus of £0.7 million before gains on the disposal and revaluation of fixed assets. The value of the Common Good was £78.2 million as at 31 March 2013, an increase overall of £4.4 million from last year. A surplus on the revaluation of assets accounted for £3.7 million of the 5.8% increase in value of net assets. Disposal of land will substantially increase the Common Good reserves over the next six years. This will be invested in line with the approved Common Good investment strategy.

Trust Funds & Endowments: The Council administers a number of trust funds and endowments, some of which have charitable status. The value of the Trust Fund balances at 31 March 2013 was £8.9 million. Following a review of the charitable trust accounts in accordance with the Office of the Scottish Charity Regulator (OSCR) requirements the presentation of balances at 31 March 2012 was restated so that the value is now £8.8 million (previously £6.9 million). The performance in 2012/13 represents a net increase of £0.1 million from last year. An overall loss on the funds of £56,000 was improved in the year by the gains associated with the revaluation of investments, specifically the element that is held as land and buildings.

Capital Fund: The Council is able, under the Local Government (Scotland) Act 1975, s.22 to establish a Capital Fund. The fund can be used for defraying capital expenditure and the repayment of the principal on loans. In accordance with s.23 of the Act the Council may pay in to the Fund sums from the sale of property, subject to certain exclusions, and sums as the Council may from time to time direct. The Capital Fund commenced the year with a balance of £19.9 million and during the year received interest of £0.3 million. During the year the net capital receipts of £7.1 million from the disposal of property in the General Fund and a number of contributions both from Council Services and outside

bodies, totalling £22 million, were made to the Capital Fund to capture funding for future capital investment already approved by the Council as well as to mitigate risks and increase the resilience of the Council Balance Sheet. Expenditure amounted to £0.3 million and the balance as at 31 March 2013 was £49 million.

Insurance Fund : The Council operates an Insurance Fund, to mitigate the risk of insurance related payments that may arise from claims. The value of the Fund was increased during the year by mainly a contribution from the General Fund of £0.1 million. The value of the fund as at 31 March 2013 was £1.8 million.

Group Accounts

The Aberdeen City Council Group consists of subsidiaries, joint venture and associate companies that are combined with the Aberdeen City Council to produce a group balance sheet with net assets of £710.9 million, this is a reduction against the net assets of the Council, which are £1,077.7 million, and is principally due to the inclusion of the pension liabilities that exist in connection with the Grampian Police, Grampian Fire and Rescue and Grampian Valuation joint boards. It is expected that future employee and employers' pension contributions together with investment returns will provide sufficient resources to finance these future liabilities.

In year performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2012/13. Defined benefit pension costs impacted adversely upon Sport Aberdeen which resulted in a deficit. At the Aberdeen Exhibition and Conference Centre (AECC) turnover was maintained despite 2012 being a non Offshore Europe year, however operating costs grew substantially across staff and property costs. Mountwest 343 Ltd, Common Good and Trust Funds all reported surpluses.

During the period since 31 March 2013, until the date the Statement of Accounts was authorised, the Police and Fire Reform Act came into force and this saw the transfer of Police and Fire bodies from local to central government. This will have a positive impact on the future group accounts of the Council as it will remove significant pension liabilities that both Police and Fire were carrying.

Other Events

The local government elections in May 2012 resulted in a change in leadership and political composition. As a result the strategic vision for the Council was amended and is detailed under the banner of *Aberdeen - the Smarter City*. The Council has continued to follow and refresh its 5 Year Business Plan.

The Council submitted its bid to become the City of Culture in 2017 and in preparing for this a guarantee in relation to the programme of events has been agreed and the Council has included this £1 million as part of its earmarked reserve to demonstrate its commitment to submitting this bid. The shortlisting for the next stage was confirmed at the end of June 2013 and whilst the Council was unsuccessful in its bid there is an ongoing commitment of £1 million towards culture in the city.

Police and Fire reform had the impact of changing the treatment of the closing balances of the Police and Fire Joint Boards. The result is that the Council has accounted for funds being received back from Grampian Joint Police Board and Grampian Joint Fire and Rescue Board as at 31 March 2013. The additional surplus that has been generated by this has been earmarked in the General Fund reserve.

In March 2013, the Council agreed to proceed with the transfer of Adult Social Care Services to a Local Authority Trading Company. This transfer will have the effect of changing the service from being one directly provided by the Council to one whereby the Council will commission services from the company. The Bon Accord Care companies commenced operations on 1st August 2013.

The Council, in conjunction with Aberdeenshire Council and Transport Scotland has, during the year continued to progress the construction of the Aberdeen Western Peripheral Route (AWPR) and has an obligation to pay a share of the costs. In 2012/13 the Council agreed a funding mechanism with Transport Scotland for the project. This agreement effectively caps the Council's future contribution to the scheme to £75 million.

There are no other material events that have taken place that required either an adjustment to be made, or disclosure to be included in the Financial Statements.

Impact of the Current Economic Climate

The financial year 2012/13 continued the development of services within a tight financial settlement. The 5 Year Business Plan was updated and approved by the Council and reaffirmed the foundation that has been put in place for financial stewardship and strategic planning for the medium term. Action taken by the Council to recognise weaknesses in its Balance Sheet have been addressed by prudent financial management to ensure that a pro-active approach is adopted to managing risks, rather than being reactive in an economic environment that remains volatile. This was reflected in an updated revenue and capital reserves strategy being approved by the Finance and Resources Committee in October 2012.

The priority based budgeting, strategy-led, approach to financial planning has continued to ensure that decision making is informed by business cases, options appraisal and the longer term view. This prepares the Council for the continued financial constraint that, in the current economic climate, is not expected to change. In the short-term, the outcome of the Local Government Settlement for 2012-15 has been positive for Aberdeen City Council as a new minimum funding level (85% floor) was introduced that provided an additional £3 million for financial year 2012/13, that would have otherwise created additional savings decisions.

There are many factors that can affect the financial position of the Council. Many of these are external factors and often difficult to influence but have the potential to create significant and challenging conditions for the Council financially. Two publications have been considered by Elected Members during the year that spelt out just how complex the environment in which local government works is and they provide information on what Councils should prepare for or recognise may impact on the financial position. These were CIPFA's 'The Long Downturn, Implications for public service organisations' and Audit Scotland's 'Responding to challenges and change, An overview of local government in Scotland 2013'.

Overall the Council is well placed to deal with the immediate impact of the economic climate and it will continue to plan for the delivery of effective and efficient services to ensure its financial position remains sustainable and financial risks are identified and mitigated where possible.

Acknowledgement

The production of the Statement of 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. I would like to take this opportunity to acknowledge the considerable efforts of all staff in the production of the 2012/13 Statement of Accounts within the tight timescales set.



Steven Whyte, CPFA
Chief Accountant

27 September 2013

Statement of Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance. The Council has agreed that in the absence of the Head of Finance, the Chief Accountant will be this officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Financial Statements within two months of receipt of the audit certificate.

The Head of Finance's responsibilities:

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

In preparing the Financial Statements, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Finance has also:

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

Financial Position:

The detailed financial statements set out in pages 33 to 171 give a true and fair view of the financial position of Aberdeen City Council and its group for 2012/13 and its income and expenditure for the year ended 31 March 2013.



Steven Whyte, CPFA
Chief Accountant

27 September 2013

Annual Governance Statement

Scope of Responsibility

Aberdeen City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council has a duty under section 96 of the Local Government (Scotland) Act 1973 to keep accounts, and section 12 of the Local Government in Scotland Act 2003 sets out the statutory duty for Scottish local authorities to follow proper accounting practices.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring arrangements are made for the management of risk.

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. The Statement explains how Aberdeen City Council has complied with the standard and meets the requirements of relevant legislation and current good practice.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included at page 157.

Aberdeen City Council updated its Local Code of Corporate Governance in 2012/13, with the Corporate Policy and Performance Committee receiving it on 29 November 2012. A copy of the code is on our website at www.aberdeencity.gov.uk¹ or can be obtained from the Office of the Chief Executive, Town House, Broad Street, Aberdeen, AB10 1FY. This statement explains how Aberdeen City Council has complied with the code.

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 Aberdeen City 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.

A governance framework has been in place at Aberdeen City Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

¹ A copy of the Local Code can be obtained at: <http://councilcommittees/mgConvert2PDF.aspx?ID=23171>

The Governance Framework

The Local Code of Corporate Governance was revised during 2010/11 to incorporate the six principles recommended in the CIPFA / SOLACE Framework, and has been further 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 and are summarised in the table below. 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.

Principle 1	Principle 2	Principle 3	Principle 4	Principle 5	Principle 6
Single Outcome Agreement Council policy statement – <i>Aberdeen: The Smarter City</i> Council Business Plan 2012 – 2017 Service Plans	Standing Orders Committee Terms of Reference Scheme of Delegation Financial Regulations Management and decision-making structures Roles and Responsibilities	Councillors' Code of Conduct Officer and employee policies and procedures Roles and Responsibilities	Monitoring, management and reporting of performance Inspection reports and the Council response, including Internal and External Audit Risk Management Strategy and system Audit and Risk Committee	Continuing professional development for elected members Training and development for officers	National standards for community engagement Ongoing engagement and feedback opportunities on the Council's Business Plan development and delivery Protocols for engagement with Community Councils and Community Planning Partners User and stakeholder groups Citizens Panel Public Performance Reporting Internal communications and engagement with staff and their trade union representatives

Prior to the Local Government elections in May 2012 the Council had in place an overall policy statement, *Vibrant, Dynamic and Forward Looking*, that encapsulated the commitments that the Council has made to the services it delivers or enables and the citizens of Aberdeen. Following the elections the Council replaced its policy statement with *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 2012/13 and this was the basis for decision making for the 2013/14 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.

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. 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 weekly scheduled meeting to make decisions, review and monitor progress and cascade information.

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. The scrutiny in the Council emanates from the Audit and Risk Committee, which has a convener and vice-convenor from the opposition groups to enhance the independence and scrutiny function. The Committee oversees Internal and External Audit reporting and can consider any previously unscrutinised issue, process or practice.

The Audit and Risk Committee also receives reports on risk management. The Council has an approved Risk Management Strategy and Manual that maintains a corporate risk register and the Audit and Risk Committee considered an Annual Risk Management report in June 2012. Service risk registers are in place across the Council.

Members have personal development plans and dedicated days are set aside for member training events. 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.

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.

On an annual basis the Council sets revenue and capital budgets and each is allocated to a named budget holder, with the ultimate accountability and responsibility for each Service budget resting with the Director. The responsibilities of budget holders are set out in the Financial Regulations and the Council has prepared online training and courses are available to enhance knowledge and understanding of financial systems, processes and the monitoring arrangements. During 2012/13 the Finance Framework has been developed and this documents the relationships and roles and responsibilities that finance staff and budget holders each have. The budgets are monitored on a monthly basis in accordance with a set timetable and financial reports are discussed widely and this includes by the CMT, Service Management Teams, Service Committees and the Finance and Resources Committee.

The requirement of every local authority to appoint a professionally qualified Chief Social Work Officer (CSWO) is contained within Section 45 of the Local Government (Scotland) Act 1994. The particular qualifications are set down in regulations. This is one of a number of statutory requirements in relation to posts, roles or duties, with which local authorities must comply.

The minimum qualifications for the post are prescribed in Regulations. There is an expectation that holders of this post will be registered as a social worker with the Scottish Social Services Council. An objective of the CSWO is to ensure the provision of effective, professional advice to local authorities - elected members and officers - in the Council's provision of social work services. The post should also assist authorities in understanding the complexities of social work service delivery and the key role social work plays in contributing to the achievements of national outcomes, local outcomes, overall performance improvement and the management of corporate risk. The designated CSWO is the Director of Social Care and Wellbeing.

Other statutory posts, namely the Monitoring Officer² and Chief Financial Officer³, remain at Head of Service level and both are members of the Corporate Management Team.

This is particularly important as 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 of the Chief Financial Officer (CFO). The principles are:

- i) the CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver those strategic objectives sustainably and in the public interest;
- ii) the CFO must be actively involved in, and bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the financial strategy;
- iii) the CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- iv) must lead and direct a finance function that is resourced to be fit for purpose; and
- v) must be professionally qualified and suitably experienced.

A qualified accountant with many years experience at a senior level, the CFO is responsible for a finance team where the only exception to the role is the day to day responsibility for the Internal Audit Function. 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.

The group governance framework is based upon communication and information between the Council and the group organisations, with, for example, elected member representation, business plan scrutiny and approval and operational / service level agreements being components of the relationship. Following recommendations made by Internal Audit further work to strengthen the governance is being put in place.

² Monitoring Officer – as required by s.5 of the Local Government & Housing Act 1989

³ Chief Financial Officer – as required by s.95 of the Local Government (Scotland) Act 1973

Review of Effectiveness

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

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).

In relation to the statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship that they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition the CFO is in attendance to advise not only the Council at its meetings, but the Audit and Risk Committee and the Finance and Resources Committee.

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

The Internal Audit function is under contract to PricewaterhouseCoopers LLP, which commenced in October 2010.

At the end of the year the Head of Internal Audit provided the Council with a written report on risk management, controls and governance processes during the year and the report issued covers the year ending 31 March 2013.

The report showed that 15 audits had been carried out and that there were no business critical risk recommendations. The Council in all instances responded to the various recommendations made by Internal Audit. The report refers, as at 31 March 2013, to good progress having been made by officers in implementing recommendations. Progress is being made by management and evidence was able to be provided to show the implementation of those recommendations. Where recommendations remain outstanding management is committed to the completion of the work in accordance with revised completion dates.

In June 2012 the Audit and Risk Committee received the updated Assurance and Improvement Plan (AIP) for the period 2012-15, which reflected positively on the improvements that the Council had made in a number of significant areas since the last AIP, against a backdrop of change.

During 2012/13 the Council accepted an invitation from the Information Commissioner's Office (ICO) to take part in an assessment of its compliance with the Data Protection Act 1998 (DPA). The Council chose to seek assurances in the areas of Data Governance, Training and Security. The Audit took place on 2nd - 4th April 2013, involved auditors from the ICO and took the form of interviews and site visits. The Council has received the draft report and can confirm that the ICO have concluded that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance.

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.

The Annual Governance Statement from 2011/12 identified six significant governance issues and in reviewing the progress on these actions, four of these (ICT Asset Registers, Asset Management & Capital Investment, Education, Culture & Sport Human Resources management and Community Centres) have progressed sufficiently to be removed although as they relate to continuing operational matters they will be acted upon during 2013/14 and beyond. Of the remaining issues identified in 2011/12 the challenging issue in relation to Group Governance and a specific control issue that can be further strengthened are retained on this statement.

In addition to the above the wider review of the effectiveness of Council governance is informed by:

- (i) assurance statements on internal control received from senior management;
- (ii) the work of managers and finance staff;
- (iii) internal audit reports from across the Council;
- (iv) external audit reports and annual audit letter;
- (v) reports from external review bodies and the work of the Local Area Network (LAN);
- (vi) governance arrangements being in place within the Council's subsidiaries, joint venture and associated companies.

Each head of service has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Head of Finance. Assurances have been sought and received from organisations included within the Group. Reliance has also been placed on each organisation's most recent audited accounts together with Council officers detailed knowledge of these organisations as a consequence of their continued involvement with these companies. More regular reporting and building relationships across the Group has progressed, and in a review by internal audit of the relationship the Council has with Arms Length External Organisations, it highlighted the need to develop the governance arrangements and in their recent report to Audit and Risk Committee (April 2013) recommended a number of actions to enhance those arrangements.

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
1	Fraud Uncovered; the council experienced the loss of a sum of cash that was discovered through the bank reconciliation process in the early part of the year.	Self-evaluation 2011/12	Local cash collection and corporate controls were reviewed in 2011/12 and changes were made to strengthen them.
2.	Group Governance; following an internal audit of one of our subsidiaries, improvements in governance can still be made to strengthen the specific relationships between the council and group entities.	Self-evaluation 2011/12; Internal Audit Annual Statement 2012/13	Following further work in 2012/13, in conjunction with Internal Audit, a range of further recommendations have been agreed and will be implemented.

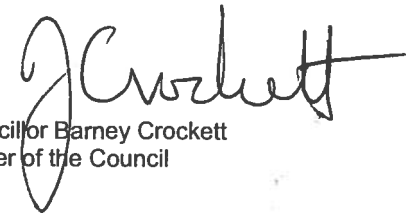
Issue Ref.	Issue Description	Source of Evidence	Action
3.	Business Continuity & Business Impact Analysis Arrangements; an internal audit identified a number of significant recommendations which highlighted the need for a Council-wide approach to business continuity planning and assessment of critical processes.	Internal Audit Annual Statement 2012/13	To fully implement the recommendations as agreed in the internal audit report.
4.	Lone Working Arrangements; policies and procedures for lone working within Social Care & Wellbeing require to be put in place to ensure that management understands the level of risk, and a consistent approach is taken to mitigate that risk.	Internal Audit Annual Statement 2012/13	To fully implement the recommendations as agreed in the internal audit report.

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.


Valerie Watts
Chief Executive

on behalf of Aberdeen City Council
27 September 2013


Councilor Barney Crockett
Leader of the Council

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 and require local authorities in Scotland to prepare a Remuneration Report as part of the Statement of Accounts.

All information disclosed in Tables 1 to 9 in this report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland, to ensure they are consistent with the Statement of Accounts.

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2008 (SSI No. 2008/415) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). 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.

When determining the level of remuneration for councillors, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Department Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowance and expenses to be paid to local authority councillors.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2012/13 the salary of the Leader of Aberdeen City Council is £37,880. The Regulations permit the Council to remunerate one Lord Provost and set out the maximum salary that may be paid. Council policy is to pay at the national maximum, £28,410.

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 £424,118. 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, £28,410, with the remaining Senior Councillors receiving 75 per cent of that sum, £21,308.

During 2011/12 a number of Senior Councillors volunteered to reduce the value of the salary that was paid to them by 5%. This continued until the local government elections on 3 May 2012. Following the election one Senior Councillor continued to take a 5% reduction in pay resulting in a salary of £26,990 being paid (instead of £28,410).

In 2012/13 Aberdeen City Council had 18 Senior Councillor posts. Following the local government elections in May 2012 a number of roles and responsibilities changed. This meant 33 individual Councillors received payments as Senior Councillors during the course of the financial year. The salary and allowances paid to them totalled £379,114.

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 Aberdeen City Council remuneration arrangement for Councillors, which encompasses the salaries of all elected members including the Leader, Lord Provost and Senior Councillors, was agreed at a Statutory Council Meeting on 16 May 2012.

In addition to the Senior Councillors of the Council, the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convenor of a Joint Board such as Grampian Joint Police Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convenor is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convenor being a member of the Local Government Pension Scheme.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convenor of a Joint Board.

The salary of senior employees is set by reference to local arrangements. While the Scottish Joint Negotiating Committee for Local Authority Services (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities and Circular CO/144 recommended the amount of salary for the Chief Executive for the period 2008 to 2011. In 2008/09 during the recruitment of the Chief Executive, the Council agreed to pay the Chief Executive an alternative amount. This was to take account of local conditions at the time. During 2010/11 as part of the recruitment exercise for a new Chief Executive, the salary was split to include a basic value (95% of the existing salary) and a 5% performance related pay element. At the Corporate Policy and Performance Committee on 29 November 2012 it was agreed that the Chief Executive's performance be reviewed and rewarded on the same basis as all other Chief Officials thereby removing the former performance related element of salary.

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.

Circular CO/144 indicates that a 2.5% pay award would apply with effect from 1 April 2010. As part of the budget setting process the Council agreed that this pay award would not be applied in 2010/11. This pay award has been applied during 2012/13 with effect from 1 April 2011, and was agreed at the Finance and Resources Committee on 17 August 2012.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, Aberdeen Exhibition and Conference Centre Ltd and Sport Aberdeen 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 2012/13 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 and Conveners and Vice-Conveners of Joint Boards. 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 and Sport Aberdeen Ltd.

Table 1 : Remuneration Bands

Remuneration Band	Number of Employees	
	2012/13	2011/12
£50,000 - £54,999	138	101
£55,000 - £59,999	24	24
£60,000 - £64,999	8	7
£65,000 - £69,999	4	4
£70,000 - £74,999	6	8
£75,000 - £79,999	13	13
£80,000 - £84,999	4	1
£85,000 - £89,999	3	-
£90,000 - £94,999	-	2
£95,000 - £99,999	2	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	4
£110,000 - £114,999	4	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
Total	207	166

Table 2 : Total Remuneration Paid to Councillors

	2012/13	2011/12
	£	£
Salaries	868,893	855,473
Allowances	-	2,040
Expenses	51,587	52,306
Total	920,480	909,819

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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
					£'000	£'000
£0 - £19,999	-	-	14	233	93	1,174
£20,000 - £39,999	-	-	11	51	311	1,476
£40,000 - £59,999	-	-	5	12	228	570
£60,000 - £79,999	-	-	2	7	137	484
£80,000 - £99,999	-	-	-	-	-	-
£100,000 - £149,999	-	-	1	-	120	-
£150,000 - £199,999	-	-	-	-	-	-
	-	-	33	303	889	3,704

The total cost of £889,000 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 (2011/12 £318,000).

Table 4 : Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards

Councillor Name	Responsibility	2012/13				2011/12	Notes
		Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In- Kind £	Other Expenses £	Total Remuneration 2012/13 £	Total Remuneration 2011/12 £	
Senior Councillors							
Barney Crockett	Leader of the Council (from 16 May 2012)	36,312	573	6,501	43,386	29,928	1
Marie Boulton	Depute Council Leader (from 16 May 2012)	24,880	242	648	25,770	-	2
George Adam	Lord Provost (from 16 May 2012)	24,880	417	3,700	28,997	-	
Peter Stephen	Lord Provost (until 3 May 2012)	2,440	61	-	2,501	30,068	
John Reynolds	Depute Provost (from 16 May 2012)	18,653	285	541	19,479	5,351	
Yvonne Allan	Vice Convener, Finance and Resources (from 16 May 2012)	18,653	159	57	18,869	-	
Kirsty Blackman	Convener, Licensing Committee (until 3 May 2012)	1,784	41	-	1,825	16,132	
Neil Cooney	Convener, Housing and Environment (from 16 May 2012)	24,880	172	70	25,122	-	
John Corall	Vice Convener, Enterprise, Planning and Infrastructure (until 3 May 2012)	1,784	15	239	2,038	21,791	
Irene Cormack	Convener, Appeals Committee (until 29 June 2011)	1,498	54	73	1,625	5,459	
Kate Dean	Convener, Enterprise Planning and Infrastructure (until 3 May 2012)	2,440	141	-	2,581	33,662	
Alan Donnelly	Vice Convener, Audit and Risk (until 3 May 2012)	1,784	19	122	1,925	22,624	
Jackie Dunbar	Convener, Appeals Committee (until 3 May 2012)	1,784	17	38	1,839	22,821	3
Lesley Dunbar	Vice Convener, Social Care and Wellbeing (from 16 May 2012)	19,215	218	1,719	21,152	-	
Neil Fletcher	Convener, Pensions Panel (until 3 May 2012)	1,898	79	-	1,977	27,131	4
Gordon Graham	Convener, Corporate Policy and Performance (from 16 May 2012)	24,880	614	46	25,540	-	
Ross Grant	Convener, Appeals Committee (from 16 May 2012)	19,215	228	314	19,757	-	
Len Ironside CBE	Convener, Social Care and Wellbeing (from 16 May 2012)	24,880	373	509	25,762	-	
Muriel Jaffrey	Convener, Licensing Board (until 3 May 2012)	1,784	112	21	1,917	22,103	
James Kiddie	Convener, Social Care and Wellbeing (until 3 May 2012)	2,325	9	34	2,368	28,937	
Jennifer Laing	Convener, Education Culture and Sport (from 16 May 2012)	24,880	239	284	25,403	-	
Aileen Malone	Vice Convener, Audit and Risk (from 16 May 2012)	21,655	525	3,189	25,369	28,947	5
Callum McCaig	Convener, Audit and Risk Committee (from 16 May 2012)	27,449	216	426	28,091	36,373	6
Ramsay Milne	Vice Convener, Enterprise, Planning and Infrastructure (from 16 May 2012)	19,215	190	818	20,223	-	7
Jean Morrison MBE	Vice Convener, Housing and Environment (from 16 May 2012)	19,215	81	2,188	21,484	-	
Jim Noble	Vice Convener, Finance and Resources (until 3 May 2012)	1,784	49	361	2,194	21,777	
Richard Robertson	Vice Convener, Social Care and Wellbeing (until 3 May 2012)	1,899	70	6	1,975	19,956	
Jennifer Stewart	Vice Convener, Education, Culture and Sport (until 3 May 2012)	1,784	27	45	1,856	23,447	
John Stewart	Convener, Finance and Resources Committee (from 30 June 2011 until 9 February 2012)	-	-	-	-	30,121	
Kevin Stewart	Convener, Finance and Resources Committee (until 29 June 2011)	-	-	-	-	6,875	
Angela Taylor	Vice Convener, Corporate Policy and Performance (from 16 May 2012)	19,215	205	307	19,727	-	
Ross Thomson	Vice Convener, Education, Culture and Sport (from 16 May 2012)	19,215	188	-	19,403	-	
John West	Convener, Education, Culture and Sport (until 3 May 2012)	2,440	21	-	2,461	25,729	
William Young	Convener, Finance and Resources (from 16 May 2012)	24,880	189	248	25,317	-	
Ian Yuill	Convener, Finance and Resources (until 3 May 2012)	3,146	17	-	3,163	22,061	8
Councillors							
Scott Carle	Convener, Grampian Joint Fire and Rescue Board (from 16 May 2012)	23,973	197	314	24,484	-	9
Wendy Stuart	Vice Convener, Grampian Joint Fire and Rescue Board (until 3 May 2012)	1,899	201	-	2,100	14,803	10
Mark McDonald	Vice Convener, Grampian Joint Fire and Rescue Board (until 29 June 2011)	-	-	-	-	5,379	11
Fraser Forsyth	Convener, Grampian Joint Police Board (from 9 June 2012)	16,304	176	515	16,995	-	12
Martin Greig	Convener, Grampian Joint Police Board (until 3 May 2012)	2,325	31	7	2,363	28,301	13
TOTAL		487,247	6,451	23,340	517,038	529,776	

Table 4 : Notes

- Note 1:** Councillor Crockett was also Convener of Enterprise Planning and Infrastructure Committee and Convener of the Pensions Panel. Prior to 16 May 2012 he was Convener of Audit and Risk Committee. As such a full year disclosure of remuneration has been made.
- Note 2:** Councillor Boulton was also Convener of Licensing Board and Convener of Licensing Committee.
- Note 3:** Councillor Jackie Dunbar was also Vice Convener of Housing and Environment Committee until 3 May 2012.
- Note 4:** The amount recharged to North East Scotland Pension Fund in 2012/13 was £nil (2011/12 £1,192).
- Note 5:** Prior to her appointment as Vice Convener of Audit and Risk Councillor Malone was Depute Council Leader and Convener of Housing and Environment Committee. As such a full year disclosure of remuneration has been made.
- Note 6:** Prior to his appointment as Convener of Audit and Risk Councillor McCaig was Council Leader and Convener of Corporate Policy and Performance Committee. As such a full year disclosure of remuneration has been made.
- Note 7:** Councillor Milne was also Convener of Development Management Sub-Committee from 16 May 2012.
- Note 8:** Councillor Yuill was also Vice Convener of Corporate Policy and Performance Committee until 3 May 2012.
- Note 9:** The amount recharged to Grampian Joint Fire and Rescue Board in 2012/13 was £9,207 (2011/12 £nil).
- Note 10:** The amount recharged to Grampian Joint Fire and Rescue Board in 2012/13 was £431 (2011/12 £2,390).
- Note 11:** The amount recharged to Grampian Joint Fire and Rescue Board in 2012/13 was £nil (2011/12 £2,376).
- Note 12:** The amount recharged to Grampian Joint Police Board in 2012/13 was £2,661 (2011/12 £nil).
- Note 13:** The amount recharged to Grampian Joint Police Board in 2012/13 was £972 (2011/12 £10,756).

Table 5 : Remuneration of Senior Employees of the Council

Post Title	2012/13			2011/12		Notes
	Salary, Fees and Allowances £	Performance Related Pay £	Compensation for Loss of Employment £	Total Remuneration 2012/13 £	Total Remuneration 2011/12 £	
Chief Executive	148,413 (full time equivalent 141,834)	-	-	148,413	154,345	1
Director of Education Culture and Sport (from 1 January 2013)	27,081 (full time equivalent 109,827)	-	-	27,081	-	
Acting Director of Education Culture and Sport (from 16 April until 17 June 2012 and 12 November until 31 December 2012)	33,751 (full time equivalent 109,827)	-	-	33,751	-	1
Acting Director of Education Culture and Sport (from 13 February until 15 April 2012 and 1 October until 11 November 2012)	18,077 (full time equivalent 109,827)	-	-	18,077	10,377 (fte 107,148)	1
Acting Director of Education Culture and Sport (from 18 June until 30 September 2012)	31,429 (full time equivalent 109,827)	-	-	31,429	-	1
Director of Education Culture and Sport (until 12 February 2012)	2,334 (full time equivalent 109,827)	-	-	2,334	98,708 (fte 107,148)	1
Director of Corporate Governance	112,506 (full time equivalent 109,827)	-	-	112,506	107,148	1
Director of Housing and Environment	112,506 (full time equivalent 109,827)	-	-	112,506	107,148	1
Director of Social Care and Wellbeing	112,506 (full time equivalent 109,827)	-	-	112,506	107,148	1
Director of Enterprise Planning and Infrastructure	112,506 (full time equivalent 109,827)	-	-	112,506	107,148	1
Head of Finance (s.95 Officer)	82,570 (full time equivalent 80,604)	-	-	82,570	78,639	1
Head of Legal and Democratic Services (Monitoring Officer)	82,570 (full time equivalent 80,604)	-	-	82,570	78,639	1
Head of Service, Office of Chief Executive	79,145 (full time equivalent 77,166)	-	-	79,145	77,374	1
	955,394	-	-	955,394	926,674	

Note 1: The salary paid in 2012/13 also includes a back date of pay, which is a pay award relating to the 2011/12 financial year.

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

Name	Post Title	2012/13					2011/12
		Salary, Fees and Allowances	Performance Related Pay	Relocation Allowance	Benefits Other Than in Cash	Total Remuneration 2012/13	Total Remuneration 2011/12
		£	£	£	£	£	£
Brian Horsburgh	Managing Director Aberdeen Exhibition & Conference Centre Ltd	107,928	10,936	-	699	119,563	113,416
Alistair Robertson	Managing Director Sport Aberdeen Ltd (from 2 April 2012)	82,536	-	7,500	-	90,036	-
Stephen Russell	Managing Director Sport Aberdeen Ltd (until 1 April 2012)	-	-	-	-	-	65,292
TOTAL		190,464	10,936	7,500	699	209,599	178,708

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 2012-13 are as follows:

Whole time pay	Contribution rate 2012/13
On earnings up to and including £19,400	5.5%
On earnings above £19,400 and up to £23,700	7.25%
On earnings above £23,700 and up to £32,500	8.5%
On earnings above £32,500 and up to £43,300	9.5%
On earnings above £43,300	12%

Whole time pay	Contribution rate 2011/12
On earnings up to and including £18,500	5.5%
On earnings above £18,500 and up to £22,600	7.25%
On earnings above £22,600 and up to £30,900	8.5%
On earnings above £30,900 and up to £41,200	9.5%
On earnings above £41,200	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) pension for lump sum 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 reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not 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 NESPF on behalf of Senior Councillors and Conveners and Vice-Conveners of Joint Boards, and their individual pension entitlements as at 31 March 2013.

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 2013.

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

Table 7 : Pension Benefits – Senior Councillors

Councillor Name Senior Councillors	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2013 £	For year to 31 March 2012 £		As at 31 March 2013 £'000	Difference from 31 March 2012 £'000
Barney Crockett	Leader of the Council (from 16 May 2012)	7,008	5,483	Pension	2	-
				Lump Sum	2	-
Marie Boulton	Depute Council Leader (from 16 May 2012)	4,802	-	Pension	2	1
				Lump Sum	1	-
George Adam	Lord Provost (from 16 May 2012)	4,802	-	Pension	1	1
Peter Stephen	Lord Provost (until 3 May 2012)	-	4,775	Pension	-	(4)
				Lump Sum		(3)
John Reynolds	Depute Provost (from 16 May 2012)	3,600	1,013	Pension	2	-
				Lump Sum	2	-
Yvonne Allan	Vice Convener, Finance and Resources (from 16 May 2012)	3,600	-	Pension	2	1
				Lump Sum	1	-
Kirsty Blackman	Convener, Licensing Committee (until 3 May 2012)	344	3,045	Pension	2	-
				Lump Sum	2	-
Neil Cooney	Convener, Housing and Environment (from 16 May 2012)	4,802	-	Pension	2	-
				Lump Sum	2	1
John Corall	Vice Convener, Enterprise, Planning and Infrastructure (until 3 May 2012)	344	3,829	Pension	2	1
				Lump Sum	1	-
Irene Cormack	Convener, Appeals Committee (until 29 June 2011)	-	1,013	Pension	2	-
				Lump Sum	2	-
Kate Dean	Convener, Enterprise Planning and Infrastructure (until 3 May 2012)	471	5,209	Pension	3	-
				Lump Sum	2	-
Alan Donnelly	Vice Convener, Audit and Risk (until 3 May 2012)	344	4,053	Pension	4	-
				Lump Sum	8	-
Jackie Dunbar	Convener, Appeals Committee (until 3 May 2012)	344	4,053	Pension	2	-
				Lump Sum	2	-
Lesley Dunbar	Vice Convener, Social Care and Wellbeing (from 16 May 2012)	3,708	-	Pension	-	-
Neil Fletcher	Convener, Pensions Panel (until 3 May 2012)	366	4,053	Pension	1	-
				Lump Sum	1	-
Gordon Graham	Convener, Corporate Policy and Performance (from 16 May 2012)	4,802	-	Pension	2	1
				Lump Sum	1	-
Ross Grant	Convener, Appeals Committee (from 16 May 2012)	3,708	-	Pension	-	-
Muriel Jaffrey	Convener, Licensing Board (until 3 May 2012)	344	4,053	Pension	3	1
				Lump Sum	2	-
James Kiddie	Convener, Social Care and Wellbeing (until 3 May 2012)	449	5,209	Pension	3	1
				Lump Sum	2	-

Councillor Name Senior Councillors (continued)	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2013 £	For year to 31 March 2012 £		As at 31 March 2013 £'000	Difference from 31 March 2012 £'000
Jennifer Laing	Convener, Education Culture and Sport (from 16 May 2012)	4,802	-	Pension	2	1
Aileen Malone	Vice Convener, Audit and Risk (from 16 May 2012)	4,179	5,209	Lump Sum	1	-
Callum McCaig	Convener, Audit and Risk Committee (from 16 May 2012)	5,298	6,522	Pension	2	-
Ramsay Milne	Vice Convener, Enterprise, Planning and Infrastructure (from 16 May 2012)	3,708	-	Lump Sum	1	-
Jean Morrison MBE	Vice Convener, Housing and Environment (from 16 May 2012)	3,708	-	Pension	-	-
Jennifer Stewart	Vice Convener, Education, Culture and Sport (until 3 May 2012)	344	4,335	Pension	2	-
John Stewart	Convener, Finance and Resources Committee (from 30 June 2011 until 9 February 2012)	-	5,742	Lump Sum	2	-
Angela Taylor	Vice Convener, Corporate Policy and Performance (from 16 May 2012)	3,708	-	Pension	3	-
Ross Thomson	Vice Convener, Education, Culture and Sport (from 16 May 2012)	3,708	-	Lump Sum	2	-
John West	Convener, Education, Culture and Sport (until 3 May 2012)	471	4,927	Pension	-	-
William Young	Convener, Finance and Resources (from 16 May 2012)	4,802	-	Lump Sum	2	-
Ian Yuill	Convener, Finance and Resources (until 3 May 2012)	607	4,053	Pension	2	1
				Lump Sum	1	-
Councillors						
Scott Carle	Convener, Grampian Joint Fire and Rescue Board (from 16 May 2012)	4,627	-	Pension	-	-
Wendy Stuart	Vice Convener, Grampian Joint Fire and Rescue Board (until 3 May 2012)	366	2,811	Pension	1	-
Mark McDonald	Vice Convener, Grampian Joint Fire and Rescue Board (until 29 June 2011)	-	1,013	Lump Sum	1	-
Fraser Forsyth	Convener, Grampian Joint Police Board (from 9 June 2012)	3,147	-	Pension	2	-
Martin Greig	Convener, Grampian Joint Police Board (until 3 May 2012)	449	5,209	Lump Sum	2	-
TOTAL		87,762	85,609	Pension	58	7
				Lump Sum	48	(2)

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	Notes	In-year Pension Contributions by ACC			Accrued Pension Benefits	
			For year to 31 March 2013 £	For year to 31 March 2012 £		As at 31 March 2013 £'000	Difference from 31 March 2012 £'000
Valerie Watts	Chief Executive	1	28,859	26,006		Pension 79	6
Gayle Gorman	Director of Education Culture and Sport (from 1 January 2013)		5,227	-		Pension -	-
Patricia Cassidy	Acting Director of Education Culture and Sport (from 16 April until 17 June 2012 and 12 November until 31 December 2012)	1	6,514	-		Pension 12 Lump Sum 17	3 2
David Leng	Acting Director of Education Culture and Sport (from 13 February until 15 April 2012 and 1 October until 11 November 2012)	1	3,489	1,915		Pension 15 Lump Sum 28	2 1
Charles Penman	Acting Director of Education Culture and Sport (from 18 June until 30 September 2012)	1	6,066	-		Pension 14 Lump Sum 24	3 3
Annette Bruton	Director of Education Culture and Sport (until 12 February 2012)	1	450	18,017		Pension -	(63)
Stewart Carruth	Director of Corporate Governance	1	21,714	20,680		Pension 7	2
Pete Leonard	Director of Housing and Environment	1	21,714	20,680		Pension 31 Lump Sum 70	3 1
Fred McBride	Director of Social Care and Wellbeing	1	21,714	20,680		Pension 36 Lump Sum 86	3 2
Gordon McIntosh	Director of Enterprise Planning and Infrastructure	1	21,714	20,680		Pension 41 Lump Sum 101	3 2
Barry Jenkins	Head of Finance (s.95 Officer)	1	15,936	15,177		Pension 30	2
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	1	15,936	15,177		Pension 32 Lump Sum 80	2 2
Ciaran Monaghan	Head of Service, Office of Chief Executive	1	15,256	14,530		Pension 30 Lump Sum 74	2 2
TOTAL			184,589	173,542		Pension 327 Lump Sum 480	(32) 15

Note 1: The in-year pension contributions reflects the impact of a back date of pay which is a pay award relating to the 2011/12 financial year.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their 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			Notes
		For year to 31 March 2013 £	For year to 31 March 2012 £		As at 31 March 2013 £'000	Difference from 31 March 2012 £'000	
Brian Horsburgh	Managing Director, Aberdeen Exhibition & Conference Centre Ltd	32,298	28,348		n/a	n/a	1
Alistair Robertson	Managing Director Sport Aberdeen Ltd (from 2 April 2012)	10,453	-	Pension Lump Sum	36 -	36 -	2
Stephen Russell	Managing Director Sport Aberdeen Ltd (until 1 April 2012)	-	8,423	Pension Lump Sum	- -	(5) (5)	
TOTAL		42,751	36,771	Pension Lump Sum	36 -	31 (5)	

Note 1: Aberdeen Exhibition & Conference Centre Ltd contributes towards a money purchase scheme 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.

Note 2: Service transferred in from Merseyside Pension Fund.



Valerie Watts
Chief Executive

27 September 2013



Councillor Barney Crockett
Leader of the Council

Movement in Reserves Statement

	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 2011	(11,289)	(24,177)	(4,514)	(2,363)	(13,616)	-	(252)	(56,211)	(1,179,189)	(1,235,400)
<u>Movement in Reserves during 2011/12</u>										
(Surplus) or deficit on provision of services	37,531	-	27,152	-	-	-	-	64,683	-	64,683
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	9,760	9,760
Total Comprehensive Income and Expenditure	37,531	-	27,152	-	-	-	-	64,683	9,760	74,443
Adjustments between accounting basis & funding basis under regulations (note 5)	(35,612)	-	(27,698)	-	(5,625)	-	155	(68,780)	68,780	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,919	-	(546)	-	(5,625)	-	155	(4,097)	78,540	74,443
Transfers to/from Earmarked Reserves (note 6)	(1,920)	4,094	802	(382)	(2,594)	-	-	-	-	-
(Increase)/Decrease in 2011/12	(1)	4,094	256	(382)	(8,219)	-	155	(4,097)	78,540	74,443
Balance at 31 March 2012 carried forward	(11,290)	(20,083)	(4,258)	(2,745)	(21,835)	-	(97)	(60,308)	(1,100,649)	(1,160,957)

	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 2012 brought forward	(11,290)	(20,083)	(4,258)	(2,745)	(21,835)	-	(97)	(60,308)	(1,100,649)	(1,160,957)
<u>Movement in Reserves during 2012/13</u>										
(Surplus) or deficit on provision of services	20,157	-	20,740	-	-	-	-	40,897	-	40,897
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	42,336	42,336
Total Comprehensive Income and Expenditure	20,157	-	20,740	-	-	-	-	40,897	42,336	83,233
Adjustments between accounting basis & funding basis under regulations (note 5)	(60,521)	-	(22,154)	-	(6,700)	-	-	(89,375)	89,375	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(40,364)	-	(1,414)	-	(6,700)	-	-	(48,478)	131,711	83,233
Transfers to/from Earmarked Reserves (note 6)	40,363	(17,855)	(307)	314	(22,515)	-	-	-	-	-
(Increase)/Decrease in Year	(1)	(17,855)	(1,721)	314	(29,215)	-	-	(48,478)	131,711	83,233
Balance at 31 March 2013	(11,291)	(37,938)	(5,979)	(2,431)	(51,050)	-	(97)	(108,786)	(968,938)	(1,077,724)

Comprehensive Income and Expenditure Statement

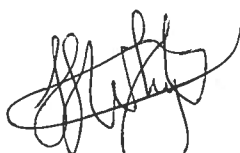
2011/12				2012/13			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
4,498	(3,040)	1,458	Central Services to the Public	4,810	(3,016)	1,794	
42,395*	(6,835)*	35,560*	Cultural and Related Services	39,072	(4,412)	34,660	
185,235*	(9,893)*	175,342*	Education Services	223,759	(8,130)	215,629	
39,295*	(8,046)*	31,249*	Environmental Services	35,328	(7,159)	28,169	
173,471*	(141,375)*	32,096*	Housing Services	157,946	(140,710)	17,236	
16,095	(4,717)	11,378	Planning and Development Services	13,779	(5,079)	8,700	
29,156*	(11,113)*	18,043*	Roads and Transport Services	29,870	(13,053)	16,817	
166,864*	(36,428)*	130,436*	Social Work Services	173,764	(36,182)	137,582	
10,563	(1)	10,562	Corporate and Democratic Core	6,763	(355)	6,408	
14,522*	(653)*	13,869*	Non Distributed Costs	2,107	-	2,107	
34,596	-	34,596	Joint Boards	29,705	-	29,705	
26,200	(10,474)	15,726	Exceptional Items	-	-	-	
742,890*	(232,575)*	510,315*	Cost Of Services	716,903	(218,096)	498,807	
-	(3,561)	(3,561)	Other Operating Expenditure (note 7)	-	(4,281)	(4,281)	
37,488	(10,969)	26,519	Financing and Investment Income and Expenditure (note 8)	66,263	(42,534)	23,729	
-	(468,590)	(468,590)	Taxation and Non-Specific Grant Income (note 9)	-	(477,355)	(477,355)	
780,378*	(715,695)*	64,683	(Surplus) or Deficit on Provision of Services (note 17)	783,166	(742,266)	40,900	
		(15,982)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets			5,309	
		-	Impairment losses on non-current assets charged to the Revaluation Reserve			-	
		(254)	(Surplus) / deficit on revaluation of available for sale financial assets			213	
		25,996	Actuarial (gains) / losses on pension assets / liabilities			36,814	
		9,760	Other Comprehensive Income and Expenditure			42,336	
		74,443	Total Comprehensive Income and Expenditure			83,236	

* 2011/12 figures have been restated following a review of SeRCOP requirements

Balance Sheet

1 April 2011 £000	31 March 2012 £000		Note	31 March 2013 £000
1,971,262	1,896,040	Property, Plant & Equipment	30	1,796,422
128,185	148,188	Heritage Assets	29	150,715
83,055	84,176	Investment Property	27	83,288
801	639	Intangible Assets	28	388
19,428	11,111	Long Term Investments	40	10,897
21,862	4,506	Long Term Debtors	40	9,416
2,224,593	2,144,660	Long Term Assets		2,051,126
12,266	28,316	Cash and Cash Equivalents	16	36,445
5,052	20,222	Short Term Investments	40	20,341
48,629	45,772	Short Term Debtors	35	65,242
1,737	2,163	Inventories	34	1,654
3,972	5,831	Assets Held for Sale	33	5,731
71,656	102,304	Current Assets		129,413
(120,480)	(130,625)	Short Term Borrowing	40	(121,660)
(82,499)	(68,959)	Short Term Creditors	36	(65,355)
(6,144)	(5,635)	Short Term Provisions	37	(2,928)
(2,526)	(2,587)	PPP Short Term Liabilities	32	(2,728)
(10,671)	(8,496)	Accumulated Absences Account	12	(8,683)
-	(1,030)	Grants Receipts in Advance - Revenue	39	(1,054)
-	(103)	Grants Receipts in Advance - Capital	39	(1,902)
(222,320)	(217,435)	Current Liabilities		(204,310)

1 April 2011 £000	31 March 2012 £000		Note	31 March 2013 £000
(457,756)	(468,063)	Long Term Borrowing	40	(460,777)
(322)	(192)	Long Term Creditors	40	(59)
(11,338)	(3,261)	Long Term Provisions	37	(5,511)
(115,452)	(112,958)	PPP Long Term Liabilities	32	(110,230)
(253,661)	(284,098)	Pension Liabilities	22	(321,928)
(838,529)	(868,572)	Long Term Liabilities		(898,505)
1,235,400	1,160,957	Net Assets		1,077,724
		Usable reserves:	11	
(35,466)	(31,373)	General Fund Balance		(49,229)
(6,877)	(7,003)	Housing Revenue Account		(8,410)
(13,616)	(21,835)	Statutory and Other Reserves		(51,050)
-	-	Capital Receipts Reserve		-
(252)	(97)	Capital Grants Unapplied Account		(97)
(1,179,189)	(1,100,649)	Unusable Reserves	12	(968,938)
(1,235,400)	(1,160,957)	Total Reserves		(1,077,724)



Steven Whyte, CPFA
Chief Accountant

27 September 2013

The unaudited accounts were issued on 17 June 2013 and the audited accounts were authorised for issue on 27 September 2013.

Cash Flow Statement

2011/12		2012/13
£000		£000
(64,683)	Net Surplus or (Deficit) on the provision of services	(40,900)
147,262	Adjust net surplus or deficit on the provision of services for non cash movements	128,967
(32,068)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,136)
<u>50,511</u>	Net cash flows from Operating Activities (note 13)	<u>56,931</u>
(37,775)	Net cash flows from Investing Activities (note 14)	(30,078)
<u>18,088</u>	Net Cash flows from Financing Activities (note 15)	<u>(18,724)</u>
30,824	Net increase or decrease in cash and cash equivalents	8,129
 (2,508)	 Cash and cash equivalents at the beginning of the reporting period	 <u>28,316</u>
<u>28,316</u>	Cash and cash equivalents at the end of the reporting period (note 16)	<u>36,445</u>

Notes to the Accounts

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts under the Local Authority Accounts (Scotland) Regulations 1985 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 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of 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.
- 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. This scheme is currently in its introductory phase which will last until 31 March 2014. 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 (i.e. as energy is used), 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
- amortisation of intangible fixed assets attributable to the 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. 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 are 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, administered by Aberdeen City Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked 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 projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5%.
- 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
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - 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
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - 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 – debited to the Pensions Reserve
 - 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 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 Statement of 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 Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of 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 Statement of Accounts.

viii Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

ix Financial Liabilities

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

x 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
- 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
- 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.

xi 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.

xii 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 attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

xiii Heritage Assets

The Council's Heritage Assets are held in the Council's Art Gallery and Museums. There are eight collections of heritage assets which are held in support of the primary objective of the Council's Art Gallery and Museums, increasing the knowledge, understanding and appreciation of the Council's history and local area. 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 with valuations provided by the Curators and 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 xxii 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 financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxii in this summary of significant accounting policies).

xiv 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 (eg software licences) is 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.

xv 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.

xvi 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.

xvii 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 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.

xviii 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.

xix 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 is 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 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 in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

xx 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.
- 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.

xxi 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.

xxii 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
- 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)
- 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)
- 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)
- 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 Non-current 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 fixed 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.

Deprecation 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.
- 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.

xxiii 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)
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xxiv 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.

xxv 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.

xxvi Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset 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.

xxvii 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 June 2011 amendments to IAS 19 Employee Benefits are effective from 1 April 2013 and thus have no impact on the 2012/13 financial statements. The key change relates to the expected return on scheme assets which is currently credited to the Surplus or Deficit on the Provision of Services. From 2013/14 this is effectively replaced with an equivalent figure using the discount rate. While the overall impact is expected to be cost neutral, there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement. By way of illustration, if the change applied to the 2012/13 financial statements there would be an increase in pensions interest cost and expected return on assets of £9.3 million (as assessed by the actuaries of the North East Pension Fund) chargeable to the Surplus or Deficit on the Provision of Services, with a compensating reduction of £9.3 million in actuarial (gains) or losses on pension assets and liabilities chargeable to Other Comprehensive Income and Expenditure.

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 the Statement of 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 yet 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.
- The Council continues to consider a number of options for alternative methods of providing services such as limited liability partnerships, trading companies and trusts. It is assumed that these entities will provide efficiencies for the Council and will remain going concerns in the future.
- 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 £144.6 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Business Rates Incentivisation Scheme (BRIS) introduced by the Scottish Government in 2012/13 set a target level for Non-Domestic Rate Income for Local Authorities where, if exceeded, 50% of the excess could be retained by the Council. During the financial year the Scottish Government identified a significant event which necessitated a proposed revision of the BRIS targets. While the proposed revised targets have yet to be formally agreed by COSLA the Council has assumed that the revised targets will be agreed and has accounted for Non-Domestic Rates Income on this basis. The impact of the revised target is that no excess income will be retained by the Council.

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

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

The items in the Council's Balance Sheet at 31 March 2013 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. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases 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.
Provisions	The Council has made a provision of £2.44 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 £0.244 million 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 pensions 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 £19.4 million. However, if another assumption were increase, e.g. pay inflation, by 0.1% then this would result in an increase in the pension liability of £19.7 million. The interaction of assumptions is therefore extremely complex.
Arrears	At 31 March 2013 the Council had a balance of short-term debtors of £112.183 million. A review of significant balances suggested that an allowance for impairment of debt of £46.941 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 £2.244 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.

2012/13

2012/13	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Statutory & Other Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non current assets	(39,582)	(27,661)	-	-	-	67,243
Revaluation losses on Property, Plant and Equipment	(58,386)	(22,507)	-	-	-	80,893
Capital grants and contributions applied	17,302	848	-	-	-	(18,150)
Write off carrying amount of non current assets sold	(4,228)	(4,477)	-	-	-	8,705
Write off carrying amount of non current assets scrapped	(234)	-	-	-	-	234
Statutory provision for the financing of capital spend (3R's)	2,587	-	-	-	-	(2,587)
Movement in the fair value of Investment Properties	2,962	-	-	-	-	(2,962)
Amortisation of Intangible Assets	(250)	-	-	-	-	250
Income in relation to donated assets	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	-	-	-	-	-	-
Transfer grants/conts on impaired spend	-	-	-	-	-	-
Grants relating to assets disposed of during the year	-	-	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Loans principal repayments during the year	11,863	4,530	-	-	-	(16,393)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	850	21,504	350	-	-	(22,704)

2012/13

2012/13	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Statutory & Other Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(7,052)	12,987	-	(5,935)
Proceeds From Sale of Non Current Assets	7,405	6,109	-	(13,514)	-	-
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(301)	(226)	-	527	-	-
Adjustment involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	-	-
Adjustment involving the Financial Instruments Adjustment Account:						
Amounts 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	421	-	-	-	-	(421)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,876)	(1,749)	-	-	-	27,625
Employer's pensions contributions and direct payments to pensioners payable in the year	25,134	1,475	-	-	-	(26,609)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Adjustments in relation to Short-term compensated absences	(188)	-	-	-	-	188
Total Adjustments	(60,521)	(22,154)	(6,702)	0	-	89,377

2011/12

2011/12	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Statutory & Other Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non current assets	(33,779)	(26,310)	-	-	-	60,089
Revaluation losses on Property, Plant and Equipment	(39,316)	(32,287)	-	-	-	71,603
Capital grants and contributions applied	18,148	3,501	-	-		(21,649)
Write off carrying amount of non current assets sold	(3,553)	(3,305)	-	-	-	6,858
Statutory provision for the financing of capital spend (3R's)	2,433	-	-	-	-	(2,433)
Movement in the fair value of Investment Properties	857	-	-	-	-	(857)
Amortisation of Intangible Assets	(319)	-	-	-	-	319
Income in relation to donated assets	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	-	-	-	-	-	-
Transfer grants/conts on impaired spend	-	-	-	-	-	-
Grants relating to assets disposed of during the year	-	-	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Loans principal repayments during the year	15,284	3,212	-	-	-	(18,496)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	265	23,387	179	-	-	(23,831)

2011/12

2011/12	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Statutory & Other Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(5,804)	10,419	-	(4,615)
Proceeds From Sale of Non Current Assets	6,202	4,621	-	(10,823)	-	-
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(338)	(66)	-	404	-	-
Adjustment involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	(103)	-	-	-	155	(52)
Application of grants to capital financing transferred to the CAA	-	-	-	-	-	-
Adjustment involving the Financial Instruments Adjustment Account:						
Amounts 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	422	-	-	-	-	(422)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(28,623)	(1,908)	-	-	-	30,531
Employer's pensions contributions and direct payments to pensioners payable in the year	24,633	1,457	-	-	-	(26,090)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Adjustments in relation to Short-term compensated absences	2,175	-	-	-	-	(2,175)
Total Adjustments	(35,612)	(27,698)	(5,625)	0	155	68,780

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 in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2011 £000	Transfers In 2011/12 £000	Transfers Out 2011/12 £000	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Purpose of the Earmarked Reserve
General Fund:								
Energy Efficiency Fund	(457)	(277)	457	(277)	(670)	277	(670)	Pump-prime funding for energy saving schemes
Queens Links Reinstatement Fund	(100)	(2)	-	(102)	-	-	(102)	Historic fund in relation to potential reinstatement work at beach
Devolved Education Management	(3,750)	(950)	-	(4,700)	-	700	(4,000)	School funds c/forward £1.8 m; and Community Educ'n Centres £2.2 m
Workforce Reduction / Pension Costs	(61)	-	61	0	-	-	0	Staff exit costs accounted for at time of decision, leaving date post year end
Ward Budgets	(73)	-	73	0	-	-	0	Unspent budgets for use by Councillors
Equal Pay Costs	(956)	-	956	0	-	-	0	Costs of settling future costs of equal pay claims
Road Repairs	(1,000)	-	871	(129)	-	-	(129)	Road repair and maintenance additional sum approved by Finance & Resources
'The Green' Townscape Project	(507)	-	-	(507)	-	181	(326)	Match funding in relation to the Heritage Lottery Funding awarded for works in the Green
City Development Company	(1,354)	-	9	(1,345)	-	-	(1,345)	Funding for the City Development Company start-up
Service Redesign Costs	(7,919)	-	7,919	0	-	-	0	Investment funding to address priority based budgeting options
De-risk the Council	(7,060)	(1,283)	5,500	(2,843)	(4,489)	1,570	(5,762)	Cash backing for Council guarantees to external organisations
Revenue Grants Unspent	(940)	(1,986)	97	(2,829)	-	527	(2,302)	Various revenue grants that remained unspent at year end to which no repayment conditions apply

	Balance at 1 April 2011 £000	Transfers In 2011/12 £000	Transfers Out 2011/12 £000	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Purpose of the Earmarked Reserve
Windfarm setup	-	(100)	-	(100)	-	-	(100)	Professional fees for legal advice, business case consultancy and client advisor services
Zero Waste Fund	-	(734)	-	(734)	-	384	(350)	Unspent money from Zero Waste Fund, East Tullos project is well under way but has not yet been completed
Mobile Working	-	(85)	-	(85)	(80)	12	(153)	Implement mobile working for field staff in Trading Standards/Environmental Health
Waste Strategy	-	(75)	-	(75)	-	-	(75)	Reviewing existing waste strategy
Clashieknowe	-	(200)	-	(200)	-	-	(200)	Contribution to refurbishment project led by Housing and Environment
OT Store	-	(171)	-	(171)	-	137	(34)	Refurbishment at Whitemyres
Business Plan Service Option	-	(4,164)	-	(4,164)	(452)	854	(3,762)	Continued investment regarding delivery of 5 year business plan
TIF Business Case	-	(300)	-	(300)	-	-	(300)	Funding to support the city centre regeneration scheme and final bid submission to the Scottish Futures Trust
City of Culture Bid	-	(557)	-	(557)	(35)	-	(592)	To develop culture within the city
ICT Projects	-	(965)	-	(965)	(685)	-	(1,650)	Implement various approved ICT projects
Mortuary Fridges	-	-	-	-	(47)	-	(47)	Provision of additional fridges for the Mortuary
Windmill Brae	-	-	-	-	(10)	-	(10)	Provision of lighting at Windmill Brae to match external funding received
Property Improvements	-	-	-	-	(260)	-	(260)	Carry out improvement works to Tullos Pool and Rosemount & Loirston Community Facilities as agreed at Education Culture and Sport Committee 28 March 2013
Local Autism Action Plan	-	-	-	-	(35)	-	(35)	Production of plan for which funding

	Balance at 1 April 2011 £000	Transfers In 2011/12 £000	Transfers Out 2011/12 £000	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Purpose of the Earmarked Reserve
								provided through revenue grant determination
Star Awards Sponsorship	-	-	-	-	(30)	-	(30)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which took place in May 2013
Welfare Reform	-	-	-	-	(2,000)	-	(2,000)	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
Financial Risk Fund	-	-	-	-	(5,541)	-	(5,541)	As agreed at Finance and Resources Committee October 12, to provide funding to support the cost pressure risks associated with Priority Based Budgeting Phase 3 and budget setting 2013/14
Police and Fire Amounts Repaid	-	-	-	-	(5,242)	-	(5,242)	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.
Council Tax Discount on Second Homes / Long Term Empty Properties					(2,921)		(2,921)	Additional income generated by reducing the discount to 10% which is to be used towards funding affordable housing.
Total General Fund	(24,177)	(11,849)	15,943	(20,083)	(22,497)	4,642	(37,938)	

	Balance at 1 April 2011 £000	Transfers In 2011/12 £000	Transfers Out 2011/12 £000	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA):								
Housing repairs	(1,916)	(2,172)	1,916	(2,172)	(1,617)	2,172	(1,617)	Repairs ordered prior to the year end
Scottish Secure Tenancy	(250)	-	-	(250)	-	250	-	Ongoing costs in relation to SST
House Sales – Non right to buy	-	-	-	-	(57)	-	(57)	One-off vacant properties sold on the open market
Purchase of internal land/properties	-	-	-	-	(305)	-	(305)	Recognition of value of land to be transferred to housing account from general fund
Central Heating	(197)	(126)	-	(323)	(129)	-	(452)	Finance lease liability in relation to a long-term lease agreement
Total HRA	(2,363)	(2,298)	1,916	(2,745)	(2,108)	2,422	(2,431)	
Total Earmarked Reserves	(26,540)	(14,147)	17,859	(22,828)	(24,605)	7,064	(40,369)	

2011/12	General Fund £'000	HRA £'000
Total transfers in during the year	(11,849)	(2,298)
Total transfers out during the year	15,943	1,916
Net Movement in Earmarked Reserves in 2011/2012	4,094	(382)

2012/13	General Fund £'000	HRA £'000
Total transfers in during the year	(22,497)	(2,108)
Total transfers out during the year	4,642	2,422
Net Movement in Earmarked Reserves in 2012/2013	(17,855)	314

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 2011 £000	Transfers In 2011/12 £000	Transfers Out 2011/12 £000	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Purpose of the Statutory Fund
Capital	(11,927)	(8,146)	183	(19,890)	(29,408)	350	(48,948)	To meet the capital expenditure and the repayment of the principal on loans.
Insurance	(1,429)	(322)	146	(1,605)	(237)	85	(1,757)	To meet the cost of uninsured claims.
City Improvement	(255)	(115)	35	(335)	(8)	3	(340)	To meet the cost of carrying out improvements to the city as decided by the Council.
Lord Byron	(5)	-	-	(5)	-	-	(5)	To meet the costs of maintaining Lord Byron's statue
Total Statutory and Other Funds	(13,616)	(8,583)	364	(21,835)	(29,653)	438	(51,050)	

7. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2011/12 £000		2012/13 £000
(3,561)	Gains/losses on the disposal on non current assets	(4,281)
(3,561)	Total	(4,281)

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

2011/12 £000		2012/13 £000
34,593	Interest payable and similar charges	33,737
2,895	Pensions interest cost and expected return on pensions assets	4,868
(497)	Interest receivable and similar income	(746)
(5,470)	Income and expenditure in relation to investment properties and changes in their fair value	(7,024)
(5,002)	Other investment income	(7,106)
26,519	Total	23,729

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

2011/12 £000		2012/13 £000
(107,943)	Council tax income	(109,704)
(161,668)	Non domestic rates *	(167,277)
(177,333)	Non-ringfenced government grants	(180,029)
(21,646)	Capital grants and contributions	(20,345)
(468,590)	Total	(477,355)

* The 2012/13 figures assume that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) revised target.

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

During 2012/13, a number of contributions from Council Services, totalling £19.1 million were made to the Capital Fund to capture funding for future capital investment already approved by the Council as well as to mitigate risks and increase the resilience of the Council Balance Sheet.

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 2012 £000		31 March 2013 £000
(614,405)	Revaluation Reserve	(596,135)
(814)	Available for Sale Financial Instruments Reserve	(600)
(796,026)	Capital Adjustment Account	(720,394)
18,002	Financial Instruments Adjustment Account	17,580
284,098	Pensions Reserve	321,928
8,496	Accumulating Compensated Absences Adjustment Account	8,683
(1,100,649)	Total Unusable Reserves	(968,938)

Revaluation Reserve

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

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

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

2011/12 £000		2012/13 £000
(612,168)	Balance at 1 April	(614,405)
(44,593)	Upward revaluation of assets	(51,094)
28,612	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	56,403
(15,981)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	5,309
9,224	Difference between fair value depreciation and historical cost depreciation	11,779
4,520	Accumulated gains on assets sold or scrapped	1,182
13,744		12,961
-	- Amount written off to the Capital Adjustment Account	-
(614,405)	Balance at 31 March	(596,135)

Available for Sale Financial Instruments Reserve

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

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

2011/12 £000		2012/13 £000
	(560) Balance at 1 April	(814)
(254)	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	214
(254)		214
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
	(814) Balance at 31 March	(600)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12 £000		2012/13 £000
(849,214)	Balance at 1 April	(796,026)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
60,089	Charges for depreciation and impairment on non current assets	67,243
71,604	Revaluation losses on Property, Plant and Equipment	80,884
319	Amortisation of intangible assets	250
-	Revenue expenditure funded from capital under statute	-
-	Carrying amount of non current assets scrapped	234
6,858	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	8,705
138,870		157,316
(13,745)	Adjusting amounts written out of the Revaluation Reserve	(12,960)
125,125	Net written out amount of the cost of non current assets consumed in the year	144,356
	Capital financing applied in the year:	
(4,615)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,936)
(183)	Use of the Capital Fund to finance new capital expenditure	(350)
(21,649)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,150)
(18,496)	Loans Fund principal repayments	(16,393)
(52)	Application of grants to capital financing from the Capital Grants Unapplied Account	-
-	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-
(23,652)	Capital expenditure charged against the General Fund and HRA balances	(22,355)
(2,433)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(2,587)
(71,080)		(65,771)
(857)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,962)
-	Movement in the market value of Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	9
(796,026)	Balance at 31 March	(720,394)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the 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 on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2013 will be charged to the General Fund over the next 47 years.

2011/12 £000		2012/13 £000
18,423	Balance at 1 April	18,002
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	
(24)	Long Term Borrowing – Stepped Loans	(25)
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)
(421)	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	(422)
18,002	Balance at 31 March	17,580

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 pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12 £000		2012/13 £000
253,661	Balance at 1 April	284,098
25,996	Actuarial gains or losses on pensions assets and liabilities	36,814
30,531	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	27,625
(26,090)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,609)
284,098	Balance at 31 March	321,928

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.

2011/12 £000		2012/13 £000
10,671	Balance at 1 April	8,496
(10,671)	Settlement or cancellation of accrual made at the end of the preceding year	(8,496)
8,496	Amounts accrued at the end of the current year	8,683
2,175	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	187
8,496	Balance at 31 March	8,683

13. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(64,683)	Net surplus or (deficit) on the provision of services*	(40,900)
(64,683)		(40,900)
	Adjustment to surplus or deficit on the provision of services for noncash movements:	
60,089	Depreciation	67,243
71,603	Impairment, downward revaluations & non-sale derecognitions	80,885
(426)	(Increase)/Decrease in Stock	509
50,544	(Increase)/Decrease in Debtors	(24,631)
(21,942)	Increase/(Decrease) in impairment provision for bad debts	-
(14,892)	Increase/(Decrease) in Creditors	(1,838)
4,441	Payments to Pension fund	1,016
6,858	Carrying amount of non-current assets sold	8,939
(8,578)	Contributions to Other Reserves/Provisions	(453)
-	Assets held for sale movement	-
103	Capital Grants unapplied transactions	-
319	Amortisation of Intangible Assets	250
(857)	Movement in value of investment properties	(2,953)
147,262		128,967
	Adjust for items included in the net surplus or deficit on the provision of services that are	
-	Proceeds from short-term and long-term investments	-
(21,649)	Receipt of Capital Grants and Contributions	(18,150)
(10,419)	Proceeds from the sale of PP&E, investment property and intangible assets	(12,986)
(32,068)		(31,136)
50,511	Net cash flows from operating activities	56,931

* includes the following items:

2011/12 £000		2012/13 £000
497	Interest received	746
(34,593)	Interest paid	(33,737)

14. Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000
(69,592)	Purchase of property, plant and equipment, investment property and intangible assets	(61,344)
(214)	Purchase of short-term and long-term investments	130
-	Other payments for investing activities	-
10,823	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,513
(404)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(527)
-	Proceeds from short-term and long-term investments	-
21,612	Capital grants and contributions received	18,150
-	Other receipts from investing activities	-
(37,775)	Net cash flows from investing activities	(30,078)

15. Cash Flow Statement – Financing Activities

2011/12 £000		2012/13 £000
29,328	Cash receipts of short- and long-term borrowing	268
(24)	Other receipts from financing activities	(24)
(2,559)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	(2,717)
(8,657)	Repayments of short- and long-term borrowing	(16,251)
-	Other payments for financing activities	-
18,088	Net cash flows from financing activities	(18,724)

16. Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2012		31 March 2013
£000		£000
61	Cash held by the Authority	38
28,255	Bank current accounts	36,407
-	Short-term deposits with building societies	-
28,316	Total cash and cash equivalents	36,445

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 Service Reporting Code of Practice. 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 financial statements. 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
- 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 2012/13	Education, Culture & Sport £000	Social Care & Wellbeing £000	Housing & Environment £000	Enterprise, Planning & Infrastructure £000	Corporate Governance £000	Total £000
Fees, charges & other service income	(6,817)	(31,468)	(25,047)	(26,154)	(8,161)	(97,647)
Government grants	(1,592)	(4,667)	(135)	(5,096)	(54,926)	(66,416)
Total Income	(8,409)	(36,135)	(25,182)	(31,250)	(63,087)	(164,063)
Employee expenses	111,907	52,084	23,518	27,128	21,999	236,636
Other service expenses	55,905	103,845	34,362	43,108	65,644	302,864
Support service recharges	-	68	434	-	178	680
Total Other service expenses	55,905	103,913	34,796	43,108	65,822	303,544
Total Expenditure	167,812	155,997	58,314	70,236	87,821	540,180
Net Expenditure	159,403	119,862	33,132	38,986	24,734	376,117

Portfolio Income and Expenditure 2011/12	Education, Culture & Sport £000	Social Care & Wellbeing £000	Housing & Environment £000	Enterprise, Planning & Infrastructure £000	Corporate Governance £000	Total £000
Fees, charges & other service income	(5,708)	(31,075)	(24,596)	(26,740)	(9,168)	(97,287)
Government grants	(2,001)	(4,624)	(1,101)	(2,537)	(53,551)	(63,814)
Total Income	(7,709)	(35,699)	(25,697)	(29,277)	(62,719)	(161,101)
Employee expenses	111,804	48,846	22,763	22,446	21,837	227,696
Other service expenses	68,117	104,586	41,703	43,924	65,447	323,777
Support service recharges	-	90	549	4,175	421	5,235
Total Other service expenses	68,117	104,676	42,252	48,099	65,868	329,012
Total Expenditure	179,921	153,522	65,015	70,545	87,705	556,708
Net Expenditure	172,212	117,823	39,318	41,268	24,986	395,607

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2012/13 £000
Net expenditure in the Portfolio Analysis	395,607	376,117
Net expenditure of services and support services not included in the Analysis	(391,934)	(392,330)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	131,422	144,982
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(70,412)	(87,869)
Cost of Services in Comprehensive Income and Expenditure Statement	64,683	40,900
Amounts relating to Subsidiaries, Associates and Joint Ventures	(6,831)	26,903
Group (Surplus)/Deficit	57,852	67,803

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.

2012/13	Portfolio Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to mgmt £000	Amounts not included in I&E £000	Allocation of Recharges £000	Corporate Amounts £000	Cost of Services £000	Group Amounts £000	Total £000
Fees, charges & other service income	(97,647)	(91,534)	(4,281)	-	(26,589)	-	(220,051)	-	(220,051)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	26,903	26,903
Interest and investment income	-	-	-	-	-	(746)	(746)	-	(746)
Income from council tax	-	-	-	-	-	(109,704)	(109,704)	-	(109,704)
Government grants and contributions	(66,416)	(224)	(18,150)	-	-	(347,346)	(432,136)	-	(432,136)
Total Income	(164,063)	(91,758)	(22,431)	-	(26,589)	(457,796)	(762,637)	26,903	(735,734)
Employee expenses	236,636	6,864	27,813	(26,609)	-	-	244,704	-	244,704
Other service expenses	302,864	140,147	(5,834)	(61,260)	-	-	375,917	-	375,917
Support Service recharges	680	10,027	-	-	26,589	-	37,296	-	37,296
Depreciation, amortisation and impairment	-	-	145,424	-	-	-	145,424	-	145,424
Interest Payments	-	186	10	-	-	-	196	-	196
Total expenditure	540,180	157,224	167,413	(87,869)	26,589	-	803,537	-	803,537
Surplus or deficit on the provision of services	376,117	65,466	144,982	(87,869)	0	(457,796)	40,900	26,903	67,803

2011/12 comparative figures	Portfolio Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to mgmt £000	Amounts not included in I&E £000	Allocation of Recharges £000	Corporate Amounts £000	Cost of Services £000	Group Amounts £000	Total £000
Fees, charges & other service income	(97,287)	(47,221)	(1,204)	(2,143)	(38,758)	-	(186,613)	-	(186,613)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	(6,831)	(6,831)
Interest and investment income	-	-	-	-	-	(625)	(625)	-	(625)
Income from council tax	-	-	-	-	-	(107,942)	(107,942)	-	(107,942)
Government grants and contributions	(63,814)	(895)	(21,546)	-	-	(339,001)	(425,256)	-	(425,256)
Total Income	(161,101)	(48,116)	(22,750)	(2,143)	(38,758)	(447,568)	(720,436)	(6,831)	(727,267)
Employee expenses	227,696	9,897	25,705	(23,947)	-	-	239,351	-	239,351
Other service expenses	323,777	87,859	(2,995)	(44,322)	-	-	364,319	-	364,319
Support Service recharges	5,235	5,994	-	-	38,758	-	49,987	-	49,987
Depreciation, amortisation and impairment	-	-	131,448	-	-	-	131,448	-	131,448
Interest Payments	-	-	14	-	-	-	14	-	14
Total expenditure	556,708	103,750	154,172	(68,269)	38,758	-	785,119	-	785,119
Surplus or deficit on the provision of services	395,607	55,634	131,422	(70,412)	-	(447,568)	64,683	(6,831)	57,852

18. Trading Operations

The Council has established seven 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:

		2010/11		2011/12		2012/13	
		£000	£000	£000	£000	£000	£000
Building and Maintenance Provides a range of services, covering all trades, for emergency response and planned maintenance of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative surplus over the last three financial years: £11.062 million	Turnover	(20,972)		(28,276)		(29,213)	
	Expenditure	16,294		25,795		25,394	
	Exceptional Items	-		-		-	
	Interest	(31)		(28)		(25)	
	Net (Surplus)/Deficit		(4,709)		(2,509)		(3,844)
	Refunds/(Charges) to Services		736		1,798		1,161
	Net (Surplus)/Deficit		(3,973)		(711)		(2,683)
Environmental Services Provision of an integrated service for the collection and delivery for disposal or recycling of refuse from domestic and commercial premises as well as attending to the cleaning of streets, footpaths, car parks and public areas, beach cleaning and the removal of fly tipping. Following a review during the year this service is no longer classed as a trading operation. Surplus in the last operational financial year: £3.924 million	Turnover	(12,728)		-		-	
	Expenditure	8,815		-		-	
	Exceptional Items	-		-		-	
	Interest	(11)		-		-	
	Net (Surplus)/Deficit		(3,924)		-		-
	Refunds/(Charges) to Services		1,411		-		-
	Net (Surplus)/Deficit		(2,513)		-		-

		2010/11		2011/12		2012/13	
		£000	£000	£000	£000	£000	£000
Road Maintenance Provision of a wide range of services for the construction and maintenance of roads for which the Council has a statutory responsibility as well as the installation and maintenance of street lighting, manufacture and erection of road signs and barriers and winter maintenance activities. Following a review this service is no longer classed as a trading operation. Cumulative surplus over the last two operational financial years: £1.186 million	Turnover	(9,917)		(10,028)		-	
	Expenditure	8,982		9,777		-	
	Exceptional Items	-		-		-	
	Interest	-		-		-	
	Net (Surplus)/Deficit		(935)		(251)		-
	Refunds/(Charges) to Services		58		277		-
	Net (Surplus)/Deficit		(877)		26		-
Maintenance of Grounds Provision of a horticultural maintenance service for a wide variety of grounds such as parks and open spaces, cemeteries, sports pitches, golf courses, road verges and amenity areas around Council housing and operational premises. Following a review this service is no longer classed as a trading operation. Surplus in the last operational financial year: £2.349 million	Turnover	(8,109)		-		-	
	Expenditure	5,760		-		-	
	Exceptional Items	-		-		-	
	Interest	-		-		-	
	Net (Surplus)/Deficit		(2,349)		-		-
	Refunds/(Charges) to Services		977		-		-
	Net (Surplus)/Deficit		(1,372)		-		-

		2010/11		2011/12		2012/13	
		£000	£000	£000	£000	£000	£000
Provision and Management of Car Parking Facilities 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. Cumulative surplus over the last three financial years: £13.014 million	Turnover	(7,798)		(8,502)		(8,074)	
	Expenditure	3,551		4,214		3,716	
	Exceptional Items	-		-		-	
	Interest	(27)		(29)		(65)	
	Net (Surplus)/Deficit		(4,274)		(4,317)		(4,423)
Sub-Total – Significant Trading Operations			(13,009)		(5,002)		(7,106)
Fleet Services Responsible for the repair and maintenance of vehicles. Following a review this service is no longer classed as a trading operation. Surplus in the last operational financial year: £0.736 million	Turnover	(3,219)		-		-	
	Expenditure	2,483		-		-	
	Exceptional Items	-		-		-	
	Interest	-		-		-	
	Net (Surplus)/Deficit		(736)		-		-
	Refunds/(Charges) to Services		304		-		-
	Net (Surplus)/Deficit		(432)		-		-
Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)			(13,441)		(5,002)		(7,106)

		2010/11		2011/12		2012/13	
		£000	£000	£000	£000	£000	£000
Letting of Industrial, Commercial and Other Properties 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. Cumulative surplus over the last three financial years: £16.525 million	Turnover	(6,241)		(6,648)		(5,662)	
	Expenditure	3,580		2,990		2,503	
	Exceptional Items	(285)		(857)		(2,962)	
	Interest	(1,085)		(955)		(903)	
	Net (Surplus)/Deficit		(4,031)		(5,470)		(7,024)
Net (Surplus)/Deficit on Trading Operations			(17,472)		(10,472)		(14,130)

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

	2011/12 £000	2012/13 £000
Net (Surplus)/Deficit on trading operations	(10,472)	(14,130)
Investment Properties	(5,470)	(7,024)
Other Trading Operations	(5,002)	(7,106)
Net surplus credited to Financing and Investment Income and Expenditure (note 8)	(10,472)	(14,130)

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	2011/12 £000	2012/13 £000	Agency Income	2011/12 £000	2012/13 £000
Payments to voluntary organisations for the provision of care home places	18,778	18,469	Income from other local authorities in respect of the provision of public analyst services	447	436
Payments to voluntary organisations for the provision of day care	2,545	2,344	Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	198	207
Payments to voluntary organisations for the provision of community based care	17,086	16,670	Net receipts from partners in respect of trunk roads (including administration) – W.P.R.	1,321	5,172
Payments to residential schools Education, Culture & Sport	2,633	2,471	Receipts from other bodies for administrative services:		
Payments to residential schools Social Care & Wellbeing	3,630	4,081	Scottish Water	687	637
Payments to other public authorities for the provision of care home places	171	171	Grampian Joint Police Board	261	243
Payments to other public authorities for the provision of community based care	911	985	Grampian Fire Board	8	16
Payment to private organisations for the provision of care home places	30,337	30,630	Moray Council	71	75
Payments to private organisations for the provision of day care	741	817	Highland Council	25	1
Payments to private sector organisations for the provision of community based care	15,199	15,495	Receipts from Aberdeenshire Council for goods supplied	1,004	697
Payment to other public authorities for the provision of mortuary services	18	-			
Payment to Aberdeenshire Council for Aberdeen City and Shire Economic Forum	146	125			
	92,195	92,258		4,022	7,484

20. External Audit Costs

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

	2011/12 £000	2012/13 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	473	443
Rebate	(27)	-
Recharge to Pension Fund	(36)	(39)
Total	410	404

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 underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13, the council paid £9.238 million to the Scottish Government in respect of teachers' pension costs, which represents 14.9% of teachers' pensionable pay. The figure for 2011/12 was £9.312 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.

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 14 scheduled bodies:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Grampian Joint Fire and Rescue Board (Non Uniform), Grampian Joint Police Board (Non Uniform), Scottish Water, Scottish Police Services Authority, Visit Scotland, Aberdeen College, Banff and Buchan 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.

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, Town House, Broad Street, Aberdeen. AB10 1AH

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 this needs to be disclosed 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 final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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 £000		Scottish Teachers Superannuation Scheme £000	
	2012/13	2011/12	2012/13	2011/12
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
• current service cost	22,753	24,836	-	-
• past service costs	4	55	-	-
• settlements and curtailments	-	2,276	-	470
<i>Financing and Investment Income and Expenditure</i>				
• interest cost	48,933	58,964	1,185	1,325
• expected return on scheme assets	(45,250)	(57,395)	-	-
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	26,440	28,736	1,185	1,795

	Local Government Pension Scheme £000		Scottish Teachers Superannuation Scheme £000	
	2012/13	2011/12	2012/13	2011/12
Comprehensive Income and Expenditure Statement cont'd				
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
• actuarial gains and losses	33,671	24,954	3,143	1,042
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	60,111	53,690	4,328	2,837
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	(26,440)	(28,736)	(1,185)	(1,795)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	22,477	22,096	-	-
• retirement benefits payable to pensioners	2,620	2,272	1,512	1,722

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £260.958 million (2011/12 £224.144 million).

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Total Liabilities: Local Government Pension Scheme £000		Includes Unfunded Liabilities: Discretionary Benefits in the Code of Practice 2012-13 £000	
	2012/13	2011/12	2012/13	2011/12
Opening balance at 1 April	(1,002,083)	(1,074,977)	(41,241)	(41,913)
Current service cost	(22,753)	(24,836)	-	-
Interest cost	(48,933)	(58,964)	(1,965)	(2,243)
Contributions by scheme participants	(7,284)	(7,195)	-	-
Settlements and curtailments	-	(2,276)	-	-
Actuarial gains and (losses)	(112,039)	128,377	(2,880)	648
Benefits paid	36,937	37,843	2,272	2,267
Past service costs	(4)	(55)	-	-
Closing balance at 31 March	(1,156,159)	(1,002,083)	(43,814)	(41,241)

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £000	
	2012/13	2011/12
Opening balance at 1 April	(26,521)	(25,406)
Interest cost	(1,185)	(1,325)
Settlements and curtailments	-	(470)
Actuarial gains and (losses)	(3,143)	(1,042)
Benefits paid	1,512	1,722
Past service costs	-	-
Closing balance at 31 March	(29,337)	(26,521)

Reconciliation of fair value of the scheme (plan) assets:

	Total Assets: Local Government Pension Scheme £000		Includes Unfunded Assets: £000	
	2012/13	2011/12	2012/13	2011/12
Opening balance at 1 April	744,506	846,722	-	-
Expected rate of return	45,250	57,395	-	-
Actuarial gains and (losses)	78,368	(153,331)	-	-
Settlements	-	-	-	-
Employer contributions	25,097	24,368	2,272	2,267
Contributions by scheme participants	7,284	7,195	-	-
Benefits paid	(36,937)	(37,843)	(2,272)	(2,267)
Closing balance at 31 March	863,568	744,506	0	0

	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £000	
	2012/13	2011/12
Opening balance at 1 April	-	-
Employer contributions	1,512	1,722
Benefits paid	(1,512)	(1,722)
Closing balance at 31 March	-	-

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 £123.617 million (2011/12: £10.978m).

Scheme history

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Government Pension Scheme	(702,460)	(1,014,493)	(1,074,977)	(1,002,083)	(1,156,159)
Scottish Teachers Superannuation Scheme	(18,791)	(23,605)	(25,406)	(26,521)	29,337
Fair value of assets in the Local Government Pension Scheme	505,364	738,366	846,722	744,506	863,568
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(197,096)	(276,127)	(228,255)	(257,577)	(292,591)
Scottish Teachers Superannuation Scheme	(18,791)	(23,605)	(25,406)	(26,521)	(29,337)
Total	(215,887)	(299,732)	(253,661)	(284,098)	(321,928)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £321.928 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
- 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 2014 is £26.016 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2014 are £4.131 million.

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 Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the North East Scotland Pension Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2012/13	2011/12	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%	-	-
Government Bonds	2.8%	3.1%	-	-
Other Bonds	3.9%	4.1%	-	-
Property	5.7%	6.0%	-	-
Cash/liquidity	0.5%	0.5%	-	-
Other	7.0%	7.0%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.4	22.3	22.4	22.3
Women	25.4	25.3	25.4	25.3
Longevity at 65 for future pensioners:				
Men	24.7	24.6	24.7	24.6
Women	27.8	27.7	27.8	27.7
Rate of inflation	2.4%	2.5%	2.4%	2.3%
Rate of increase in salaries	4.15%	4.25%	4.15%	4.25%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.3%
Rate for discounting scheme liabilities	4.2%	4.9%	3.7%	4.6%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%

The Scottish Teachers Superannuation Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2012/13 %	2011/12 %
Equity Investments	79.6	81.5
Government Bonds	6.9	7.0
Other Bonds	2.4	2.9
Property	5.2	6.4
Cash/liquidity	1.3	2.2
Other assets	4.6	0
	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	54.8	22.5	3.3	20.6	9.1
Experience gains and losses on liabilities	13.3	-	-	15.1	-

23. Events After the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Chief Accountant on 17 June 2013. Events taking place after this date are not reflected in the financial statements or notes. The Police and Fire Reform Act received Royal Assent on 7 August 2012 which meant that these bodies transferred from local to central government on 1st April 2013. Adult Social Services transferred to a Local Authority Trading Company, namely Bon Accord Care Ltd and Bon Accord Support Services Ltd on 1st August 2013. This has no impact on these financial statements and there is not expected to be any material financial impact on the 2013/14 financial statements as the effect of the transfer is to change the method by which the council funds these services. In April 2013, a sale was concluded for an area of land held by the Common Good at Countesswells, Aberdeen which will generate a total receipt of £33.5 million over the next six years. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements 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 2012/13 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 2012/13 payments to 42 organisations, amounting to £11.9 million (2011/12, 50 organisations, £12.5 million) was paid by means of grant support and for the delivery of services. Approval of these grants and service contracts were 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 £0.957 million for this service in 2012/13 (2011/12, £1.311 million).

For 2012/13 the Council paid £26.609 million to the Pension Fund being employer contributions in respect of current and former employees (2011/12, £26.090 million).

Entities Controlled or Significantly Influenced by the Council

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

	2012/13		2011/12	
	Receipts	Payments	Receipts	Payments
	£000	£000	£000	£000
Joint Boards				
Grampian Joint Police Board	-	17,049	-	21,328
Grampian Fire Board	-	11,207	-	11,810
Grampian Joint Valuation Board	-	1,447	-	1,458
AECC/Mountwest Ltd	207	1,698	204	1,770
Common Good	1,893	33	1,862	33
Trust Funds	36	52	36	54
Aberdeen Sports Village	-	750	-	1,109
Sport Aberdeen	212	6,699	-	7,461
Aberdeen Heat & Power	-	4,332	-	4,154
NESTRANS	1,126	1,162	1,721	1,546
SDPA		80	-	75

The majority of these bodies form part of the Council's group accounts which are set out on pages 151 to 171.

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
- 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 2012/13 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 £100m during 2012/13. The budgets are aligned from 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 £109.4 m in respect of the specific services. This can be broken down as follows:

- Older People and Physical Health £73.1 m
- Learning Disabilities £26.8 m
- Mental Health & Addictions £9.5 m

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.

26. Leases

Council as Lessee

Finance Leases

The Council has installed central heating systems within some of its Council Dwellings under finance leases.

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

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013	31 March 2012
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
• current	134	130
• non current	58	192
Finance costs payable in future years	8	18
Minimum lease payments	200	340

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Not later than one year	140	140	134	130
Later than one year and not later than five years	60	200	58	192
Later than five years	-	-	-	-
	200	340	192	322

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 2013	31 March 2012
	£000	£000
Not later than one year	3,129	3,095
Later than one year and not later than five years	10,857	9,948
Later than five years	27,374	29,360
	41,360	42,403

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 are:

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	543	588
Later than one year and not later than five years	1,627	1,762
Later than five years	-	-
	2,170	2,350

Council as Lessor*Operating Leases*

The Council leases out land and buildings for a variety of purposes. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	5,708	7,571
Later than one year and not later than five years	17,034	24,343
Later than five years	158,973	170,680
	181,715	202,594

27. Investment Properties

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

	2012/13	2011/12
	£000	£000
Rental and interest income from investment property	(6,565)	(7,603)
Expenses arising from investment property	2,503	2,990
Revaluation (gains)/losses	(2,962)	(857)
Net gain/(loss)	(7,024)	(5,470)

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:

	2012/13 £000	2011/12 £000
Balance at start of the year	84,176	83,055
Additions:		
- Purchases	2	308
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	(3,252)	(75)
Net gains/losses from fair value adjustments	2,962	857
Transfers:		
- to/from Inventories	-	-
- to/from Property, Plant and Equipment	(600)	31
Other changes	-	-
Balance at end of the year	83,288	84,176

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 2013 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 three 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 2012/13, £0.235 million was charged to the IT Administration cost centre 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:

	2012/13	2011/12
	Software Licences £000	Software Licences £000
Balance at start of year:		
• Gross carrying amounts	1,862	2,630
• Accumulated amortisation	(1,223)	(1,829)
Net carrying amount at start of year	639	801
Additions	-	157
Other disposals	-	-
Amortisation for the period	(251)	(319)
Other changes	-	-
Net carrying amount at end of year	388	639
Comprising:		
• Gross carrying amounts	1,361	1,862
• Accumulated amortisation	(973)	(1,223)
	388	639

29. Heritage Assets

i Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	City Monuments	Maritime & Social History	Numismatics	Science, Technology & Industry	Art Collection	Civic Insignia	Total Assets
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
1 April 2011	484	1,984	6	10	125,588	113	128,185
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	124	-	-	-	19,879	-	20,003
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-
31 March 2012	608	1,984	6	10	145,467	113	148,188
Cost or valuation							
1 April 2012	608	1,984	6	10	145,467	113	148,188
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	2,570	187	2,757
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	-	-	-	-	(230)	-	(230)
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-
31 March 2013	608	1,984	6	10	147,807	300	150,715

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 are prompted for revaluation when they are loaned to exhibitions or if a similar item is 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 performed in 2013.

Additions of Heritage Assets

The following items were added at nil value and subsequently revalued:

	£000
Gift of an Adam and Eve Tiara	6
Purchase of a Platter by Tobias Mohl	9
Fine Art purchase of two DVD's entitled 'Radio Shaman' 2006 by Marcus Coates	10
	25

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, is 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 valued 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 within the medieval 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 afore-mentioned 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 on Balances

Movements in 2012/13

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2012	796,494	963,806	72,839	185,824	17,878	34,723	15,441	2,087,005	156,074
Additions	36,163	8,683	3,283	5,286	3,481	374	4,071	61,341	-
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	491	(40,784)	-	-	-	3,787	-	(36,506)	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(22,507)	(69,832)	-	-	-	(374)	-	(92,713)	-
Derecognition – Disposals	(4,091)	-	(942)	-	-	-	-	(5,033)	-
Derecognition – Other	-	(1,354)	(6,688)	-	-	-	-	(8,042)	-
Reclassifications and Transfers	3,965	(820)	-	-	-	806	(3,351)	600	-
Assets reclassified (to)/from Held for Sale	(1,645)	-	-	-	-	-	-	(1,645)	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-
At 31 March 2013	808,870	859,699	68,492	191,110	21,359	39,316	16,161	2,005,007	156,074

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2012	(50,663)	(40,804)	(37,580)	(60,127)	-	(1,790)	-	(190,964)	(7,162)
Depreciation charge	(27,488)	(22,605)	(10,427)	(6,173)	-	(550)	-	(67,243)	(4,318)
Depreciation written out to the Revaluation Reserve	108	28,478	-	-	-	95	-	28,681	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	11,829	-	-	-	-	-	11,829	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – Disposals	388	-	882	-	-	-	-	1,270	-
Derecognition – Other	11	1,176	6,659	-	-	(4)	-	7,842	-
Reclassifications and Transfers	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
At 31 March 2013	(77,644)	(21,926)	(40,466)	(66,300)	-	(2,249)	-	(208,585)	(11,480)
Net Book Value									
At 31 March 2013	731,226	837,773	28,026	124,810	21,359	37,067	16,161	1,796,422	144,594
At 31 March 2012	745,831	923,002	35,259	125,696	17,878	32,933	15,441	1,896,040	148,912

Property, Plant and Equipment

Comparative Movements in 2011/12:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2011	781,561	977,807	72,532	178,545	17,156	22,731	78,173	2,128,504	156,008
Additions	34,726	7,889	5,452	7,279	722	292	12,769	69,129	66
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	444	(11,692)	-	-	-	(6,020)	-	(17,268)	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,287)	(37,621)	-	-	-	(9,489)	-	(79,397)	-
Derecognition – Disposals	(2,778)	(1,371)	(552)	-	-	-	-	(4,701)	-
Derecognition – Other	-	-	(4,593)	-	-	-	-	(4,593)	-
Reclassifications and Transfers	16,047	29,084	-	-	-	30,339	(75,501)	(31)	-
Assets reclassified (to)/from Held for Sale	(1,219)	(290)	-	-	-	(3,130)	-	(4,639)	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-
At 31 March 2012	796,494	963,806	72,839	185,824	17,878	34,723	15,441	2,087,004	156,074

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2011	(24,716)	(44,548)	(32,707)	(54,210)	-	(1,060)	-	(157,241)	(2,846)
Depreciation charge	(26,164)	(17,889)	(9,900)	(5,917)	-	(219)	-	(60,089)	(4,316)
Depreciation written out to the Revaluation Reserve	45	13,245	-	-	-	6	-	13,296	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	5,846	-	-	-	1,947	-	7,793	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – Disposals	172	41	434	-	-	-	-	647	-
Derecognition – Other	-	-	4,593	-	-	-	37	4,630	-
Reclassifications and Transfers	-	2,501	-	-	-	(2,464)	(37)	-	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
At 31 March 2012	(50,663)	(40,804)	(37,580)	(60,127)	-	(1,790)	-	(190,964)	(7,162)
Net Book Value									
At 31 March 2012	745,831	923,002	35,259	125,696	17,878	32,933	15,441	1,896,040	148,912
At 31 March 2011	756,845	933,259	39,825	124,334	17,156	21,669	78,173	1,971,261	153,162

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

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £25.387 million. Similar commitments at 31 March 2012 were £9.970 million. The major commitments are:

- Housing – Balcony Glass Renewal - £0.430 million
- Housing – Structural Repairs Multi Storeys- £3.139 million
- Housing – Heating Systems - £2.887 million
- Housing – Housing for Varying Needs - £0.721 million

- Non Housing – Marchburn Childrens Home - £0.187 million
- Non Housing – Bucksburn/Newhills Phase 1 Enabling Works - £1.209 million
- Non Housing – St Nicholas House – Structural Demolition - £2.713 million
- Non Housing – Refurbishment of the Maritime Museum - £0.147 million
- Non Housing – Tullos Swimming Pool - Refurbishment - £0.916 million
- Non Housing – Riverbank Primary School - Extension - £1.587 million
- Non Housing – Bankhead Academy - Demolition - £0.165 million
- Non Housing – Art Gallery - Roof Repairs - £0.103 million
- Non Housing – Woodside, Culter, Ashley Road Primary Schools - Re-pointing - £0.229 million
- Non Housing – Cults Primary School - Boiler Replacement - £0.395 million
- Non Housing – Frederick Street - Works to Ground Floor - £0.698 million
- Non Housing – Dyce Primary School - Re-Roofing Phase 2 - £0.260 million
- Non Housing – Purchase of Hydrogen Buses - £9.601 million

Effects of Changes in Estimates

In 2012/13, the Council made one material change to its accounting estimates for Property, Plant and Equipment:

- From 1 April 2010, consideration is given to whether any significant components with different useful lives exist within material items of property, plant and equipment (PPE). This consideration is activated by revaluations, acquisition expenditure or enhancement expenditure and requires the recognition and de-recognition of components as appropriate. The Council has set a de-minimus threshold of £2.5 million for individual items of PPE above which consideration of significant components is required. Significant components are those representing 25% or more of the overall cost of the asset.

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 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 Royal Institution of Chartered Surveyors.

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	291,306
Valued at fair value as at:								
31 March 2013	1,484	394,425	-	-	-	6,073	-	401,982
31 March 2012	6,218	271,190	-	-	-	4,440	-	281,848
31 March 2011	766,904	43,840	-	-	-	-	-	810,744
31 March 2010	-	135,062	-	-	-	9,385	-	144,447
31 March 2009	-	93,971	-	-	-	842	-	94,813
Total cost or valuation	829,012	859,699	68,484	191,110	21,359	39,316	16,161	2,025,140

* 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.

	2012/13 £000	2011/12 £000
<i>Opening Capital Financing Requirement</i>	734,287	735,685
<i>Capital investment</i>		
Property, Plant and Equipment	61,342	-69,129
Investment Properties	3	308
Intangible Assets	-	157
Loan for National Housing Trust Initiative	1,914	-
<i>Sources of finance</i>		
Capital receipts	(6,162)	(4,682)
Government grants and other contributions	(18,150)	(21,612)
Other contributions	(350)	(183)
Sums set aside from revenue:		
• Direct revenue contributions	226	66
• Capital for Current Revenue (CFCR)	(22,356)	(23,652)
• Loans fund principal	(16,393)	(18,496)
• PPP liability repayments	(2,587)	(2,433)
<i>Closing Capital Financing Requirement</i>	731,774	734,287
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow	74	1,035
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	(2,587)	(2,433)
<i>Increase/(decrease) in Capital Financing Requirement</i>	(2,513)	(1,398)

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 2013 (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 2013/14	3,845	2,728	7,394	13,967
Payable within two to five years	20,283	9,257	28,297	57,837
Payable within six to ten years	30,179	14,579	33,075	77,833
Payable within eleven to fifteen years	38,970	16,793	29,966	85,729
Payable within sixteen to twenty years	42,672	24,383	26,098	93,153
Payable within twenty-one to twenty-five years	45,237	35,447	20,226	100,910
Payable within twenty-six to thirty years	9,405	9,771	3,811	22,987
Total	190,591	112,958	148,867	452,416

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:

	2012/13 £000	2011/12 £000
Balance outstanding at start of year	115,638	117,978
Payments during the year	(2,587)	(2,433)
Capital expenditure incurred in the year	-	-
Other movements	(93)	93
Balance outstanding at end of year	112,958	115,638

33. Assets Held for Sale

	2012/13 £000	2011/12 £000
Balance outstanding at start of year	5,831	3,972
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,645	4,956
• Intangible Assets	-	-
• Other assets/liabilities in disposal groups	-	-
Revaluation losses	(20)	(50)
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	(318)
• Intangible Assets	-	-
• Other assets/liabilities in disposal groups	-	-
Assets sold	(1,725)	(2,729)
Transfers from non current to current	-	-
Balance outstanding at end of year	5,731	5,831

34. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2012/13 £000	2011/12 * £000	2012/13 £000	2011/12 * £000	2012/13 £000	2011/12 * £000	2012/13 £000	2011/12 * £000
Balance outstanding at start of year	1,969	1,367	116	56	78	314	2,163	1,737
Purchases	15,196	13,929	27,298	26,138	201	-	42,695	40,067
Recognised as an expense in the year	(15,598)	(13,319)	(27,414)	(26,078)	(192)	(205)	(43,204)	(39,602)
Written off balances	-	(8)	-	-	-	(31)	-	(39)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at end of year	1,567	1,969	-	116	87	78	1,654	2,163

* 2011/12 figures restated following re-interpretation of the definition of the above categories

35. Short Term Debtors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	13,906	12,648
Other local authorities	1,160	915
NHS bodies	4,545	1,079
Public corporations and trading funds	5,344	2,627 *
Other entities and individuals	87,228	72,324 *
Gross Total	112,183	89,593
Deduct: Provision for Impairment	(46,941)	(43,821)
Net Total	65,242	45,772

* Figures restated following re-interpretation of definition of the above categories

36. Short Term Creditors

	31 March 2013 £000	31 March 2012 £000	
Central government bodies	(6,336)	(8,413)	*
Other local authorities	(361)	(804)	*
NHS bodies	(1,390)	(1,959)	
Public corporations and trading funds	(3,588)	(3,195)	*
Other entities and individuals	(53,680)	(54,588)	*
Total	(65,355)	(68,959)	

* Figures restated following re-interpretation of definition of the above categories

37. Provisions

	Note 1 Compensation Payments - Equal Pay & Council Voluntary Severance £000	Note 2 Waste Disposal £000	Note 3 Property - Asset Management £000	Note 4 Housing / Council Tax Benefit Subsidy £000	Note 5 Other £000	Total £000
2012/13						
Balance at 1 April 2012	(2,667)	(2,444)	(1,463)	(990)	(1,332)	(8,896)
Additional provisions made in 2012/13	(200)	-	(651)	(443)	(2,559)	(3,853)
Amounts used in 2012/13	235	-	171	376	125	907
Unused amounts reversed in 2012/13	-	2,444	518	234	207	3,403
Unwinding of discounting in 2012/13	-	-	-	-	-	-
Balance at 31 March 2013	(2,632)	-	(1,425)	(823)	(3,559)	(8,439)
<i>Represented by:</i>						
Current provisions	(228)	-	-	(751)	(1,949)	(2,928)
Long term provisions	(2,404)	-	(1,425)	(72)	(1,610)	(5,511)

Notes on Provisions –

1. Compensation Payments – Equal Pay & Council Voluntary SeveranceEqual Pay - £2.440 million

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.

Council Voluntary Severance/Early Retirement Scheme - £0.192 million

This provision covers estimated outstanding amounts for severance costs comprising Strain on the Fund, Redundancy payments and Lump Sum payments. This includes where decisions for staff to leave have been taken but they may not yet have left the Council's employ by 31 March 2013.

2. Waste Disposal - £2.444 million

This provision relates to penalties expected to be incurred under the Landfill Allowance Scheme (LAS). Under the scheme, local authorities are penalised for exceeding landfill tonnage targets. The provision has been reversed on the basis that the LAS regulations are expected to be repealed.

3. Property – Asset Management - £1.425 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.

4. Housing /Council Tax Benefit Subsidy - £0.823 million

Provision for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing/Council Tax 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 2013/14.

5. Other(a) Roads Maintenance - £0.015 million

This provision relates to works undertaken by the Roads Maintenance Service and covers the cost of expected remedial work still required on works in progress and repairs to be carried out under contractual warranties for projects completed as at 31st March 2013. The amount is based on a professional opinion of the costs likely to arise before 1st April 2013 and the expected timescale for the release of this provision is within the 2013/14 financial year. It is reasonably certain that the works will be carried out in the 2013/14 financial year and while the value of the works still to be undertaken is based on the best estimate at the time, this is subject to some variation.

(b) Education - £0.180 million

This provision relates to two outstanding claims against the Council from former staff. One case is in relation to an Employment Tribunal case which will be resolved in 2013/14. The second case is likely to be heard in the Court of Session and although this is expected to be resolved in 2013-14, there is a possibility that this could extend into 2014/15.

(c) Council Tax Discount on Second Homes and Long Term Empty Properties - £2.364 million

This provision relates to amounts committed towards affordable housing projects, which are expected to be released in 2013/14 and 2014/15.

(d) HRA - £1.000 million

This provision relates to an outstanding claim from a contractor to the Council. It is expected that this matter will be resolved in 2013/14.

38. **Contingent Liabilities**

At 31 March 2013 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 £138,900 in support of an overdraft facility and card transactions until 31 March 2014.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of loans of £384,000 and a maximum overdraft facility of £250,000 as well as a guarantee of £250,000 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2022.

- **Aberdeen Heat and Power**

The Council has agreed to provide a guarantee to the Co-operative Bank in respect of a term loan facility of £1,000,000 repayable over a period of 10 years. The loan outstanding as at 31 March 2013 is £ 60,449. The Council has also agreed to provide a guarantee in respect of an overdraft facility, for up to £250,000, for a three year period with the Co-operative Bank.

- **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, an assessment of the environmental monitoring and reinstatement requirements is to be carried out. The level of remediation required will be determined through these assessments and a business case will then be prepared for funding through the Non-Housing capital programme.

- **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.

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

- **AECC - Interest Swap Agreement**

In May 2002, Mountwest 343 Ltd (see page 157) entered into an Amortising Interest Rate Swap agreement with the Royal Bank of Scotland plc. An interest swap agreement is a contract between two counterparties to exchange fixed interest rate payments for floating interest rate payments, based on a notional cashflow. This type of arrangement is used to hedge against future interest rate movements.

In this case, the swap agreement was entered into, to protect against interest rate fluctuations on loan repayments. Although the original loan itself has now been repaid, the swap agreement element still remains until March 2023, with interest charged (or paid) quarterly on the difference between a fixed rate of 5.89% and the variable 3 months LIBOR rate.

In May 2006 Aberdeen City Council agreed, as part of a debt restructuring, to guarantee any future costs arising from the swap agreement mentioned above. The costs in 2012/13 amounted to £472k.

- **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 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 2012/13:

	2012/13 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Total Revenue Funding Grant	347,306	339,002
Total	347,306	339,002
Credited to Services		
Housing Benefit Grant	53,607	52,027
S27 Community Justice Grant	4,289	4,537
Western Peripheral Route Works	4,947	1,152
Council Tax Benefit Grant	10,595	10,898
Council Tax Admin Grant	1,376	1,505
Police Capital Grant	-	823
Creative Scotland	605	510
European Funding	611	385
Home Office	59	37
Historic Scotland	-	50
Scottish Government	1,521	2,284
Sport Scotland	150	-
Other	1	-
Total	77,761	74,208

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

	2012/13 £000	2011/12 £000
Revenue Grants - Receipts in Advance		
Welfare Reform	99	-
Funding for Analysts Posts	59	-
Town Centre Regeneration	22	54
Anti Terrorism	4	-
Windmill Brae Lighting	10	-
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)	71	209
Older People Change Fund	239	638
Criminal Justice	-	78
Equality Funding	16	16
Self Directed Support / Caledonian Funding	292	35
Bequest / Europe Direct for Libraries	50	-
Substance Misuse Training	22	-
Creative Scotland – Various Projects	31	-
Creative Learning Network	13	-
Sport Scotland – Various Projects	115	-
Explorer Website Project	11	-
Total	1,054	1,030
Capital Grants - Receipts in Advance		
Gypsy Traveller Grant	103	103
Hydrogen Bus Project	1,799	-
Total	1,902	103

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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments				
Loans and receivables	-	-	20,341	20,222
Available for sale financial assets	10,897	11,111	-	-
Total investments	10,897	11,111	20,341	20,222
Debtors				
Loans and receivables	9,416	4,506	-	-
Financial assets carried at contract amount	-	-	65,242	45,772
Total debtors	9,416	4,506	65,242	45,772
Borrowings				
Financial liabilities at amortised cost	(460,777)	(468,063)	(121,660)	(130,625)
Overdraft	-	-	-	-
Total borrowings	(460,777)	(468,063)	(121,660)	(130,625)

Financial Instruments Balances (continued)	Long-term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Other Long-term Liabilities				
PPP liabilities	(110,230)	(112,958)	-	-
Finance lease liabilities	(59)	(192)	-	-
Total other long-term liabilities	(110,289)	(113,150)	-	-
Creditors				
Financial liabilities carried at contract amount	-	-	(65,355)	(68,959)
Total creditors	-	-	(65,355)	(68,959)

Note: Lenders Option/Borrowers Option (LOBO's) of £55.9m have been included in long term borrowing but have a call date in the next 12 months.

Material Soft Loans Made by the Authority

Loans totalling £26.2 million were made to AECC to enable the refinancing of existing loan facilities and aid business development. The loans were interest free and are thus deemed to be material soft loans.

	2012/13 £000	2011/12 £000
Balance at start of year:		
Opening balance	-	10,128
Loans repaid	-	-
Impairment losses	-	(10,760)
Increase in discounted amount	-	632
Closing balance at end of year	-	0
Nominal value at 31 March	-	-

Valuation Assumptions

The interest rate at which the fair value of these soft loans have been made is the Council's locally determined cost of borrowing for the financial year prior to that in which the loans were provided.

Reclassifications*Income, Expense, Gains and Losses*

Financial Instruments Gains/Losses	2012/13			2011/12		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost £000	Loans and receivables £000	£000	Liabilities measured at amortised cost £000	Loans and receivables £000	£000
Interest expense	(33,737)	-	(33,737)	(34,593)	-	(34,593)
Total expense in Surplus or Deficit on the Provision of Services	(33,737)	-	(33,737)	(34,593)	-	(34,593)
Interest income	-	746	746	-	497	497
Total income in Surplus or Deficit on the Provision of Services	-	746	746	-	497	497
Net gain/(loss) for the year	(33,737)	746	(32,991)	(34,593)	497	(34,096)

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 2013 of 1.52% to 11.125% 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
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair Value of Liabilities	31 March 2013				31 March 2012			
	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	(379,570)	(7,624)	(387,194)	(464,085)	(377,571)	(7,671)	(385,242)	(446,274)
PWLB – annuity	(960)	(34)	(994)	(1,024)	(2,100)	(74)	(2,174)	(2,307)
PWLB – EIP	(1,373)	(57)	(1,430)	(1,653)	(1,765)	(74)	(1,839)	(2,191)
LOBOs	(93,893)	(671)	(94,564)	(103,138)	(93,893)	(676)	(94,569)	(99,983)
Transfer Interest to Short Term in line with Code requirements	-	8,386	8,386	-	-	8,495	8,495	-
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	-	-	17,207	-	-	-	9,531	-
Financial Instrument Adjustments	-	-	(2,188)	-	-	-	(2,265)	-
Total Long Term Borrowing	(475,796)	0	(460,777)	(569,900)	(475,329)	0	(468,063)	(550,755)
Short term borrowing	(95,904)	(163)	(96,067)	(96,067)	(112,356)	(243)	(112,599)	(112,599)
Transfer Interest from Long Term in line with Code requirements	-	(8,386)	(8,386)	-	-	(8,495)	(8,495)	-
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	-	-	(17,207)	-	-	-	(9,531)	-
Total Short Term Borrowing	(95,904)	(8,549)	(121,660)	(96,067)	(112,356)	(8,738)	(130,625)	(112,599)

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 2013) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Assets	31 March 2013				31 March 2012			
	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	49,040	318	49,357	49,445	42,100	258	42,358	42,532

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
- 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 Aberdeen City Council in its annual treasury management strategy.

Aberdeen City 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 Aberdeen City Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £49.0m 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 2013 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	Historical experience	Historical experience	Estimated maximum	Estimated maximum
	31 March 2013	of default	adjusted for market	exposure	exposure at
	£000	%	conditions at	to default and	31 March 2012
			31 March 2013	uncollectability at	£000
	A	B	C	31 March 2013	
				£000	
				(A x C)	
Deposits with banks and building societies	49,357	-	-	-	-
Customers	21,064	2.89%	2.89%	609	622
				609	622

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 £21.1m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2013 £000	31 March 2012 £000
Less than three months	5,194	3,993
Three to six months	1,488	2,957
Six months to one year	2,175	1,530
More than one year	12,207	9,390
	21,064	17,870

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:

Liquidity Risk	31 March 2013 £000	31 March 2012 £000
Less than one year	111,601	125,510
Between one and two years	36,318	13,022
Between two and five years	51,293	78,469
Between five and ten years	50,230	44,233
More than ten years	329,200	334,618
	578,642	595,852

In the "More than 10 years" category in the table above there are £55.9 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 2013, if interest 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	659
Increase in interest receivable on variable rate investments	(151)
Impact on Surplus or Deficit on the Provision of Services	508
Share of overall impact debited to the HRA	162
Decrease in fair value of fixed rate investment assets	43
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in interest rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	70,332

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

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus 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 2012/13 the average interest rates were 4.22% for capital (2011/12 4.42%), 0.48% for revenue advances (2011/12 0.54%) and 0.03% for expenses (2011/12 0.03%) 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.

Loans Fund Borrowing

2011/12	Percentage		2012/13	Percentage	
£000	of Debt		£000	of Debt	
381,435	61.64%	PWLB	381,903	61.72%	
106,803	17.26%	Temporary Loans	89,634	14.48%	
93,893	15.18%	Mortgage Loans	93,893	15.17%	
36,610	5.92%	Other Sources	53,386	8.63%	
618,741	100.00%	TOTAL	618,816	100.00%	

Amounts Borrowed from the Loans Fund

	2012/13	2011/12	2010/11	2009/10
	£000	£000	£000	£000
General Fund				
Corporate Governance	7,076	7,679	5,840	4,436
Education, Culture & Sport	146,250	151,392	155,016	154,005
Enterprise, Planning & Infrastructure	189,751	187,345	176,524	147,184
Housing & Environment	46,982	41,397	39,665	34,607
Social Care & Wellbeing	21,372	21,140	21,529	22,074
Other	(13,777)	(6,114)	9,952	10,855
	397,654	402,839	408,526	373,161
Trading Operations				
Enterprise, Planning & Infrastructure	23,717	22,102	22,633	24,237
Housing & Environment	565	576	624	674
	24,282	22,678	23,257	24,911
Housing Revenue Account				
Housing & Environment	196,880	193,225	185,923	163,850
Total	618,816	618,742	617,706	561,922

Loans Fund**Revenue Account**

2011/12		2012/13
£000		£000
Expenditure		
27,468	Interest paid to External Bodies	26,816
693	Interest paid to Other Council Accounts	795
167	General Expenses	154
28,328		27,765
Income		
	Interest & Expenses charged to Aberdeen City Council	
(18,306)	- General Services	(17,218)
(8,513)	- Housing Services	(8,680)
(1,012)	- Contracting Services	(998)
(497)	From Temporary Investments	(869)
(28,328)		(27,765)

Loans Fund**Balance Sheet as at 31 March**

2012		2013
£000		£000
Assets		
Advances to:		
618,741	Aberdeen City Council for Capital Expenditure	618,816
2	Other Bodies	2
15,598	Rescheduled Premiums	15,201
<u>634,341</u>		<u>634,019</u>
Current Assets		
42,100	Temporary Investments	48,850
258	Sundry Debtors	507
<u>676,699</u>		<u>683,376</u>
Less: Current Liabilities		
86,399	Temporary Advances from Council Services	111,002
8,739	Sundry Creditors	8,550
(572)	Bank Overdraft	(1,608)
<u>94,566</u>		<u>117,944</u>
582,133	Net Assets	565,432
Financed by:		
(381,435)	Public Works Loan Board	(381,903)
(93,893)	Money Market Loans	(93,893)
(2)	Stock Issue & Gas Annuities	(2)
(106,803)	Temporary Loans	(89,634)
<u>(582,133)</u>		<u>(565,432)</u>

Housing Revenue Account Income and Expenditure Statement

2011/12		2012/13	
£000		£000	
	Income		
(70,422)	Dwelling Rents	(73,700)	
(2,409)	Non-dwelling Rents	(2,758)	
(370)	Hostel Grant	(241)	
(937)	Other Income	(769)	
(74,138)		(77,468)	
	Expenditure		
914	Staff Costs	550	
914		550	
	Premises Costs:		
20,992	Repairs and Maintenance – Dwelling Houses	21,298	
2,691	Maintenance of amenity areas	2,881	
758	Bad debts written off/provisions	1,716	
859	Loss of rent vacant periods	964	
1,225	Other costs	1,482	
26,525		28,341	
	Administration Costs:		
5,977	Management and Administration	6,427	
929	Other costs	863	
6,906		7,290	

2011/12 £000		2012/13 £000
	Supplies and Services:	
2,736	Communal Lighting and Heating, etc.	3,465
160	Information Technology	260
151	Other Costs	236
3,047		3,961
	Agencies:	
227	Contributions	228
405	Supporting People Contribution	405
774	Tenant's Participation/Helplines	556
1,406		1,189
	Capital Charges:	
26,310	Depreciation	27,660
32,287	Impairment of Non-Current Assets	22,507
58,597		50,167
97,395	Gross Expenditure	91,498
23,257	Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement	14,030
163	Corporate and Democratic Core	172
23,420	Net Cost of HRA Services	14,202

2011/12 £000		2012/13 £000
(1,250)	(Gain) / Loss on Sale of HRA Non-Current Assets	(1,406)
8,527	Interest payable and similar charges	8,689
(148)	Interest and investment income	(138)
104	Pensions interest and return on assets	244
(3,501)	Non-Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(848)
27,152	(Surplus)/deficit for the year on HRA Services	20,743

Movement on the Housing Revenue Account Statement

2011/12 £000		Notes	2012/13 £000
(6,878)	Balance on the HRA at the end of the Previous Year		(7,003)
27,152	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		20,743
(27,697)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(22,150)
(545)	Net (Increase) or Decrease Before Transfers to or (from) Reserves		(1,407)
420	Transfers to or (from) Reserves	2	-
(125)	(Increase) or Decrease in Year on the HRA		(1,407)
(7,003)	Balance on the HRA at the end of the Current Year		(8,410)

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

2011/12 £000		2012/13 £000
1,250	Gain or (loss) on sale of HRA non-current assets	1,406
23,387	Capital expenditure funded by the HRA	21,504
	Transfer to/from the Capital Adjustment Account:	
(58,597)	Depreciation and Impairment	(50,168)
3,501	Capital Grants and Contributions	848
3,212	Repayment of Debt	4,530
(451)	HRA share of contributions to or from the Pensions Reserve	(274)
	- Adjustment involving the Accumulating Compensated Absences Adjustment Account	-
	- Statutory Reserves	4
(27,698)	Total	(22,150)

2. Transfers (to) or from Reserves

2011/12 £000		2012/13 £000
420	Transfer to/(from) the General Fund	-
420	Total	-

3. Housing Stock

The Council's housing stock at 31 March 2013 was 22,656 (22,774 at 31 March 2012) in the following categories:

2011/12 Number	Type of Property	2012/13 Number
2,276	Sheltered Property	2,273
5	Wardens Property	5
3,899	Cottage	4,725
8,962	Flat	8,977
2,285	Four in Block	2,199
574	Maisonette	571
2,136	Multi Story Flat	2,132
124	Split Level Flat	125
448	Multi Story Maisonette	447
1,673	Amenity	813
357	Homeless	356
22,739	Sub-Total	22,623
35	Properties off the charge	33
22,774	HRA Total	22,656
Other Assets		
1	Hostel	1
246	Garages Sites	245
2,062	Lock Up Garages	2,062
916	Parking Spaces	918
20	Travelling Peoples Sites	20
3,245		3,246

4. Rent Arrears

2011/12		2012/13
£000		£000
3,187	Current Tenant Arrears	3,846
2,879	Former Tenant Arrears	3,425
6,066	Total Rent Arrears	7,271

5. Impairment of Debtors

In 2012/13 an impairment of £6,238,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £1,107,000 from the provision in 2011/12.

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, but all income is then 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 2012/13, which is set annually by the Scottish Ministers, is 45 pence. There is also a small supplement on the poundage rate of 0.8 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 9.3 pence. In 2011/12, the NDR poundage rate was set at 42.6 pence and supplement at 0.7 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.

2011/12 £000		2012/13 £000	
(192,614)	Gross Rates Levied and Contributions in Lieu	(203,158)	
	<i>Deduct:</i>		
25,480	Reliefs, remissions, etc.	25,867	
-	- Payment of Interest	-	
739	Write-offs of uncollectable debts and allowances for impairment	1,124	26,991
(166,395)	Net Non-Domestic Rate Income	(176,167)	
3,711	Adjustment to previous years' National Non-Domestic Rates	5,937	
(162,684)	Contribution to Non-Domestic Rate Pool	170,230	
(161,429)	Distribution from Non-Domestic Rate Pool	(164,576)	
	<i>Add:</i>		
(233)	Adjustment for Statutory Additions	(268)	
(6)	Adjustments for periods prior to Pool	-	
-	- Prior periods cash adjustment	(2,433)	(2,701)
(161,668)	Income credited to the Comprehensive Income and Expenditure Statement *	(167,277)	

* The 2012/13 figures assume that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) revised target.

Category	Number of Subjects	Rateable Values at
		1 April 2013
		£000
Shops	2,123	91,797
Public Houses	172	7,294
Offices	2,023	135,233
Hotels	202	14,034
Industrial Factories, Warehouses, Stores	1,859	100,173
Leisure Entertainment, Caravans and Holiday Sites	361	12,934
Garages and Petrol Stations	213	4,190
Cultural	13	783
Sporting Subjects	49	406
Education & Training	167	29,667
Public Service Subjects	563	15,859
Communications	284	2,308
Quarries, Mines etc.	9	96
Petrochemical	2	848
Religious	132	2,377
Health / Medical	122	14,436
Other	391	4,708
Care Facilities	138	5,279
Advertising	376	435
Undertaking	6,157	2,050
Total all Non-Domestic Subjects	15,356	444,907

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 a tax, but in some circumstances, for example single occupancy, discounts can apply, and some dwellings, for instances students' residences and certain unoccupied dwellings, are exempt.

In 2012/13, 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

2011/12 £000		2012/13 £000
(132,426)	Gross Assessments	(133,184)
(503)	Net band adjustments	(622)
(132,929)	Council Tax Collectable	(133,806)
	<i>Deduct:</i>	
9,482	Exemptions	9,008
64	Disabled Relief	63
12,450	Discounts	12,399
3,379	Provisions for non-collection	2,866
16	Net benefit grant	79
254	Other	245
(107,284)		(109,146)
	<i>Add:</i>	
(1,240)	Statutory Additions	(1,123)
472	Prior Year Adjustments	467
50	CTB Provision for overpayment	71
75	Write Ons	39
(107,927)	Net Council Tax income for the Year	(109,692)
(16)	Arrears of Community Charge (Poll Tax) recovered during the year	(12)
(107,943)	Net Council Tax income transferred to General Fund	(109,704)

The calculation of the Council Tax Base 2012/13

	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)			10			10	5/9	6
Band A	22,054	(2,411)	(54)	(3,122)	(263)	16,204	6/9	10,803
Band B	28,056	(2,099)	(18)	(3,313)	(28)	22,598	7/9	17,576
Band C	18,186	(1,315)	(2)	(1,566)	(217)	15,086	8/9	13,410
Band D	13,908	(1,818)	2	(1,161)	(277)	10,654	9/9	10,654
Band E	13,657	(464)	(6)	(952)	(234)	12,001	11/9	14,668
Band F	7,998	(183)	7	(455)	(89)	7,278	13/9	10,512
Band G	7,082	(102)	(39)	(271)	(82)	6,588	15/9	10,980
Band H	820	(17)	(8)	(20)	(15)	760	18/9	1,520
						TOTAL		89,917
						Contributions in Lieu		6
						Provision for Bad Debts (2.4%)		(2,158)
						Council Tax Based		87,765

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 2012/13 was £1,230.39 (2011/12 £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 own Loan Funds.

Movement in Reserves Statement

	Common Good Fund £000	Reserves Fund £000	Total Common Good £000
Balance at 1 April 2011	(67,115)	(68)	(67,183)
<u>Movement in Reserves during 2011/12</u>			
(Surplus) or Deficit on provision of services	(6,670)	-	(6,670)
Total Comprehensive Expenditure and Income	(6,670)	0	(6,670)
Balance at 31 March 2012 carried forward	(73,785)	(68)	(73,853)
<u>Movement in Reserves during 2012/13</u>			
(Surplus) or Deficit on provision of services	(4,312)	-	(4,312)
Total Comprehensive Expenditure and Income	(4,312)	0	(4,312)
Balance at 31 March 2013	(78,097)	(68)	(78,165)

Comprehensive Income and Expenditure Statement

2011/12		2012/13	
Net (Income) Expenditure £000		Gross Expenditure £000	Gross Income £000
			Net (Income) Expenditure £000
12	Official Catering	16	-
98	Administration Costs	81	-
881	Donations, Grants, Contributions etc.	984	-
366	Civic Hospitality	400	-
62	Civic Expenditure	44	-
57	Funding of International Budget	110	-
133	Christmas Illuminations & Festivities	116	-
265	Civic Administration Unit	172	-
73	Other Projects	83	-
222	Miscellaneous Expenditure	257	-
7	Greenfern Master plan	0	-
47	Youth Activity Funding	34	-
29	Exhibitions, Displays and Galas	203	-
90	Gordon Highlanders Statue	-	-
1	Duthie Park HLF	56	-
2,343	Cost Of Services	2,556	0
	Other Operating Expenditure:		
-	Gains/losses on the disposal of non current assets		-
	Financing and Investment Income and Expenditure:		
(2,860)	Investment property income & expenditure		(2,953)
(196)	Interest receivable and other investment income		(226)
(5,957)	(Surplus) or Deficit on revaluation of investment property		(3,689)
(6,670)	(Surplus) or Deficit on Provision of Services		(4,312)
(6,670)	Total Comprehensive Income and Expenditure		(4,312)

Balance Sheet

31 March 2012		31 March 2013
£000		£000
<u>66,422</u>	Investment Property	<u>70,176</u>
66,422	Long Term Assets	70,176
6,898	Investments in Aberdeen City Council Loans Fund	7,680
380	Investment Property Held for Sale	136
<u>506</u>	Short Term Debtors	<u>539</u>
7,784	Current Assets	8,355
<u>(353)</u>	Short Term Creditors	<u>(366)</u>
(353)	Current Liabilities	(366)
73,853	Net Assets	78,165
(73,785)	Common Good Fund	(78,097)
<u>(68)</u>	Reserve Fund	<u>(68)</u>
(73,853)	Total Reserves	(78,165)



Steven Whyte, CPFA
Chief Accountant

27 September 2013

The unaudited accounts were issued on 17 June 2013 and the audited accounts were authorised for issue on 27 September 2013.

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, 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.

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 2013 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. In addition, a separate Annual Report covering the results of the council's registered charitable trusts is submitted to Office of the Scottish Charity Regulator (OSCR) each December.

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.

Movement In Funds	* Balance as at 31 March 2012 £000	Revaluation of Investments £000	Income £000	Expenditure £000	Balance as at 31 March 2013 £000
Educational Trusts	(1,127)	(6)	(82)	100	(1,115)
Endowments Funds					
- Educational	(711)	(62)	(12)	2	(783)
- Social Work	(252)	(22)	(4)	-	(278)
Bridge Works	(1,073)	(34)	(12)	2	(1,117)
Charitable	(299)	-	(8)	12	(295)
Guildry	(2,117)	(46)	(30)	19	(2,174)
Miscellaneous	(1,333)	-	(85)	154	(1,264)
Lands	(1,872)	(42)	-	-	(1,914)
	(8,784)	(212)	(233)	289	(8,940)

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. Included in the above funds are around 50 trusts which are registered as Scottish charities under the Charities and Trustee Investment (Scotland) Act 2005. In order to rationalise the number of funds held and streamline their administration, the council is progressing a scheme of amalgamation in consultation with the OSCR. The Trust accounts as detailed above consist of Charitable Trusts as follows:

	* Balance as at 31 March 2012 £000	Revaluation of Investments £000	Income £000	Expenditure £000	Balance as at 31 March 2013 £000
Charitable Trusts	(7,226)	(206)	(159)	211	(7,380)

Investment Of Funds	* As at 31 March 2012 £000	As at 31 March 2013 £000
Invested in:		
Land & Buildings	4,194	4,322
Equities – Listed	760	840
Gilt Edged Securities	41	45
Council Loans Fund	3,400	3,337
Other Investments	400	400
Debtors	62	81
Creditors	(73)	(85)
	8,784	8,940
Unrestricted Funds	(6,449)	(6,480)
Endowment Funds	(463)	(546)
Designated Funds – Common Good Fund	(1,870)	(1,912)
Designated Funds – Grampian Health Board	(2)	(2)
	(8,784)	(8,940)

* Figures have been restated to reflect Lands of Skene and Lands of Torry which include an element of Common Good not reflected in the Trusts.


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27 September 2013

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Group Movement in Reserves Statement

	Total Usable Reserves (Page 33) £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 1 April 2011	(56,211)	(1,179,189)	(1,235,400)	299,711	(935,689)
<u>Movement in Reserves during 2011/12</u>					
(Surplus) or deficit on provision of services	36,483	-	36,483	21,369	57,852
Other Comprehensive Income and Expenditure	-	9,760	9,760	(7,270)	2,490
Total Comprehensive Income and Expenditure	36,483	9,760	46,243	14,099	60,342
Adjustments between Group and Council accounts	-	-	-	-	-
Net Increase /Decrease before Transfers	36,483	9,760	46,243	14,099	60,342
Adjustments between accounting basis & funding basis under regulations	(68,780)	68,780	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(32,297)	78,540	46,243	14,099	60,342
Transfers to/from Earmarked Reserves & Statutory Reserves	-	-	-	-	-
Increase/Decrease in Year	(32,297)	78,540	46,243	14,099	60,342
Balance at 31 March 2012 carried forward	(88,508)	(1,100,649)	(1,189,157)	313,810	(875,347)
<u>Movement in Reserves during 2012/13</u>					
(Surplus) or deficit on provision of services	40,900	-	40,900	26,903	67,803
Other Comprehensive Income and Expenditure	-	42,336	42,336	54,311	96,647
Total Comprehensive Income and Expenditure	40,900	42,336	83,236	81,214	164,450
Adjustments between Group & Council accounts	-	-	-	-	-
Net Increase/Decrease before Transfers	40,900	42,336	83,236	81,214	164,450
Adjustments between accounting basis & funding basis under regulations	(89,375)	89,375	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(48,475)	131,711	83,236	81,214	164,450
Transfers to/from Earmarked Reserves & Statutory Reserves	-	-	-	-	-
Increase/Decrease in Year	(48,475)	131,711	83,236	81,214	164,450
Balance at 31 March 2013	(136,983)	(968,938)	(1,105,921)	395,024	(710,898)

Group Comprehensive Income and Expenditure Statement

2011/12 restated				2012/13		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,694	(3,040)	654	Central Services to the Public	4,733	(3,000)	1,733
45,516*	(9,111)*	36,405*	Cultural and Related Services	42,844	(7,312)	35,532
185,313*	(9,982)*	175,331*	Education Services	223,861	(8,224)	215,637
39,295*	(8,023)*	31,272*	Environmental Services	35,328	(7,159)	28,169
173,471*	(141,315)*	32,156*	Housing Services	157,946	(140,639)	17,307
23,356	(11,571)	11,785	Planning and Development Services	21,798	(11,989)	9,809
29,158*	(11,129)*	18,029*	Roads and Transport Services	29,872	(13,065)	16,807
166,861*	(36,417)*	130,444*	Social Work Services	173,764	(35,974)	137,790
11,056	812	11,868	Corporate and Democratic Core	7,204	473	7,677
14,522*	(653)*	13,869*	Non Distributed Costs	2,107	-	2,107
34,596	-	34,596	Joint Boards	29,705	-	29,705
-	(12,474)	(12,474)	Exceptional Items			
726,838*	(242,903)*	483,935*	Cost Of Services	729,162	(226,889)	502,273
-	(3,814)	(3,814)	Other Operating Expenditure	-	(4,320)	(4,320)
37,930	(13,908)	24,022	Financing and Investment Income and Expenditure (note vi)	39,032	(18,381)	20,651
-	(468,590)	(468,590)	Taxation and Non-Specific Grant Income		(477,355)	(477,355)
764,768*	(729,215)*	35,553*	(Surplus) or Deficit on Provision of Services	768,194	(726,945)	41,249
		22,299	Share of (Surplus) or Deficit on the provision of services by associates and joint ventures			26,554
		57,852	Group (Surplus) / Deficit (note 17)			67,803
		(22,016)	Surplus or deficit on revaluation of non-current assets			1,451
		(254)	Surplus or deficit on revaluation of available for sale financial assets			213
		25,760	Actuarial gains / losses on pension assets / liabilities			37,453
		(1,000)	Share of other comprehensive expenditure and income of associates and joint ventures			57,530
		2,490	Other Comprehensive Income and Expenditure			96,647
		60,342	Total Comprehensive Income and Expenditure			164,450


* 2011/12 figures have been restated following a review of SeRCOP requirements

Group Balance Sheet

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
2,001,608	1,925,772	Property, Plant & Equipment (note xi)	1,825,865
146,269	153,135	Investment Property (note xii)	155,872
801	639	Intangible Assets	388
16,787	17,074	Long Term Investments and/or Investments in Associates and Joint Ventures	20,038
128,185	148,188	Heritage Assets	150,715
2,233	4,506	Long Term Debtors	9,416
2,295,883	2,249,314	Long Term Assets	2,162,294
4,976	20,222	Short Term Investments	20,341
1,946	2,490	Inventories	1,912
49,682	47,154	Short Term Debtors	66,543
14,282	31,082	Cash and Cash Equivalents	38,923
3,972	6,211	Assets held for sale	5,867
74,858	107,159	Current Assets	133,586
-	(610)	Cash and Cash Equivalents	(306)
(106,741)	(121,712)	Short Term Borrowing	(118,499)
(93,761)	(73,170)	Short Term Creditors	(66,453)
(6,144)	(5,635)	Provisions	(2,929)
(2,526)	(2,587)	PPP Short Term Liabilities	(2,728)
(10,798)	(9,629)	Other Short Term Liabilities	(11,639)
(219,970)	(213,343)	Current Liabilities	(202,554)
(322)	(192)	Long Term Creditors	(59)
(11,338)	(3,261)	Provisions	(5,511)
(456,358)	(468,130)	Long Term Borrowing	(460,805)
(376,091)	(397,389)	Liabilities in Associates and Joint Ventures	(481,474)
(115,452)	(112,958)	PPP Long Term Liabilities	(110,230)
(705)	(666)	Other Long Term Liabilities	(626)
(254,816)	(285,187)	Pension Liabilities	(323,723)
(1,215,082)	(1,267,783)	Long Term Liabilities	(1,382,428)
935,689	875,347	Net Assets	710,898

Group Balance Sheet

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
(56,212)	(88,508)	Usable Reserves	(136,984)
(1,179,188)	(1,100,649)	Unusable Reserves	(968,938)
11,347	12,828	Group - Usable Reserves	17,709
288,364	300,982	Group - Unusable Reserves	377,315
(935,689)	(875,347)	Total Reserves	(710,898)



Steven Whyte, CPFA
Chief Accountant

27 September 2013

The unaudited accounts were issued on 17 June 2013 and the audited accounts were authorised for issue on 27 September 2013.

Group Cash Flow

2011/12 £000		2012/13 £000
		(67,803)
(57,852)	Net surplus or (deficit) on the provision of services	
140,833	Adjust net surplus or deficit on the provision of services for non cash movements	156,593
(32,071)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,136)
50,910	Net cash flows from Operating Activities (Note vii)	57,654
(37,970)	Net cash flows from Investing Activities (note viii)	(30,742)
18,024	Net Cash flows from Financing Activities (note ix)	(18,766)
30,964	Net increase or decrease in cash and cash equivalents	8,146
(492)	Cash and cash equivalents at the beginning of the reporting period	30,472
30,472	Cash and cash equivalents at the end of the reporting period (note xi)	38,618

Notes to the Group Accounts

Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity financial statements; 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 2013, 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 financial statements 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 2012 to 31 March 2013, 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 financial statements produced at 31 March 2012, 31 July 2012 and 31 March 2013. 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/creditors and loans of £26.2 million to AECC.

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% and Sport Aberdeen 100%. Also included are Associates – Grampian Joint Police Board 48%, Grampian Joint Fire and Rescue Board 49%, 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 1,865,000 £1 ordinary shares fully paid up, in Aberdeen Exhibition and Conference Centre Limited (AECC) to provide buildings for the conduct of exhibitions, conferences and other events.

Mountwest 343 Limited

At 31 March 2013, the parent company of Mountwest 343 Limited was AECC and the ultimate parent undertaking was Aberdeen City Council who are represented on the board of directors of the holding company. The principal activity of the company is the rental of the redeveloped AECC.

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 own 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 under 'auto-pilot' as defined by SIC 12.

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 incorporate the following Associates in their group financial statements;

Grampian Joint Fire and Rescue Board	49%
Grampian Joint Police Board	48%
Grampian Valuation Joint Board	39%

There is no share capital issued by the 3 Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to each individual Board.

The Grampian Joint Fire and Rescue Board was created by Statutory Instrument and came into operation on 1 April 1996 to administer the fire service provision for the local government areas of Aberdeenshire, Aberdeen City and Moray.

The Grampian Joint Police Board was created by a Statutory Instrument in 1995, known as 'The Grampian Combined Police Area Amalgamation Scheme Order 1995' and came into operation on 1 April 1996, to administer the policing provision for the new local government areas of Aberdeen City, Aberdeenshire and Moray.

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 reduce both Reserves and Net Assets by £366.8 million (£286.1 million in 2011/12).

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 2012/13

	ACC Control	Commitment to meet accumulated deficits	Net Assets/ (liabilities)	Surplus / (deficit) for the year	The accounts can be acquired from
Subsidiaries	%	%	£000	£000	
Aberdeen Exhibition and Conference Centre	100	100	2,364	(856)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	1,210	77	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	78,165	4,312	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,026	114	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(318)	(776)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	21,794	(587)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Joint Fire and Rescue Board	49	49	(153,545)	(9,365)	Grampian Fire and Rescue Service, 19 North Anderson Drive, Aberdeen AB15 6DW
Grampian Joint Police Board	48	48	(842,225)	(45,105)	Grampian Joint Police Board, Finance Department, Woodhill House, Westburn Road, Aberdeen AB16 5AB
Grampian Valuation Joint Board	39	39	(5,049)	(57)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

For the financial year 2011/12

	ACC Control	Commitment to meet accumulated deficits	Net Assets/ (liabilities)	Surplus / (deficit) for the year	The accounts can be acquired from
Subsidiaries	%	%	£000	£000	
Aberdeen Exhibition and Conference Centre	100	100	1,220	25	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	1,134	94	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	73,853	6,669	Head of Finance, Aberdeen City Council
Trust Funds	100	100	6,914	127	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	458	284	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	22,221	508	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Joint Fire and Rescue Board	49	49	(120,908)	(8,643)	Grampian Fire and Rescue Service, 19 North Anderson Drive, Aberdeen AB15 6DW
Grampian Joint Police Board	48	48	(701,037)	(37,249)	Grampian Joint Police Board, Finance Department, Woodhill House, Westburn Road, Aberdeen AB16 5AB
Grampian Valuation Joint Board	39	39	(4,221)	48	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 2013, AH&P Ltd made a profit of £172,784 (a profit of £110,676 in 2011/12) and the net assets of the company were £822,569 (£649,785 in 2011/12). Turnover was £2,258,374 (£1,568,283 in 2011/12). The accounts for 2012/13 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 2012/13, Aberdeen City Council contributed £122,000 (£129,000 in 2011/12) 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 2012/13 show a deficit of £2,000 (£2,000 2011/12) 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 2012 net assets amounted to £315,784 (£304,275 in 2010/11) with a surplus for the year of £11,509 (deficit of £104,975 in 10/11). The accounts for 2012/13 are being prepared. It is anticipated that there will be no significant changes as at March 2013. 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 2012/13 Aberdeen City Council contributed £80,000 (£75,000 2011/12) 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 2012/13, Aberdeen City Council contributed £126,254 (£128,437 2011/12) 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

2012/12 £000		2012/13 £000
35,035	Interest payable and similar charges	34,164
2,895	Pensions interest cost and expected return on pensions assets	4,868
(731)	Interest receivable and similar income	(1,480)
(8,175)	Income and expenditure in relation to investment properties and changes in their fair value	(9,795)
(5,002)	Other investment income	(7,106)
24,022	Total	20,651

Note vii Cash Flow Statement – Group Operating Activities

The cash flows for group operating activities include the following items:

2011/12 £000		2012/13 £000
(57,852)	Net surplus or (deficit) on the provision of services	(67,803)
(57,852)		(67,803)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
61,035	Depreciation	68,197
71,603	Impairment, downward revaluations & non-sale derecognitions	80,885
(545)	(Increase)/Decrease in Stock	578
21,215	(Increase)/Decrease in Debtors	(24,079)
(21,942)	Increase/(Decrease) in impairment provision for bad debts	-
(14,486)	Increase/(Decrease) in Creditors	(1,803)
4,610	Payments to Pension fund	1,084
6,858	Carrying amount of non-current assets sold	8,939
-	Carrying amount of written out assets	-
(8,578)	Contributions to Other Reserves / Provisions	(453)
(857)	Movement in value of investment properties	(2,953)
-	Assets held for sale movement	-
319	Amortisation of intangible assets	250
21,601	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	25,948
140,833		156,593
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(21,649)	Receipt of Capital Grants and Contributions	(18,150)
(10,422)	Proceeds from the sale of PP&E, investment property and intangible assets	(12,986)
(32,071)		(31,136)
50,910	Net cash flows from operating activities	57,654

Note viii Cash Flow Statement – Group Investing Activities

2011/12 £000		2012/13 £000
(69,856)	Purchase of property, plant and equipment, investment property and intangible assets	(62,009)
(214)	Purchase of short-term and long-term investments	130
-	Other payments for investing activities	-
10,826	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,514
(338)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(527)
-	Proceeds from short-term and long-term investments	-
21,612	Capital grants and contributions received	18,150
-	Other receipts from investing activities	-
(37,970)	Net cash flows from investing activities	(30,742)

Note ix Cash Flow Statement – Financing Activities

2011/12 £000		2012/13 £000
29,328	Cash receipts of short- and long-term borrowing	268
(24)	Other receipts from financing activities	(24)
(8,657)	Repayments of short- and long-term borrowing	(16,251)
(2,559)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,717)
(64)	Other payments for financing activities	(42)
18,024	Net cash flows from financing activities	(18,766)

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 2012 £000		31 March 2013 £000
61	Cash held by officers	38
30,411	Bank current accounts	38,580
30,472	Total cash and cash equivalents	38,618

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

Movements in 2012/13:

	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 & Equip £000	PPP Assets Included in Property, Plant & Equip £000
Cost or Valuation									
At 1 April 2012	796,494	1,004,894	76,642	185,824	17,878	34,723	15,441	2,131,896	156,074
Additions	36,163	8,750	3,860	5,286	3,481	374	4,071	61,985	0
Revaluations	(22,016)	(110,616)	-	-	-	3,412	-	(129,220)	-
Derecognition / Disposals	(4,091)	(1,354)	(8,395)	-	-	-	-	(13,840)	-
Transfers	2,320	(820)	-	-	-	806	(3,351)	(1,045)	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-
At 31 March 2013	808,870	900,854	72,107	191,110	21,359	39,315	16,161	2,049,776	156,074

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2012	(50,663)	(53,351)	(40,194)	(60,127)	-	(1,790)	-	(206,125)	(7,162)
Depreciation charge	(27,488)	(23,243)	(10,720)	(6,173)	-	(550)	-	(68,174)	(4,318)
Depreciation & Impairment written out	108	40,307	-	-	-	95	-	40,510	-
Derecognition / Disposals	388	1,176	8,306	-	-	(4)	-	9,866	-
Transfers	11	-	-	-	-	-	-	11	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
At 31 March 2013	(77,644)	(35,111)	(42,608)	(66,300)	-	(2,249)	-	(223,912)	(11,480)
Net Book Value									
At 31 March 2013	731,226	865,744	29,500	124,810	21,359	37,066	16,161	1,825,865	144,594
At 31 March 2012	745,831	951,544	36,448	125,696	17,878	32,933	15,441	1,925,771	148,912

Group Property, Plant and Equipment

Comparative Movements in 2011/12:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2011	781,561	1,018,831	76,073	178,544	17,156	22,731	78,173	2,173,069	156,008
Additions	34,726	7,954	5,718	7,279	722	292	12,769	69,460	66
Revaluations	(31,843)	(49,314)	-	-	-	(15,509)	-	(96,666)	-
Derecognition / Disposals	(2,778)	(1,371)	(5,149)	-	-	-	-	(9,298)	-
Transfers	16,047	29,084	-	-	-	30,339	(75,501)	(31)	-
Other movements in Cost or Valuation	(1,219)	(290)	-	-	-	(3,130)	-	(4,639)	-
At 31 March 2012	796,494	1,004,894	76,642	185,823	17,878	34,723	15,441	2,131,895	156,074

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2011	(24,716)	(56,460)	(35,014)	(54,210)	-	(1,060)	-	(171,460)	(2,846)
Depreciation charge	(26,164)	(18,523)	(10,209)	(5,917)	-	(219)	-	(61,032)	(4,316)
Depreciation & Impairment written	45	19,091	-	-	-	1,953	-	21,089	-
Derecognition / Disposals	172	41	434	-	-	-	-	647	-
Transfers	-	-	4,595	-	-	-	37	4,632	-
Other movements in Depreciation and Impairment	-	2,501	-	-	-	(2,464)	(37)	-	-
At 31 March 2012	(50,663)	(53,350)	(40,194)	(60,127)	-	(1,790)	-	(206,124)	(7,162)
Net Book Value									
At 31 March 2012	745,831	951,544	36,448	125,696	17,878	32,933	15,441	1,925,771	148,912
At 31 March 2011	756,845	962,371	41,059	124,334	17,156	21,671	78,173	2,001,609	151,491

Note xii Investment Properties

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

	2011/12 £000	2012/13 £000
Rental and interest income from investment property	(10,474)	(9,615)
Expenses arising from investment property	3,156	2,693
Revaluation (gains)/losses	(857)	(2,962)
Net (gain)/loss	(8,175)	(9,884)

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

	2011/12 £000	2012/13 £000
Balance at start of the year	146,269	153,135
Additions:		
- Purchases	308	2
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	(86)	(3,256)
Net gains/losses from fair value adjustments	6,890	6,480
Transfers:		
- to/from Inventories	(380)	(136)
- to/from Property, Plant and Equipment	31	(600)
Other changes	103	247
Balance at end of the year	153,135	155,872

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2012 and 2013 are as follows :

	Loans		Debtors		Creditors	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000	£'000
AECC	(28,200)	(26,200)	-	-	(65)	(25)
Mountwest 343 Limited	-	-	-	-	-	-
Common Good	(2,085)	(2,866)	-	-	-	-
Trust Funds	(3,238)	(3,161)	-	-	-	-
	(33,523)	(32,227)	-	-	(65)	(25)

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 Services, Housing, 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

2012/13

	Share of Operating (surplus)/deficit £000s	Total Assets £000s	Total Liabilities £000s	Net Assets/Liabilities £000s
Associates				
Grampian Joint Fire and Rescue Board	4,588	30,288	(105,525)	(75,237)
Grampian Joint Police Board	21,650	32,220	(436,488)	(404,268)
Grampian Valuation Joint Board	22	504	(2,473)	(1,969)
Associates Total	26,260	63,012	(544,486)	(481,474)
Joint Venture				
Aberdeen Sports Village Limited	294	22,314	(11,417)	10,897
Joint Ventures Total	294	22,314	(11,417)	10,897

2011/12

	Share of Operating (surplus)/deficit £000s	Total Assets £000s	Total Liabilities £000s	Net Assets/Liabilities £000s
Associates				
Grampian Joint Fire and Rescue Board	4,692	32,259	(91,504)	(59,245)
Grampian Joint Police Board	17,880	30,036	(366,534)	(336,498)
Grampian Valuation Joint Board	(19)	514	(2,160)	(1,646)
Associates Total	22,553	62,809	(460,198)	(397,389)
Joint Venture				
Aberdeen Sports Village Limited	(254)	16,741	(5,631)	11,111
Joint Ventures Total	(254)	16,741	(5,631)	11,111

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) operates 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 £167,973 (£157,083 in 2011/12).

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 I&E account. The pension deficit for the year is £1,796,000. (£1,089,000 in 2011/12).

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 £38,943 (£34,452 in 2011/12).

Associates

Grampian Joint Fire and Rescue Board participates in three schemes. The Local Government Pension Scheme administered by Aberdeen City Council provides employees with defined benefits related to pay and service. The Uniformed Firefighters Pension Schemes are unfunded schemes.

Grampian Joint Police Board participates in three pension schemes which provide members with defined benefits related to pay and service. Police Pension Schemes are unfunded and therefore net pension payments are charged to the revenue account in the year in which payment is made. Local Government Pension Scheme providing pensions to Force Support Staff is charged to the revenue account in accordance with the statutory requirements of the scheme administered by ACC.

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

	2011/12 £'000	2012/13 £'000
Grampian Joint Fire and Rescue Board	4,333	4,220
Grampian Joint Police Board	18,329	17,868
Grampian Valuation Joint Board	(17)	13
Total	22,645	22,101

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'.

	2011/12 £'000	2012/13 £'000
ACC	(284,098)	(321,927)
<u>Share of Associates</u>		
Grampian Joint Fire and Rescue Board	(80,651)	(94,086)
Grampian Joint Police Board	(342,885)	(402,255)
Grampian Valuation Joint Board	(2,003)	(2,312)
Total	(709,637)	(820,580)

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 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the authority-only and group Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only 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, 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 2012/13 (the 2012/13 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 Chief Accountant and auditor

As explained more fully in the Statement of Responsibilities, the Chief Accountant 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 group's and the council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Accountant; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. 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 2012/13 Code of the state of the affairs of the group and of Aberdeen City Council as at 31 March 2013 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 2012/13 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 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 1985; and
- the information given in the Explanatory Foreword 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 does not comply 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 CPFA

Assistant Director

Audit Scotland

4th Floor South Suite

8 Nelson Mandela Place

Glasgow

G2 1BT

27 September 2013

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 2012/13.*

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*

