

**2008/2009
STATEMENT
OF
ACCOUNTS**

**FOR THE PERIOD
1 APRIL 2008 TO 31 MARCH 2009**

PROVOST'S FOREWORD TO THE ANNUAL REPORT 2008/09

I am pleased to present Aberdeenshire Council's Annual Report for 2008/09. This report is one of the ways in which the Council demonstrates how it has utilised some £800m of public funds to deliver a wide and comprehensive range of services and capital investment to the citizens and businesses of Aberdeenshire.

Public accountability is one of the most important elements of governance, and the Council continues to promote and maintain the highest possible standards. The unqualified certificate from the Council's external auditors, Audit Scotland, reflects this fact.

The Annual Report is a lengthy and detailed document due to the requirement to comply with all financial reporting standards as they apply to local government. The forthcoming move to adopting international financial reporting standards will add to the complexity of the accounts and work is well underway to adopt the new standards from 2010/11.

The Council has included in its public performance report a summarised version of the accounts, based on the pre-audit accounts. This has replaced the previous summarised version that has been available in leaflet form in locations throughout Aberdeenshire. This enlarged performance report allows the Council to report on a wide range of service performance and policy outcomes.

We face challenging times ahead with an expected tightening of public expenditure and real term reductions in grant funding. The Council has already started work in preparation for this. One of the main initiatives is to align Council policies and strategic priorities, linking to the Single Outcome Agreement and Community Planning Partnership, with the Revenue and Capital Budgets to ensure that resources are targeted at delivering key outcomes for the citizens and businesses of Aberdeenshire. The Council will also continue to achieve efficiencies and improvements in the way in which we provide our range of services, and is looking to a wide range of initiatives to help in this process.

I am sure that the Council will rise to these challenges and continue to serve Aberdeenshire from mountain to sea – the very best in Scotland.

Provost William Howatson
Aberdeenshire Council

STATEMENT OF ACCOUNTS 2008/2009

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EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

INTRODUCTION

The purpose of the annual Statement of Accounts is to demonstrate proper stewardship of the Council's financial affairs. The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

This foreword provides an explanation of the Statement of Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the year ended 31 March 2009.

For the first time for a number of years, there are no substantial changes to the format of the accounts. However, the Council has adopted the amendment to FRS 17, Retirement Benefits. This has resulted in a prior period adjustment in the Income and Expenditure Account for 2007/08, which has resulted in a small increase in the Deficit for that year. As this is matched by a transfer from the Pension Reserve, there is no effect on the cash balances available to the Council. The figures on the Balance Sheet for the Liability Related to Defined Benefit Pension Schemes and Pension Reserve for 2007/08 have both been restated. This is explained in full in Note 4 to the Core Financial Statements. Changes in the disclosure requirements for FRS 17 are reflected in Note 45 to the Core Financial Statements.

Looking to the future for financial reporting, the adoption of International Financial Reporting Standards (IFRS) in 2010/11 will have a major effect on the presentation on the Council's accounts. In fact, for the 2009/10 Statement of Accounts, IFRS disclosures relating to PFI and PPP schemes will be adopted. The likely effect of this will be to bring those assets that are used by the Council as part of its PFI/PPP contracts on to the Council's Balance Sheet. The 2008/09 figures will require to be restated for the 2009/10 accounts.

IMPACT OF ECONOMIC CLIMATE

In 2008/09 the UK economy slowed and moved into recession in January 2009. The global economic climate together with the banking crisis has impacted on the activities of the Council and is therefore reflected within the Statement of Accounts. The most material areas of impact are considered below.

Impairment of Fixed Assets - Tangible fixed assets are valued on a 5 year rolling programme

(note 24), although an impairment review is carried out at each balance sheet date. Asset values in Aberdeenshire have not been affected as significantly as in other parts of the country by the recession. Impairments totalling £22,870,000 have been charged to the Income and Expenditure Account, representing 2.1% of the net book value of tangible fixed assets. However, most of this is due to consumption of the assets rather than a general fall in prices.

Impairment of Debtors - Bad Debt Provision - The credit risk the Council is exposed to has increased as a result of the economic downturn. This has been reflected when reviewing the bad debt provision in relation to the customers of the Council, which has increased by 12.1% as detailed below. The increase in provision is charged to the Income and Expenditure account of the Council.

	2007/08	2008/09	Increase
	£'000	£'000	%
General Debtors	2,175	2,831	30.2%
Revenues Housing Rents	16,101	17,703	9.9%
	<u>1,079</u>	<u>1,157</u>	<u>7.3%</u>
	<u>19,355</u>	<u>21,691</u>	<u>12.1%</u>

Shareholding Values - Associated with the economic downturn is a reduction in share prices. The Council administers 430 Trusts and Endowments with a total value of £4,100,000, details of which can be found on pages 65-68. Of the funds invested, £1,900,000 is invested in stocks and shares. These consist of unit trusts and stocks and shares managed by fund managers. The change in value of investments is a reduction of £800,000 from 2007/08 to 2008/09. It is anticipated that the value of the investments held will recover and that 2008/09 represented an exceptional year.

Treasury Management Activities - The Council has been pro-active in its approach to Treasury Management and has not suffered any adverse effects from the economic situation in 2008/09. However, as a result of the banking crisis the credit ratings of many of the financial institutions the Council used previously to invest its cash balances have fallen outwith the criteria of the Council's Investment Policy. This combined with the reduction of the bank interest rates has led to the adoption of a strategy of repaying long term debt rather than holding cash balances. This change is reflected in balance sheet as follows:

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2007/08		2008/09	
£'000		£'000	
81,588	Investments	29,655	
(5,383)	Short-term Borrowing	(38,320)	
<u>(369,507)</u>	Long Term Borrowing	<u>(299,382)</u>	
<u>(293,302)</u>		<u>(308,047)</u>	

Pro-active treasury management allowed for the repayment of long-term debt at an opportune time resulting in a discount saving of £2.460 million. This saving was credited to the Income and Expenditure Account during 2008/09.

FINANCIAL STATEMENTS

1. Income and Expenditure Account

The Income and Expenditure Account provides a summary of income and expenditure for the year ended 31 March 2009 on the services which the Council provides and demonstrates how the net cost has been financed from central government grants and from local taxpayers. The Income and Expenditure Account excludes Trust Funds and Common Good Funds which are disclosed on pages 65-70 in the Statement of Accounts.

2. Statement of Movement on the General Fund Balance

The Statement of Movement on the General Fund Balance provides a reconciliation between the Income and Expenditure Account and the General Fund Balance by identifying items that are properly charged to the General Fund in addition to those items that are included in the Income and Expenditure Account.

3. Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses demonstrates how the movement in the net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus and to other unrealised gains and losses.

4. Balance Sheet

This statement brings together all the assets and liabilities in the Council's accounts at 31 March 2009 with the exception of Trust Funds and Common Good Funds, which are disclosed separately on pages 65-70.

5. Cash Flow Statement

The Cash Flow Statement provides the details of cash movements arising from both capital and revenue transactions for the financial year.

6. Notes to the Core Financial Statements

These notes provide supplementary information on core financial transactions which are not detailed separately in the statements.

7. Housing Revenue Income and Expenditure Account

The Housing Revenue Income and Expenditure Account reflects the statutory requirement to account separately for Local Authority direct housing provision. The account shows the major elements of housing revenue expenditure and how these are met by rents and other income.

8. Council Tax & Business Rate Income Accounts

These statements provide details of net income raised from Council Tax and Business Rates. "Business Rates" is the term used by Aberdeenshire Council for Non Domestic Rates.

9. Trust Funds and Common Good Funds

This statement provides a summary of the income and expenditure during the year, together with a summary of the balances.

10. Group Income and Expenditure Account

The Group Income and Expenditure Account provides a summary of income and expenditure for the year ended 31 March 2009 on the services provided by the Council, its subsidiaries and associates and demonstrates how the net cost has been financed from central government grants and from local taxpayers.

11. Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit

The Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit shows how the various group entities have contributed to the overall surplus or deficit on the Group Income and Expenditure Account.

12. Group Statement of Total Recognised Gains and Losses

The Group Statement of Total Recognised Gains and Losses demonstrates how the movement in the net worth in the Group Balance Sheet is identified to the Group Income and Expenditure

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Account surplus/deficit and to other unrealised gains and losses.

13. Group Balance Sheet

This statement brings together all the assets and liabilities of the Council, its subsidiaries and associates at 31 March 2009.

14. Group Cash Flow Statement

The Group Cash Flow Statement provides the details of the cash flow movements of the Council, its subsidiaries and associates arising from both capital and revenue transactions for the financial year.

15. Notes to the Group Accounts

These notes provide supplementary information on various financial transactions which are not separately detailed in the Group Accounts.

16. Statement of Assurance

This statement sets out the Council's framework for corporate governance. If appropriate, it also includes significant identified weaknesses and remedial actions taken or planned. While the Statement relates to the reported financial year it also incorporates any significant events that may have occurred between the balance sheet date and the date that the accounts are formally signed off. The statement also includes reference to the Group entities.

FINANCIAL OUT-TURN 2008/09

1. Revenue Expenditure

In 2008/09, the Council budgeted to spend £490,514,000 on the provision of Services. Actual expenditure was £479,692,000, or £10,822,000 lower than anticipated. Expenditure on other items such as Capital Financing Costs, Trading Accounts and transfers to and from various Council balances was budgeted at £14,777,000. Actual expenditure was £13,409,000, or £1,368,000 lower than anticipated.

Income from Revenue Support Grant was budgeted at £295,425,000, income from Business Rates was budgeted at £90,457,000 and income from Council Tax was budgeted at £114,552,000. Actual income in total from these sources was £499,010,000 or £1,424,000 lower than anticipated.

Taking all of the above into account gives net expenditure for the year which is £10,766,000 lower than anticipated.

In total, the budget was set to reduce the working balance to its minimum recommended level of

£7,000,000. The actual working balance at the year end is £18,434,000.

Underspendings have arisen through a number of one-off savings. These include:-

- a reduced cost of teachers, as teachers leaving the Council are being replaced by newly qualified teachers at a lower point on the salary scale.
- delays in progressing a number of projects (including cross-service/joint working arrangements on Additional Support for Learners and the purchase of land at Craigewan, Peterhead).
- increased income from the Quarries.
- the fact that the financial year does not equate to the school year and many funding streams are committed to be spent by the end of the summer term.
- works on school buildings which can only be undertaken during the school holidays.
- substantial savings as a result of discounts received on the early repayment of loans.

Partly offsetting these underspendings, some procurement savings included in the budget have not been achieved due to a delay in recruiting staff to the Procurement Team.

The majority of the above items have been detailed in monitoring reports to the Council as issues arose throughout the financial year.

Under the scheme for end year flexibility which was introduced in 2004/05, Services will be able to carry forward a proportion of this underspend to help defray expenses in 2009/10.

2. Housing Revenue Account (HRA)

The revised HRA budget for 2008/09 had approved expenditure of £45,567,000 and income of £40,600,000, giving a net operating deficit of £4,967,000. Actual expenditure totalled £41,277,000 with income of £40,998,000, giving a net deficit of £279,000. This deficit was funded by a transfer from the HRA balance.

The expenditure includes £6,449,000 which was used to meet capital expenditure. This is less than was budgeted due to delays in progressing works in the Capital Programme. Substantial savings were also achieved on Capital Financing Charges as a result of discounts received on the early repayment of loans.

Despite this deficit, the HRA balance is higher than anticipated by the 30 Year "Retention Plus" business plan agreed by the Council for the HRA. The business plan seeks to ensure that the future needs of the stock and of tenants can be met and are affordable.

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3. Statutory Trading Accounts

The Local Government in Scotland Act 2003 sets out a statutory duty for Councils to achieve Best Value. It provides a strong link between the duty of Best Value, the delivery of services and the reporting of financial performance.

Councils are required to maintain statutory trading accounts for "significant trading operations", and these operations should break even over a three year rolling period.

Following the introduction of this Act, the Council agreed to establish trading accounts for three services – Housing Repairs (formerly Building Maintenance), Catering and Roads Operations. However, at its meeting on 28 June 2007, the Council's Policy and Resources Committee agreed that Catering would not be required to maintain a statutory trading account from 2007/08. The trading activities returned a net surplus of £855,000 in 2008/09. Housing Repairs and Roads Operations both achieved their statutory break-even target over the three year period 2006/07 to 2008/09. Further details of the significant trading operations are set out in note 5 on pages 20-22.

4. Capital Expenditure

The Local Government in Scotland Act 2003 abolished the system of capital consent, whereby the Scottish Executive set down annual limits on local authorities for capital expenditure. This was replaced by a Prudential Regime for capital finance and Aberdeenshire Council is allowed to determine its own limits for borrowing and capital expenditure. Expenditure plans must be affordable, sustainable and prudent.

Total capital expenditure in 2008/09 was £60,994,000, which was spent on Infrastructure improvements of £22,579,000, £7,848,000 on Vehicles, Plant & Equipment for Transportation and Infrastructure, £8,059,000 on Education, Learning & Leisure programmes and £13,197,000 on HRA Housing. The remaining balance of £9,311,000 was spent on various other capital projects and on services such as Social Work, Environmental Health, Planning and Information and Communication Technology.

Of the total capital expenditure of £60,994,000, £26,324,000 was financed through borrowing, with the remainder being funded from a combination of the proceeds from the sale of assets, grants and a contribution from the revenue account. To meet capital expenditure, the Council at 31 March 2009 has total borrowings of £299,382,000, the majority of which is borrowed from the Public Works Loan Board (PWLb).

Capital expenditure includes the purchase of intangible assets, such as software.

5. Private Finance Initiative (PFI)

The Council is committed to two PFI contracts. The first contract is with Robertson Education (Aberdeenshire) Ltd to provide Education Services on four sites in Aberdeenshire until 17 February 2027. In 2008/09, the Council made payments of £3,461,000 under this contract, and in 2009/10 is committed to making payments of £3,546,000, subject to performance.

The second contract is with Robertson Education (Aberdeenshire 2) Ltd to provide Education services on six sites in Aberdeenshire until 2 October 2030. In 2008/09, the Council made payments of £6,378,000 under this contract, and in 2009/10 is committed to making payments of £6,497,000, subject to performance.

Further details of the PFI schemes can be found in note 13 on pages 24-25, and the Council's policy on PFI schemes is shown on page 8.

6. Pension Liability

The Statement of Accounts includes the future pension liability of the Council resulting from the full implementation of FRS 17. Accounting Policy 13 on pages 9-10 sets out the Council's policy on pension costs and note 38 on page 42 and notes 45-46 on pages 45-49 give more details of the pension liabilities.

The Council participates in the Local Government Pension Scheme which is administered by Aberdeen City Council. This Fund is in deficit due to a substantial fall in the value of world stock markets in previous years. The Council's share of the net Fund deficit has increased during 2008/09 by £21,595,000 as a result of the change in accounting policies, particularly the change in the method of valuing assets from mid-market value to bid value, and also as a result of a change in the assumptions with regard to the life expectancy of scheme members.

The deficit position on the Fund was considered as part of the triennial revaluation of the Pension Fund as at 31 March 2008. As a result, a funding plan has been determined with the aim of recovering the deficit over a period of up to 25 years. This will necessitate an increase in the employers' contribution rate which will continue to be phased in over the next three years. The next triennial valuation will be as at 31 March 2011.

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7. Changes in Accounting Policies

The Council has made two changes to its accounting policies in 2008/09. The first change is that under the 2008 SORP, the Council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £38,811,000 to £38,717,000, a decrease of £94,000. This has resulted in an increase in the deficit on the Income and Expenditure account of £94,000 from £11,430,000 to £11,524,000. This increase in the deficit has been matched by a transfer of £94,000 from the Pension Reserve, hence there is no effect on the Council's General Fund Balance.

The second change is that the Council no longer accrues grants where Committee approval for payment of the grant has been obtained but the grants have not been paid to applicants by the year end. The effect of this change is to reduce Creditors by £348,000.

8. Group Accounts

Group Accounts have been prepared which reflect the Council's interest in Archaeolink, Scotland's Lighthouse Museum, the Common Good Funds falling within the boundaries of Aberdeenshire Council, Aberdeenshire Education Trust, Other Trusts, Educational and Social Work Endowment Funds, Grampian Joint Police Board, Grampian Joint Fire and Rescue Board, Grampian Valuation Joint Board and the North East of Scotland Transport Partnership (Nestrans). The effect of the inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £184,917,000. The main reason for this reduction is due to the inclusion of the pension fund deficits attributable to the Police, Fire and Rescue and Valuation Joint Boards.

9. Equal Pay Costs

In common with most other Scottish local authorities the Council sought to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these were predominantly female groups of manual workers, whose jobs do not attract bonus payments and who were able to identify a manual worker job, undertaken predominantly by males, which does attract bonus payments, and is graded at a comparable level. During 2006/07 and 2007/08, actual payments of £21,530,000 were made in respect of compensation for equal pay. At 31 March 2008 the Council held a provision of £2,418,000 in respect of claims for staff who have not yet signed

compromise agreements and who have progressed to a tribunal claim. During 2008/09, further payments of £84,000 were made. In addition, the provision was increased by £290,000 and now stands at £2,708,000. The increase in provision plus the payments made in 2008/09 totalling £374,000 is shown as an exceptional item in the Income and Expenditure Account.

ACKNOWLEDGEMENTS

The production of the Statement of Accounts is very much a team effort involving many staff from both my own and other services of the Council. I would like to take this opportunity to thank all those involved for their help and co-operation.

Charles Armstrong BA, CPFA, FCCA
Director of Finance
22 June 2009

STATEMENT OF ACCOUNTING POLICIES

The Accounts are prepared using the Historical Cost convention modified by the revaluation of certain fixed assets. The general policies adopted in compiling and presenting the Accounts are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008 (the SORP) issued jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). There are no significant departures from those recommendations.

1. Reserves and Provisions

Reserves represent amounts set aside for specific policy purposes, contingencies or earmarked balances.

The capital accounting guidelines require the establishment of capital reserve accounts in the Balance Sheet: the Revaluation Reserve and the Capital Adjustment Account. The Revaluation Reserve relates to the increases in value of fixed assets as a result of inflation or other factors. The Capital Adjustment Account reflects the amounts set aside from revenue and capital receipts applied to finance capital expenditure, together with amounts of principal repaid to the loans fund. This is offset by the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or amounts written off on disposal. Both reserves do not, therefore, represent funds available for use.

Provision is also made for known liabilities which can only be estimated. These liabilities relate to losses on debts and loans due to the Council at 31 March 2009, provision for correcting defects on completed contracts within Roads Operations, compensation for equal pay claims for staff who have not yet signed compromise agreements and who have progressed a tribunal claim, potential additional payments to be made to staff as a result of the introduction of a new rota system for Elderly Home Care Staff and potential settlements in respect of deductions for non-performance on PFI/PPP contracts.

Council Tax income is a property based tax which relates to the capital value of domestic properties, as determined by the Assessor. All domestic properties appearing on the valuation list are liable for the tax with the exception of exempt properties. In 2008/09 the provision for non-collection of Council Tax is 1.5% which reflects the historical pattern of collection.

The predecessor to the Council Tax was the Community Charge which was in operation between 1989 and 1993. For 1992/93 and all prior

years it has been assumed that the loss on collection is the amount of cash to be collected.

A provision for Business Rates non-collection of 0.1% is made which reflects the historical pattern of collection.

2. Intangible Fixed Assets

Purchased intangible fixed assets represent the sum capitalised at cost by Aberdeenshire Council on computer software and licenses. Intangible assets are amortised on a systematic basis over their useful lives. In line with the treatment of depreciation of tangible fixed assets, intangible fixed assets are not amortised in the year of acquisition. Thereafter the straight line method is applied.

3. Tangible Fixed Assets

The principles of capital accounting are that capital expenditure is held as a fixed asset, provided that it yields benefits to the Authority for more than one year. Services are charged for the use of the asset based on its value and expected life.

Tangible fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into groupings required by the Code of Practice on Local Authority Accounting. Assets have been valued on the following bases:

- Operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value;
- Non-operational assets, including investment properties and assets which are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value;
- Infrastructure assets, vehicles, plant and equipment and community assets are included in the balance sheet at historical cost, net of depreciation.
- Newly acquired assets are included in the balance sheet at cost where a valuation is not available.

The de minimus applied when accounting for expenditure of a capital nature that is funded from revenue is £20,000 which reflects the concept of materiality when preparing the financial statement.

The Income and Expenditure Account is charged with an amount equal to the depreciation charge.

STATEMENT OF ACCOUNTING POLICIES

Depreciation is provided for on all fixed assets with a finite useful life, with the exception of investment properties (which can be determined at the time of acquisition or revaluation), and finance leases (which have 50% depreciation charged in year of acquisition) according to the following policy:

Depreciation is not charged in the year of acquisition. Thereafter, the straight line method is applied, if applicable.

4. Receipts from Sale of Tangible and Intangible Fixed Assets

When an asset is vacant and identified as being available for sale, it is classified as a "Surplus Asset, Held for Disposal". In certain circumstances where assets are anticipated to appreciate in value, they may be retained and sold at a later date.

Land and Buildings and Investment Properties are revalued at the time when they are marketed for sale. The difference between this value and the selling price is treated as a gain or loss on sale. Receipts from the sale of tangible and intangible fixed assets are credited to Capital Receipts Reserve. Grants and contributions received towards the creation of fixed assets are credited to the Government Grants Deferred Account and released to the Income and Expenditure Account over the life of the asset, in line with the depreciation on the asset.

5. Grants

Grants and subsidies received have been credited to the appropriate accounts and accruals have been made for balances known to be receivable for the period to 31 March 2009. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Interest Charges

Interest payable on external borrowings and interest income have been accounted for on an accruals basis.

7. Redemption of Debt

A Loans Fund is maintained under powers contained in the Local Government (Scotland) Act 1975. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from revenue or financed from capital receipts. The Council uses the annuity method to calculate the repayment of loans fund advances from borrowing accounts.

8. Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. Any rental income received as a result of the Council acting as a lessor is recognised on a straight-line basis over the period of the lease.

9. Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are charged to revenue to reflect the value of services received in each financial year.

A prepayment for services receivable under a contract arises when assets are leased to the PFI contractor for a nominal rent. In return for the use of these assets, a reduction is made to the annual payments due to the contractor. This is known as the economic benefit. It is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the appropriate service revenue account over the life of the contract to show the full value of services received in the year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on the Council Tax.

10. Debtors and Creditors

The Accounts are prepared on an accruals basis in accordance with the Code of Practice and FRS 18. Accordingly, best estimates of amounts due or payable which relate to activities during the year

STATEMENT OF ACCOUNTING POLICIES

are included whether or not cash has actually been received or paid in the year.

11. Stock and Work in Progress

Stocks are included in the balance sheet at the total of the lower of average cost or net realisable value. 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.

12. Overheads and Support Services

The costs of the overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008. The total absorption costing principle is used – the full cost of overheads and support services are shown between users in proportion to the benefits received, with the exception of Corporate and Democratic Core and Non Distributed Costs. These two categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

13. Retirement Benefits

The Council participates in two separate pension schemes, which meet the needs of employees in particular services. These schemes are as follows:

Teachers:

The Scottish Teachers' Pension Scheme is an unfunded scheme administered by the Scottish Government. The pension cost charged to the accounts is the contribution rate set by the Scottish Government on the basis of a national fund. This scheme is exempt from the provisions of FRS 17.

Other Employees:

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This is known as The Pension Fund and is administered by Aberdeen City Council. The pension costs included in the accounts in respect of this scheme have been determined in accordance with FRS 17. This means that the accounts include the current service cost rather than the actual contributions made to the scheme.

Both schemes provide 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 the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined

contributions scheme. This means that no liability for future benefits is recognised in the Balance Sheet and the Education Service revenue account 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 policies are as follows:

- the liabilities of the Aberdeen City Council Pension Fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method which assesses 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 7.1% (based on a weighted average of "spot yields" on AA rated corporate bonds).
- the assets of the Aberdeen City Council 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 – This is the increase in liabilities as a result of years of service earned this year. This is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - Past service cost – This is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - Interest cost - This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to Net Operating Expenditure in the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

- Expected return on assets – This is the annual investment return on the fund assets attributable to the Council, based on the average of the expected long term return. This is credited to Net Operating Expenditure in the Income and Expenditure Account.
- Gains/losses on settlements and curtailments – This is the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Net Cost of Services as part of Non Distributed Costs.
- Actuarial gains and losses. These are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Aberdeen City Council Pension Fund – This is cash paid as employer's contributions to the Pension Fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance, 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 cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end.

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.

Effect of Change in the Discount Rate for Liabilities

In assessing liabilities for retirement benefits at 31 March 2008 for the 2007/08 Statement of Accounts, the actuary assumed a discount rate of 2.5% real (6.1% actual), a rate based on the

yields on corporate bonds and index-linked gilts of equivalent currency and term to scheme liabilities was used. For the 2008/09 Statement of Accounts, the actuary has advised that a rate of 3.8% real (7.1% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £1,345,000, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Recognised Gains and Losses.

Change in Disclosure Requirement

There have been significant changes to the accounts to reflect amendments made to the accounting standard FRS 17 and align its disclosure requirements more closely with those of *IAS 19 Employee benefits*. The additional disclosures are: the nature of an entity's defined benefit schemes and the financial effects of changes in those schemes; the principal actuarial assumptions used at the balance sheet date; an analysis of the opening and closing scheme assets and the movements in scheme liabilities; an analysis of scheme liabilities into amounts arising from schemes that are wholly unfunded and amounts arising from schemes that are wholly or partly funded. A number of disclosures are no longer required and have been removed.

14. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable with accrued interest reflected in Creditors. The interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase of early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/resettlement. 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

STATEMENT OF ACCOUNTING POLICIES

modified loan and the write-down to the Income and Expenditure Account 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 Income and Expenditure Account, 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

16. **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.

(i) **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 with accrued interest reflected in debtors. Interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to small business and other organisations (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the small business and other organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and

credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

(ii) **Available-for-sale Assets**

Available-for-sale Assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 (eg, dividends) is credited to the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

STATEMENT OF ACCOUNTING POLICIES

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 1.

17. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates which require it to prepare Group Accounts.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated Net Expenditure 2007/08 £'000		Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000	Notes Ref
220,687	Education Services	269,126	(25,790)	243,336	
2,368	Housing Services	37,316	(31,703)	5,613	
910	HRA	40,710	(39,866)	844	
20,358	Cultural & Related Services	39,776	(19,810)	19,966	
23,681	Environmental Services	35,034	(7,174)	27,860	
27,525	Roads & Transport Services	66,108	(34,344)	31,764	
9,916	Planning & Development Services	22,376	(10,439)	11,937	
100,840	Social Work	143,599	(27,333)	116,266	
5,745	Central Services	27,063	(19,993)	7,070	2
8,580	Fire Services	9,276	-	9,276	2
17,722	Police Services	18,994	(880)	18,114	2
1,854	Exceptional Item	374	-	374	4
8,899	Corporate & Democratic Core	8,784	-	8,784	
1,815	Non Distributed Costs	6,722	-	6,722	
450,900	NET COST OF SERVICES	725,258	(217,332)	507,926	1
(3,946)	Net (Gain)/Loss on Disposal of Fixed Assets			(3,141)	
(123)	(Surplus)/Deficit from Trading Undertakings not included in Net Cost of Services			(92)	5
21,537	Interest Payable and Similar Charges			17,923	
(5,560)	Interest and Investment Income			(4,605)	
(3,131)	Pensions Interest Cost and Expected Return on Pensions Assets			5,678	
459,677	NET OPERATING EXPENDITURE			523,689	
(113,380)	Council Tax (including Community Charges)			(113,388)	6
(249,028)	Revenue Support Grant			(295,132)	
(85,745)	Business Rates			(90,490)	7
11,524	(SURPLUS)/DEFICIT FOR THE YEAR			24,679	

Other Notes to the Income and Expenditure Account

3, 8-16

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:-

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to funds and reserves.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Restated 2007/08 £'000	2008/09 £'000	Notes Ref
(Surplus)/Deficit for the Year on the Income and Expenditure 11,524 Account	24,679	
Net Additional Amount required by statute and non statutory proper (14,705) practices to be debited (or credited) to the General Fund Balance for the year	(26,974)	17
(3,181) (Increase)/Decrease in General Fund Balance for the Year	(2,295)	
(17,625) General Fund Balance Brought Forward	(20,806)	
20,283 Transition adjustments to comply with SORP 2007	-	
(20,283) Transfer from the Financial Instrument Adjustment Account per Statutory guidelines	-	
(20,806) General Fund Balance Carried Forward	(23,101)	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, the re-measurement of the net liability to cover the cost of retirement benefits, and any other gains and losses.

Restated 2007/08 £'000	STATEMENT	2008/09 £'000
11,524	(Surplus)/Deficit for the year on the Income and Expenditure Account	24,679
(15,617)	(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(38,284)
78,281	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	11,452
*24,271	Other (Gains)/Losses that require to be included	-
<u>98,459</u>	Total Recognised Gains and Losses for the Year	<u>(2,153)</u>

* This relates to:

- (i) an adjustment of £3,988,000 in relation to prior year HRA disposals and
- (ii) an opening adjustment of £20,283,000 to the Financial Instrument Adjustment Account following a change in accounting policies on Financial Instruments in 2007/08.

BALANCE SHEET

The Balance Sheet summarises the financial position of Aberdeenshire Council as at 31 March 2009. It brings together all of the balances in the Council accounts and eliminates items which reflect internal transactions, such as outstanding amounts borrowed by service committees from the Loans Fund. The balances on Trust Funds and Common Good Funds are excluded from the Balance Sheet and are accounted for separately, shown on pages 65-70.

Restated 31 March 2008 £'000		£'000	£'000	31 March 2009 £'000	Notes Ref
	FIXED ASSETS				
2,010	Intangible Fixed Assets		2,473		25
	Tangible Fixed Assets				
	Operational Assets:				
437,344	Council Dwellings	430,066			
355,219	Other Land & Buildings	380,039			
21,743	Vehicles, Plant & Equipment	29,222			
140,004	Infrastructure Assets	158,363			
5,868	Community Assets	<u>6,475</u>	1,004,165		
	Non-Operational Assets:				
53,405	Investment Properties	55,038			
1,243	Assets Under Construction	1,231			
3,585	Surplus Assets, Held for Disposal	<u>4,449</u>	60,718		
1,020,421	TOTAL FIXED ASSETS			1,067,356	18-24
	OTHER LONG-TERM ASSETS:				
5,137	Long-term Debtors	5,195			26
42	Long Term Investments	-	5,195		
1,025,600	TOTAL LONG-TERM ASSETS			1,072,551	
	CURRENT ASSETS				
3,476	- Stocks & Work in Progress	3,917			
57,637	- Debtors	57,503			34
(19,355)	- Less: Provision for Bad Debts	(21,691)			
80,970	- Investments	29,655			
983	- Cash and Bank	<u>1,766</u>			
123,711			71,150		
1,149,311	TOTAL ASSETS			1,143,701	
	Less: CURRENT LIABILITIES				
(5,383)	- Short Term Borrowing	(38,320)			
(91,765)	- Creditors	(83,329)			
(3,854)	- Bank Overdraft	-	(121,649)		
1,048,309	TOTAL ASSETS LESS CURRENT LIABILITIES			1,022,052	
(365,081)	Long Term Borrowing		(299,382)		32
(61,279)	Government Grants Deferred		(76,041)		27
(2,552)	Deferred Liabilities		(2,241)		23
(168,837)	Liability Related to Defined Benefit Pension Schemes		(190,432)		45,46
(3,082)	Provisions		<u>(4,325)</u>		34
447,478	TOTAL ASSETS LESS LIABILITIES			(572,421)	
				449,631	28

BALANCE SHEET

Restated 31 March 2008 £'000		31 March 2009 £'000	Notes Ref
	FINANCED BY:		
(563,654)	Capital Adjustment Account	(547,178)	36
19,403	Financial Instruments Adjustment Account	18,461	37
(15,617)	Revaluation Reserve	(50,154)	36
-	- Capital Receipts Reserve	-	
	Available-for-sale Financial Instruments Reserve	-	37
	Funds & Reserves:		
168,837	Pension Reserve	190,432	38
(29,365)	Housing Revenue Account	(29,086)	39
(20,806)	General Fund	(23,101)	40
(6,276)	Other Reserves	(9,005)	41
<u>(447,478)</u>	TOTAL NET WORTH	<u>(449,631)</u>	

Other Notes to the Balance Sheet
29-33, 35, 42-44, 47

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
22 June 2009

The unaudited accounts were issued on 22 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

CASH FLOW STATEMENT

This statement provides details of the movements of cash arising from transactions with third parties, for both revenue and capital payments.

Restated 2007/08 £'000		2008/09 £'000	2008/09 £'000	Notes Ref
52,361	REVENUE ACTIVITIES NET CASH FLOW		35,548	48
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash Outflows			
(21,813)	Interest Paid	(18,452)		
(130)	Interest Element of Finance Lease Rental Payments	(164)		
	Cash Inflows			
4,865	Interest Received	4,605		
<u>(17,078)</u>			(14,011)	
	CAPITAL ACTIVITIES			
	Cash Outflows			
(51,846)	Purchase of Fixed Assets	(61,177)		
(196)	Other Capital Cash Payments	(395)		
	Cash Inflows			
16,942	Sale of Fixed Assets	8,236		
-	Sale of Long Term Investments	42		
(197)	Other Capital Cash Receipts	144		
16,278	Capital Grants Received	18,082		
<u>(19,019)</u>			<u>(35,068)</u>	
16,264	Net Cash Inflow/(Outflow) before Financing		(13,531)	
	MANAGEMENT OF LIQUID RESOURCES			
(54,771)	Net Increase/(Decrease) in Management of Liquid Resources		51,933	
	FINANCING			
	Cash Outflows			
(2,315)	Repayments of Amounts Borrowed	(129,748)		
(696)	Capital Element of Finance Lease Rental Payments	(808)		
	Cash Inflows			
37,736	New Loans Raised	96,791		
<u>34,725</u>			<u>(33,765)</u>	
<u>(3,782)</u>	Increase/(Decrease) in Cash		<u>4,637</u>	
	Other Cash Flow notes			49-52

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Aberdeenshire Service Expenditure

The Income and Expenditure Account has been prepared using the guidance contained within the Best Value Accounting Code of Practice (BVACOP). Expenditure based on the Council's Committee structure is shown below as this gives a better representation of the Council's delivery.

2007/08		2008/09
£'000		£'000
234,541	Education, Learning & Leisure	256,630
67,399	Transportation & Infrastructure	78,597
5,519	Policy & Resources	6,663
102,198	Social Work & Non-HRA Housing	120,325
27,765	Joint Board Requisitions (see Note 2)	28,987
910	Housing Revenue Account	844
1,854	Exceptional Item	374
8,899	Corporate & Democratic Core	8,784
1,815	Non-Distributed Costs	6,722
<u>450,900</u>		<u>507,926</u>

2. Joint Board Payments

Payments to Joint Boards are as follows:

2007/08		2008/09
£'000		£'000
17,722	Grampian Joint Police Board	18,114
8,580	Grampian Joint Fire and Rescue Board	9,276
1,462	Grampian Valuation Joint Board	1,597
<u>27,764</u>		<u>28,987</u>

The payment to Grampian Police Joint Board in 2008/09 includes £880,000 which was received as part of the General Capital Grant from the Scottish Government.

3. Discontinued Operations

The Justice of the Peace Courts (Sheriffdom of Grampian, Highland and Islands) Order 2008 made provision for the disestablishment of the district courts in the Sheriffdom of Grampian, Highland and Islands on 2 June 2008. The Council no longer carries out a District Court function, and as a result, the Council's Revenue Support Grant allocation for 2008/09 was reduced by £174,000.

4. Exceptional Item and Prior Period Adjustments

In common with most other Scottish local authorities the Council sought to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these were predominantly female groups of manual workers whose jobs do not attract bonus payments and who were able to identify a manual worker job undertaken predominantly by males, which does attract bonus payments and is graded at a comparable level. During 2006/07 and 2007/08, actual payments of £21,530,000 were made in respect of compensation for equal pay. At 31 March 2008, the Council held a provision of £2,418,000 in respect of claims for staff who have not yet signed compromise agreements and who have progressed to a tribunal claim. During 2008/09 further payments of £84,000 were made. In addition, the provision was increased by £290,000 and the increase in provision plus the payments made in 2008/09 totalling £374,000 is shown as an Exceptional Item in the Income & Expenditure Account.

In the 2008/09 Statement of Accounts, the Council has adopted a new policy on the amendments to FRS17, Retirement Benefits. A prior period adjustment has been made in the Income and Expenditure Account decreasing the value of scheme assets at 31 March 2008 by £94,000 from £38,811,000 to £38,717,000. The effect on the Income and Expenditure Account is as follows:-

STATEMENT OF ACCOUNTING POLICIES

Income and Expenditure Account	2007/08
	£'000
Original Net Operating Expenditure	459,583
Adjustment for FRS17 revised policy	94
Revised Net Operating Expenditure	459,677
Council Tax (including Community Charge)	(113,380)
Revenue Support Grant	(249,028)
Business Rates	(85,745)
Revised (Surplus)/Deficit for the Year	11,524

The effect on the Statement of Movement on the General Fund Balance is as follows:-

Statement of Movement on the General Fund Balance	2007/08
	£'000
Revised (Surplus)/Deficit for the Year	11,524
Original Net Additional Amount required by statute and non statutory practices to be debited (or credited) to the General Fund Balance for the Year	(14,611)
Adjustment for FRS17 revised policy	(94)
Revised (Increase)/Decrease in General Fund Balance for the Year	(3,181)

The effect on the Statement of Total Recognised Gains and Losses is as follows:-

Statement of Total Recognised Gains and Losses	2007/08
	£'000
Revised (Surplus)/Deficit for the Year on the Income and Expenditure Account	11,524
(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(15,617)
Original Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	77,030
Adjustment for FRS17 revised policy	1,251
Other (Gains)/Losses that require to be included	24,271
Revised Total Recognised Gains and Losses for the Year	98,459

The effect on the Balance Sheet was as follows:-

Balance Sheet	Original Balance as at 31 March 2008 £'000	Adjustments £'000	Restated Balance as at 31 March 2008 £'000
Liability Related to Defined Benefit Pension Schemes	(167,492)	(1,345)	(168,837)
Pension Reserve	167,492	1,345	168,837
	-	-	-

5. Trading Services

The Local Government in Scotland Act 2003 sets out the requirement for statutory trading accounts to be maintained for 'significant trading operations'. Statutory trading accounts must break even over a three year rolling period.

The Council has established two trading services where the service manager is required to consider commercial factors and balance their budget by generating income from other parts of the authority and/or other organisations. Details of these services are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Housing Repairs

The performance of the Housing Repairs statutory trading account in the current year is summarised in the following table:-

	2008/09 Turnover £'000	2008/09 Expenditure £'000	2008/09 (Surplus)/ Deficit £'000
Target	(9,025)	8,959	(66)
Actual	(11,266)	10,966	(300)

The cumulative performance over the previous three years is shown in the following table:-

	Target £'000	(Surplus)/ Deficit £'000
2006/07	(365)	(414)
2007/08	(132)	(602)
2008/09	(66)	(300)
Cumulative	<u>(563)</u>	<u>(1,316)</u>

Housing Repairs undertakes all types of property maintenance, with the principal client being the Housing Revenue Account, which had a stock of 12,960 houses at 31 March 2009.

The actual financial performance for the current year of £300,000 surplus compared favourably with the financial target for the year which was a £66,000 surplus.

The statutory financial target for the three year period is to break even although the Council has set a target of £563,000, which is in excess of that required. Housing Repairs has a cumulative surplus for 2006/07–2008/09 of £1,316,000 and has therefore achieved its statutory break-even target for 2006/07–2008/09.

Roads Operations

The performance of the Roads Operations statutory trading account in the current year is summarised in the following table:-

	2008/09 Turnover £'000	2008/09 Expenditure £'000	2008/09 (Surplus)/ Deficit £'000
Target	(23,170)	22,620	(550)
Actual	(24,277)	23,722	(555)

NOTES TO THE CORE FINANCIAL STATEMENTS

The cumulative performance over the previous three years is shown in the following table:-

	Target	(Surplus)/ Deficit
	£'000	£'000
2006/07	(433)	(430)
2007/08	(912)	(824)
2008/09	(550)	(555)
Cumulative	(1,895)	(1,809)

Roads Operations is principally involved in maintenance work on 5,592 kilometres of roads and 1,323 bridges and 423 drains, for which the Council has a statutory responsibility. In addition, work is undertaken in respect of the installation and maintenance of 39,812 street lights.

The actual financial performance for the current year of £555,000 surplus compares with the financial target for the year which was £550,000 surplus.

The statutory financial target for the three year period is to break even, although the Council has set a target of £1,895,000 surplus, which is in excess of that required. Roads Operations has a cumulative surplus for 2006/07-2008/09 of £1,809,000 and has therefore achieved its statutory break-even target for 2006/07-2008/09.

Net Surplus/Deficit on Trading Accounts

The net surplus on the statutory trading accounts is £855,000. This does not agree with the Surplus from Trading Operations of £92,000 shown on the Income and Expenditure Account as (i) the internally generated surpluses on Housing Repairs and Roads Operations have been reapportioned to the appropriate services, to reflect the true cost of providing those services and (ii) the position reported above are inclusive of interest on revenue balances (IORB) and interest in stock balances (IOSB) detailed as follows:

	(Surplus)/ Deficit	IORB/ IOSB	Reallocation of (Surplus)/Deficit	Per I & E Account
	£'000	£'000	£'000	(Surplus)/Deficit
				£'000
Housing Repairs	(300)	(13)	291	(22)
Roads Operations	(555)	(70)	555	(70)
	(855)	(83)	846	(92)

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for the cost of capital to be debited to trading accounts, so the recharges that have been made result in additional surplus on the accounts. As a result, if the cost of capital charges had been made, the accounts for Housing Repairs showing a surplus of £300,000 would be reduced to £289,000 and those for Roads Operations showing a surplus of £555,000 would be reduced to £415,000.

6. Council Tax & Community Charge

An analysis of Council Tax and Community Charge income is shown at Page 61, with the associated notes on Page 62.

7. Business Rates

An analysis of Business Rate income is shown at Page 63, with the associated notes on Page 64.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Section 5 of the Local Government Act 1986

Under the terms of Section (5) 1 of the Local Government Act 1986 (Part II), Local Authorities are required to keep a separate account of expenditure on publicity.

2007/08		2008/09
£'000		£'000
1,729	Publicity Expenditure	1,593

9. Local Authorities (Goods & Services) Act 1970

Aberdeenshire Council is empowered to provide goods and services under this Act. The Council received £4,908,000 from these services (2007/08 £4,192,000), which equates to the costs incurred.

10. Community Care and Health (Scotland) Act 2002

Under the terms of the Community Care & Health Act 2002, Aberdeenshire Council and NHS Grampian entered into a Governance and Accountability Agreement from 2003/04. The purpose of this Agreement is to establish a single visible entity, which will deliver fully integrated health, housing and social care services that will serve the local community of Aberdeenshire by improving, maintaining and restoring health and independence and will assure access to quality health and Social Care Services to people at all levels of need.

The agreement is required to fulfil the requirements of the Scottish Government guidance on Joint Resourcing and Joint Management (CCD7/2001). For these objectives to be met, continued co-operation between the partners and the alignment of budgets and managers must be maintained. The services covered in the initial agreement were Care for the Elderly and Occupational Therapy. From 2004/05 the scope of services included within the Agreement was extended to include all services for adults.

During 2008/09 the gross budget of the partnership was £191,687,000 (2007/08 £177,942,000) and its gross expenditure was £192,617,000 (2007/08 £176,789,000). Aberdeenshire's contribution to the partnership was £103,715,000 (2007/08 £90,089,000).

11. Payments to Councillors

The table below discloses the total Councillors' Allowances paid during 2008/09

2007/08		2008/09
£'000		£'000
1,155	Basic Allowance/Salaries	1,264
18	Special Responsibility Allowance	-
2	Telephone Allowances	-
163	Travel & Subsistence	181
95	Employers National Insurance	101
99	Employers Superannuation	140
1,532		1,686

Councillors are classed as employees, receive salaries and are entitled to membership of the pension scheme.

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Payments to Officers

The table below details the numbers of officers whose emoluments fell within each bracket in multiples of £10,000 and starting with £50,000.

2007/08	Salary Band	2008/09
91	£50,000 - £59,999	110
39	£60,000 - £69,999	41
8	£70,000 - £79,999	12
1	£80,000 - £89,999	1
4	£90,000 - £99,999	5
1	£100,000 - £109,999	2
-	£110,000 - £119,999	1
1	£120,000 - £129,999	-
<u>145</u>		<u>172</u>

13. Private Finance Initiative

On 7 March 2001 Aberdeenshire Council entered into an agreement with Robertson Education (Aberdeenshire) Limited (REAL), a consortium formed by the Robertson Group (Scotland) Limited, to provide Educational services to the Council under a Private Finance Initiative (PFI) contract.

The contract involves:

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

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

In respect of the PFI contract, the Council contributed the following assets:

<u>Assets</u>	<u>Date of Contribution</u>	<u>NBV at Date of Contribution</u>	<u>Economic Benefit</u>
Banff Primary School	18 February 2002	£1,690,748	£1,003,236
Meldrum Primary School	18 February 2002	£1,423,829	£1,531,864
Meldrum Academy Site	1 August 2002	£ 100,000	£ 100,000

These assets have been leased to REAL from the date of contribution until 17 February 2027 at a nominal rent. The economic benefit to be derived from these leases over the period of the contract has been assessed by a qualified valuer (see note 24 for details of valuers), and these values are shown in the table above. This benefit has been recognised in the accounts and is being written off over the period of the contract.

In 2008/09 payments of £3,461,000 were made under this contract.

In 2009/10 the Council is committed to making payments estimated at £3,546,000 under the contract. The actual level of payments will depend on REAL's performance in providing services.

On 29 April 2004, Aberdeenshire Council approved the authorisation of entering into a contract with Robertson Education (Aberdeenshire 2) Ltd, subject to the prior approval of the Scottish Executive of the Final Business Case. These approvals have now been secured. The contract involves the construction or substantial refurbishment and service provision by the Contractor of educational assets, including primary and secondary schools across six different sites. The contract covers the replacement of Kintore, Rosehearty, Longside and Rothienorman Primary Schools and the building of two new schools; Portlethen Academy and a new Primary School at Banchory.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The contract will run for 25 years expiring on 2 October 2030.

In respect of this second contract, the Council contributed the following assets:

<u>Assets</u>	<u>Date of Contribution</u>	<u>NBV at Date of Contribution</u>	<u>Economic Benefit</u>
Longside Site	6 October 2005	£ 40,000	£ 40,000
Rosehearty Site	6 October 2005	£ 8,000	£ 8,000
Rothienorman Site	12 December 2005	£ 10,000	£ 10,000
Kintore Site	23 January 2006	£ 966,000	£ 966,000
Portlethen Academy	24 July 2006	£4,685,000	£4,685,000

These assets have been leased to Robertson Education (Aberdeenshire 2) Ltd from the date of contribution until 2 October 2030 at a nominal rent. The economic benefit to be derived from these leases over the period of the contract has been assessed by a qualified valuer (see note 24 for details of valuers), and these values are shown in the table above. This benefit has been recognised in the accounts and is being written off over the period of the contract.

In 2008/09 payments of £6,378,000 were made under the contract and Aberdeenshire Council is committed to paying £6,497,000 in 2009/10.

14. Audit Costs

The Council incurred the following fees relating to external audit and inspection:

2007/08		2008/09
£'000		£'000
427	Fees payable to Audit Scotland with regard to services carried out by appointed auditor	456
-	- Fees payable in respect of other services carried out by the appointed auditor	-

15. Agency Arrangements

Under various statutory powers, an Authority may agree with other Local Authority and government departments to do work on their behalf. Likewise, some of the authority's service work may be undertaken on its behalf by other bodies. The main items of agency expenditure and income are included in the consolidated revenue account and are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2007/08		2008/09
£'000		£'000
	Payment to Other Bodies	
	Educating Aberdeenshire children in mainstream and special schools outwith	
(70)	Aberdeenshire	216
434	Local Authorities – Care Management	210
216	Maintenance of Community Alarm System	283
65	Social Work service in Hospitals	0
40	Maintenance of Child Protection Register	55
192	Payment to Other Local Authorities for Community Care	152
320	Payment for share of Public Analyst Service	299
89	Payment for Library Archiving & Recording Service	88
	Net Payment to Partners in Relation to Community Safety Partnership &	
127	Community Wardens	146
307	Payment for Publicity Services	209
65	Payment for Provision of Energy Efficiency Advice Service to the Public	66
316	Payment to Visit Scotland	270
	Receipts from other bodies for Administrative Services	
(528)	Scottish Water	(549)
(64)	Income from educating pupils from other Authorities in Aberdeenshire	(197)
(96)	Grampian Joint Fire Board	(104)
(19)	Grampian Valuation Joint Board	(8)
(35)	Grampian Joint Police Board	(49)
(18)	Provision of Transportation Services for other Authorities	(10)
(463)	Provision of Printing Services to other Authorities	(432)
(95)	Provision of Property & Estate Management Services to other Authorities	(77)
(36)	Provision of Services to NESTRANS	(37)
(44)	Provision of Archaeology Service to Other Local Authority	(45)
(88)	Provision of Rangers Service to Scottish Natural Heritage	(87)
(22)	Provision of Strategic Environment Assessment for Aberdeen City Council	(22)
(10)	Provision of NESBReC Service for Aberdeen City Council	(10)
(44)	Provision of Fleet Management Services to Aberdeen City Council	(46)
(66)	Income from Partners in relation to Community Planning	(45)
(15)	Provision of services to Northern Community Justice Authority	(14)

16. Related Party Transactions

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, include:

2007/08		2008/2009	
£'000		Expenditure £'000	Income £'000
	Government Grants		
(40,017)	- Other Government Grants		(13,538)
(16,559)	Capital Grants	2,794	(19,231)
36,316	Pension Fund Contributions	39,091	
	Subsidised Bus Fares		
3,529	- Subsidy for Bus routes in Aberdeenshire	4,548	
	Health Board Resource Transfer		
(10,539)	- Total Resource transfer from NHS Grampian		(10,749)
	Housing Partnerships		
1,056	- Paid to other Housing Associations	1,602	

NOTES TO THE CORE FINANCIAL STATEMENTS

17. Breakdown of Reconciling Items for the Statement of Movement on the General Fund Balance

2007/08 £'000	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	2008/09 £'000	2008/09 £'000
(348)	Amortisation of Intangible Fixed Assets	(556)	
(42,597)	Depreciation and Impairment of Fixed Assets	(47,545)	
(147)	Write downs of deferred considerations on PFI schemes	(147)	
2,154	Amortisation of Government Grants Deferred	3,174	
696	Diminution of Finance Leases	809	
3,946	Net Gain/ (Loss) on Disposal of Assets	3,141	
882	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	942	
(23,841)	Net charges made for retirement benefits in accordance with FRS17	(36,205)	
(59,255)			(76,387)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund balance for the year		
10,434	Loans Fund Principal Repayments	10,042	
2,490	Capital Expenditure Charged in Year to the General Fund Balance	10,859	
23,719	Employer's contribution payable to the pension fund and retirement benefits payable direct to pensioners	26,062	
36,643			46,963
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for year		
940	Transfer to/(from) Other Statutory Reserve Funds	2,809	
8	Transfer to /(from) Insurance Fund	(80)	
6,959	Transfer to/(from) Housing Revenue Account Balance	(279)	
7,907			2,450
(14,705)	Net additional amount required to be debited/(credited) to the General Fund Balance for the year.		(26,974)

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Movement of Fixed Assets

	<u>Operational Assets</u>					Total £'000
	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, etc. £'000	Infra- Structure £'000	Community Assets £'000	
Gross Book Value at 1 April 2008	454,382	383,862	36,054	184,815	7,762	1,066,875
Reclassifications	-	751	-	-	-	751
Revaluations and restatements	-	29,494	6	-	919	30,419
Additions	7,708	13,412	12,549	24,436	215	58,320
Disposals	(4,123)	(25)	(1,075)	-	-	(5,223)
Gross Book Value at 31 March 2009	<u>457,967</u>	<u>427,494</u>	<u>47,534</u>	<u>209,251</u>	<u>8,896</u>	<u>1,151,142</u>
Depreciation and impairments at 1 April 2008	(17,038)	(28,643)	(14,311)	(44,811)	(1,894)	(106,697)
Depreciation and impairment charges for the year	(11,017)	(21,776)	(5,009)	(6,077)	(527)	(44,406)
Depreciation on assets reclassified	-	3	-	-	-	3
Depreciation on assets revalued/sold	154	2,961	1,008	-	-	4,123
Depreciation and impairments at 31 March 2009	<u>(27,901)</u>	<u>(47,455)</u>	<u>(18,312)</u>	<u>(50,888)</u>	<u>(2,421)</u>	<u>(146,977)</u>
Net Book Value at 31 March 2009	<u>430,066</u>	<u>380,039</u>	<u>29,222</u>	<u>158,363</u>	<u>6,475</u>	<u>1,004,165</u>
Net Book Value at 31 March 2008	437,344	355,219	21,743	140,004	5,868	960,178

	<u>Non Operational Assets</u>			Total £'000
	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	
Gross Book Value at 1 April 2008	57,287	1,251	3,804	62,342
Reclassifications	482	(1,158)	(75)	(751)
Revaluations and restatements	3,760	-	1,132	4,892
Additions	512	1,143	-	1,655
Disposals	(53)	-	(127)	(180)
Gross Book Value at 31 March 2009	<u>61,988</u>	<u>1,236</u>	<u>4,734</u>	<u>67,958</u>
Depreciation and impairments at 1 April 2008	(3,882)	(8)	(219)	(4,109)
Depreciation and impairment charges for the year	(3,073)	-	(66)	(3,139)
Depreciation on assets reclassified	(6)	3	-	(3)
Depreciation on assets revalued/sold	11	-	-	11
Depreciation and impairments at 31 March 2009	<u>(6,950)</u>	<u>(5)</u>	<u>(285)</u>	<u>(7,240)</u>
Net Book Value at 31 March 2009	<u>55,038</u>	<u>1,231</u>	<u>4,449</u>	<u>60,718</u>
Net Book Value at 31 March 2008	53,405	1,243	3,585	58,233

NOTES TO THE CORE FINANCIAL STATEMENTS

19. Reconciliation of Fixed and Intangible Asset Additions to Total Capital Expenditure

	General Fund £'000	HRA £'000	Total £'000
Fixed Asset Additions	46,780	13,195	59,975
Intangible Assets Additions	1,019	-	1,019
Total Capital Expenditure	47,799	13,195	60,994
Less funded: Finance Leases	(614)	-	(614)
	47,185	13,195	60,380

20. Analysis of Capital Expenditure and Financing Arrangements

Analysis of capital expenditure and financing arrangements are as follows:

2007/08 £'000	Capital Expenditure During Year	2008/09 £'000
1,023	Site & Building Acquisition	659
26,760	Building Works	22,573
6,242	Furniture & Equipment	13,092
17,883	Works – Roads	19,953
2,855	Fees	4,717
54,763		60,994
Financed as follows:		
(34,174)	Capital Receipts, Grants & Contributions	(25,318)
(14,987)	Advances from Loans Fund & Capital Accruals	(23,984)
(5,602)	Revenue Financing	(11,692)
(54,763)		(60,994)

21. Information about Depreciation Methodologies

All assets are depreciated on a straight line basis with the exception of Land and Investment Properties and Assets Under Construction, which are not depreciated. This is in accordance with the Statement of Recommended Practice.

Classes of tangible fixed assets, are depreciated over the following periods:-

Council Dwellings	60 years
Land & Buildings	10 – 60 years
Vehicle, Plant, etc	1 – 30 years
Infrastructure	10 – 60 years
Community Assets	5 – 60 years
Surplus Assets Held for Disposal	10 – 60 years

There has been no material change during the period to other useful lives or the residual values of assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Commitments on Capital Projects

The Council had entered into 15 significant capital projects on 31 March 2009:

Vehicle Purchase	£689,000
Disability Discrimination Act Upgrading Works – Phase 1	£112,000
Kitchen Upgrades 2008-11	£735,000
Buchan 2008-11 – Kitchen Upgrades	£1,692,000
Formartine and Garioch 2008-11 – Kitchen Upgrades	£1,291,000
Garioch 2008-11 – Bathroom Upgrades	£124,000
2008-11 – Bathroom Upgrades	£210,000
Upgrade Existing Heating Systems with New Gas Fired Wet Heating Installation	£1,129,000
Heating Upgrades (Wet) 2008-11	£2,362,000
North Door Upgrades 2008-11	£1,193,000
South Door Upgrades 2008-11	£1,155,000
Aberdeenshire Window Upgrades 2008-09	£558,000
Banff & Buchan Area – Electrical Upgrades 2008-09	£385,000
Banff Academy – Biomass Boiler	£644,000
Inverurie – Burghmuir Industrial Estate – Joint Procurement Store	£1,100,000

23. Finance and Operating Leases

Finance Leases

Vehicles, Plant and Equipment – In 2008/09, the Council has acquired vehicles and ICT equipment under finance leases. The rentals payable under these arrangement in 2008/09 were £965,000 (2007/08 = £860,000), charged to the Income and Expenditure Account as £156,000 finance costs (debited to interest payable) and £809,000 relating to the write down of the obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account in the Statement of Movement in the General Fund Balance).

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed Assets:

Vehicles, Plant & Equipment 2007/08 £'000		Vehicles, Plant & Equipment 2008/09 £'000
2,968	Value at 1 April	3,426
1,210	Additions	614
(752)	Depreciation	(844)
3,426	Value at 31 March	3,196

NOTES TO THE CORE FINANCIAL STATEMENTS

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as creditors for obligations payable in 2009/10, and Deferred Liabilities for obligations payable after 2009/10, are as follows:

	Vehicles, Plant & Equipment 2008/09 £'000
Obligations payable in 2009/10	844
Obligations payable between 2010/11 and 2013/14	2,167
Obligations payable after 2014/15	74
Total liabilities at 31 March 2009	3,085

The Council has not entered into any commitments in respect of finance leases at 31 March 2009 where payments will start in 2009/10.

Operating Leases

Vehicles, Plant and Equipment - The Council uses vehicles, plant and equipment which are financed under the terms of an operating lease. The amount paid under these arrangements in 2008/09 was £2,535,000 (2007/08 = £2,778,000).

Commitments under Operating Leases – The Council was committed at 31 March 2009 to making payments of £1,924,000 under operating leases in 2009/10, comprising the following elements:

	Vehicles, Plant & Equipment 2008/09 £'000
Leases expiring within 2009/10	287
Leases expiring between 2010/11 and 2013/14	1,518
Leases expiring after 2013/14	119
Total payments under operating leases in 2009/10	1,924

Authority as Lessor – The Council leases industrial, commercial and other properties accounted for under operating lease arrangements. The rent received in 2008/09 was £5,489,000. The gross value of assets held for use in operating leases was £106,623,000 and subject to £1,015,000 depreciation to 31 March 2009.

	Land & Buildings £'000	HRA £'000	Investment Properties £'000
Gross Book Value	47,937	5,070	53,616
Accumulated Depreciation	(806)	(207)	(2)
Net Book Value at 31 March 2009	47,131	4,863	53,614

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Valuation of Assets

Aberdeenshire Council's fixed assets that are not valued at Historical Cost are valued on a 5 year rolling programme by the Director of Transportation & Infrastructure in accordance with the Statements of Asset Valuation Practice and the Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

The portfolios subject to this policy were valued as follows:

- a) The Council's housing stock was valued as at 1 April 2006 on the basis of Existing Use Value (EUV) - £842,819,051. The value includes an adjustment to reflect discount given on Council House Sales.
- b) Operational Offices valued as at 1 April 2008, on the basis of EUV or Depreciated Replacement Cost (DRC) - £53,607,000.
- c) Education assets valued as at 1 April 2004, on the basis of EUV, Open Market Value (OMV), DRC - £221,471,000.
- d) Non-Operational Industrial assets valued as at 1 April 2007, on the basis of OMV - £38,670,000.
- e) Non-Operational Commercial assets valued as at 1 April 2007, on the basis of OMV - £13,437,000.
- f) Social Work assets valued as at 1 April 2005, on the basis of Market Value (MV), EUV, and DRC - £38,740,000.
- g) Transportation and Infrastructure assets valued as at 1 April 2005, on the basis of MV, EUV, or DRC - £22,190,000.
- h) Planning and Environmental Services' assets valued as at 1 April 2005, on the basis of MV, EUV, or DRC - £6,965,000.
- i) Recreation assets valued as at 1 April 2005, on the basis of MV or DRC - £34,530,000.

Aberdeenshire Council are not aware of any material change in the above assets since the last valuation and therefore the valuations have not been updated.

The valuers concerned with the preparation of the valuations in 2008/09 are as follows:

Gordon Daniels FRICS, Lewis Anderson MRICS and Laumon Dougall MRICS, all of whom are internal to the Council.

25. Movement in Intangible Assets

	Purchased Software Licences £'000
Original Cost	2,779
Amortisations to 1 April 2008	(769)
Balance at 1 April 2008	<u>2,010</u>
Expenditure in Year	1,019
Amortisation charge for the year	(556)
Balance at 31 March 2009	<u><u>2,473</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

26. Long-Term Debtors

	Balance Outstanding At 31 March 2008 £'000	Cumulative Soft Loan Adjustment 2007/08 £'000	Fair Value Amortised Costs At 31 March 2008 £'000
PFI/PPP Deferred Consideration	2,922	-	2,922
Enterprise North-East Trust	100	(60)	40
Portlethen Golf Club	338	-	338
Visit Scotland	39	-	39
Ellon and District Sports Development Trust	2	-	2
Aberdeenshire Housing Partnership	3,744	(2,448)	1,296
Cornerstone Community Association	90	(9)	81
House Loans	333	-	333
Support for Aberdeenshire Business Loans	92	(6)	86
North East Scotland Preservation Trust	-	-	-
	<u>7,660</u>	<u>(2,523)</u>	<u>5,137</u>

	Balance Outstanding At 31 March 2009 £'000	Cumulative Soft Loan Adjustment 2008/09 £'000	Fair Value Amortised Costs At 31 March 2009 £'000
PFI/PPP Deferred Consideration	2,775	-	2,775
Enterprise North-East Trust	100	(58)	42
Portlethen Golf Club	332	-	332
Visit Scotland	31	-	31
Ellon and District Sports Development Trust	-	-	-
Aberdeenshire Housing Partnership	3,744	(2,380)	1,364
Cornerstone Community Association	90	(4)	86
House Loans	208	-	208
Support for Aberdeenshire Business Loans	112	(8)	104
North East Scotland Preservation Trust	375	(22)	353
	<u>7,767</u>	<u>(2,472)</u>	<u>5,295</u>

Repayments due 2009/10 shown as Current Debtors	(100)
Long Term Debtors at 31 March 2009	<u>5,195</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Government Grants Deferred

Government Grants Deferred represent grants which relate to expenditure on the creation of fixed assets. These are capitalised and written off to the appropriate service in the Income and Expenditure Account over the useful life of the asset to match the depreciation of the asset to which it relates.

	Balance at 1 April 2008 £'000	Received During Year £'000	Released to Services £'000	Balance at 31 March 2009 £'000
Education Services	(32,944)	(3,521)	1,344	(35,121)
HRA	(845)	(218)	104	(959)
Cultural & Related Services	(1,794)	(86)	262	(1,618)
Environmental Services	(4,751)	(259)	855	(4,155)
Roads & Transport Services	(14,968)	(11,729)	375	(26,322)
Planning & Development Services	(3,758)	(126)	92	(3,792)
Social Work	(2,063)	(182)	80	(2,165)
Central Services	(156)	(1,815)	62	(1,909)
Total	(61,279)	(17,936)	3,174	(76,041)

28. Net Assets Employed

The net assets employed can be broken down as follows:

Restated 2007/08 £'000		2008/09 £'000
108,705	Assets employed by the General Fund	117,580
341,003	Assets employed by the Housing Revenue Account	336,012
(2,230)	Assets employed by Trading Services	(3,961)
447,478		449,631

29. Related Companies and Other Organisations

The Council has an interest in various subsidiaries and associates.

Subsidiaries

Archaeolink Trust

The Archaeolink Trust is a charitable trust which was established to enhance recreational and educational provision in Aberdeenshire. In 2005/06 the Council entered into a management agreement with the Trust to manage the facility including the provision of financial services on a full cost recovery basis. It has two Trustees both of whom are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2009, the net profit was £5,000 and the net assets were £1,864,000. The Council supports the net operating costs of the company. These figures are incorporated in the Group Accounts. A copy of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Scotland's Lighthouse Museum Limited

This company was formed to advance and promote the education of the general public, and in particular the inhabitants of Scotland, by the establishment and preservation of a museum of the history and operation of lighthouses in Scotland, with the dual aim of aiding and physical preservation of the Kinnaird Head Lighthouse, Fraserburgh. It is limited by guarantee but has no share capital. Two of the eight Directors are appointed by Aberdeenshire Council, and are Councillors. The company is also recognised as a charity. For the year ended 31 March 2009, the net loss was £1,000 and the net assets were £57,000. The Council supports the net operating costs of the company. These figures are incorporated in the Group Accounts. A copy of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

NOTES TO THE CORE FINANCIAL STATEMENTS

Trusts and Common Good Funds

The Council acts as Trustee for 436 Charitable Trusts & Endowments and 17 Common Good Funds. Disbursements from the Trusts range from Educational grants for books and equipment to donations to the elderly. In administering the Common Good Funds the Council has regard to the interests of the inhabitants of the area to which the Common Good Fund formerly related and overall, the funds are used for purposes which are of benefit to the relevant communities. For the year ended 31 March 2009, the net assets were £4.1m for Trusts and £2.2m for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 65-70. A full analysis of the individual Trusts and Common Good Funds can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Associates

Grampian Joint Police Board

Grampian Joint Police Board was created by a statutory instrument and administers the policing provision for the local government areas of Aberdeen City, Aberdeenshire and Moray Councils. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2009, the net deficit was £38,364,000 and the net liabilities were £463,267,000. The Board is funded by requisitions from the three Councils and 36% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from Grampian Joint Police Board, Grampian Police Headquarters, Queen Street, Aberdeen, AB10 1ZA.

Grampian Joint Fire and Rescue Board

Grampian Joint Fire and Rescue Board was created by a statutory instrument and administers the fire and rescue services for the local government areas of Aberdeen City, Aberdeenshire and Moray Councils. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2009, the net deficit was £9,222,000 and the net liabilities were £78,066,000. The Board is funded by requisitions from the three Councils and 34% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from Grampian Fire and Rescue Service, 19 North Anderson Drive, Aberdeen, AB15 6DW.

Grampian Valuation Joint Board

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Business Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2009, the net deficit was £493,000 and the net liabilities were £2,377,000. The Board is funded by requisitions from the three Councils and 44% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX.

North East of Scotland Transport Partnership (Nestrans)

Nestrans was created under the Transport (Scotland) Act 2005 by the Scottish Executive. The Partnership aims to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Shire. Four of the twelve Board members are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2009, the net surplus/deficit was nil and the net assets were nil. The two Councils fund the Partnership and 50% of the financial results are incorporated in the Group Accounts. A copy of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Other Entities in which the Council has an interest not reflected in Group Accounts

Grampian Venture Capital Limited

The Council owns £161,000 fully paid up £1 shares in the Grampian Venture Capital Limited. The company was incorporated in 1987 to encourage the economic development of the local area. The management of this company is undertaken by the Moray Chamber of Commerce. The cost of the investment was written off in the year of acquisition and consequently is not reflected in the balance sheet.

The Council holds a 35% shareholding in the company but the results are not incorporated in the Group Accounts as the Council does not depend on the company for the provision of its statutory services. The Council has no exposure to commercial risk from the company and the Council has not passed on control of

NOTES TO THE CORE FINANCIAL STATEMENTS

any of its assets to the company. The financial transactions of the company would also have no material effect on the Council's accounts.

Sporting Trusts

The Council has an interest in the following sporting trusts: Balmedie Sports Trust; Bennachie Sports Trust; Denman Park Pavilion; Ellon & District Trust; Garioch Sports Trust; Lawsonsdale Playing Fields; Westdyke Leisure Centre; Huntly Leisure Trust.

A decision was taken to reject the inclusion of the sporting trusts from the Group Accounts on the basis that their inclusion would not have a material impact on the accounts.

Strategic Development Planning Authority

Under the Planning etc. (Scotland) Act 2006, Aberdeen City and Aberdeenshire Councils were required by Scottish Ministers to constitute a new Strategic Development Planning Authority (SDPA) in the North East covering both Aberdeen City and Aberdeenshire. The SDPA will manage the process of preparing and reviewing the strategic development plan and defining its boundaries. Aberdeenshire Council and Aberdeen City Council each contribute £168,000 per financial year to the partnership. Six of the twelve Board members are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2009, the net surplus/deficit was nil and the net assets were also nil. The partnership is excluded from the group accounts, as the net assets are nil and the Council's contribution is already included in the Council's actual expenditure for 2008/09. Therefore, consolidation into the group would not materially change the values on the financial statements. A copy of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Scotland Excel

Scotland Excel is a not-for-profit organisation and was launched in April 2008. It aims to raise procurement standards by working with Scottish local authorities and suppliers to secure best value through collaborative contracts. Aberdeenshire Council and twenty-seven other local authorities fund the organisation. For the year ended 31 March 2009, the net surplus was £3,408,000 and the net assets were £75,000. Aberdeenshire Council's contribution to the organisations in 2008/09 was £136,880. The organisation is excluded from the group accounts, as consolidation into the group would not materially change the values on the financial statements. A copy of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

30. Analysis of Borrowings from the Council's Loans Fund to Meet Capital Expenditure

Analysis of borrowings from the Council's Loans Fund to meet capital expenditure is detailed below.

	£'000	£'000
Loan Fund outstanding 1 April 2008		380,279
Expenditure during year	60,994	
Less: Receipts, Grants & Accruals	(22,978)	
Revenue Financing	<u>(11,692)</u>	
Net New Borrowings		26,324
Debt Repayments		<u>(10,018)</u>
Loans Fund Outstanding 31 March 2009		<u>396,585</u>

Debt repayments are net of receipts from external bodies.

31. Loans Fund

The Loans Fund is the central financing account of the Council. It is an accounting arrangement which simplifies on the one hand, expenditure on various capital projects and on the other, the borrowing of money to finance such projects. Effectively, the service departments borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from the Government through the Public Works Loans Board (PWLB) or direct from money markets. At the end of each financial year the capital expenditure incurred by each service is added to their prior year's expenditure to reflect the total debt owed by each service department to the Loans Fund. Net premium on debt rescheduling is debited to the Statement of Movement on the General Fund Balance over the period of replacement loans.

NOTES TO THE CORE FINANCIAL STATEMENTS

All interest and management expenses incurred through external borrowing are initially paid by the Loans Fund. These are recharged to the Income and Expenditure Account, although bank charges are charged direct to Corporate & Democratic Core to comply with accounting guidance. For 2008/09 the average interest rate for capital advances was 4.86% (2007/08 = 5.82%); and expenses on raising loans 0.03% (2007/08 = 0.03%).

INCOME AND EXPENDITURE ACCOUNT

2007/08 £'000		2008/09 £'000
	EXPENDITURE	
25,252	Interest paid to Lenders	23,553
126	Expenses and Commission of Raising Loans	102
25,378		23,655
	INCOME	
(22,142)	- Aberdeenshire Council	(18,682)
(3)	- Other Authorities and Bodies	(102)
(3,233)	- Temporary Investments	(4,871)
(25,378)		(23,655)

BALANCE SHEET AS AT 31 MARCH

* 2007/08 £'000		2008/09 £'000
	ASSETS	
	<i>Advances to</i>	
380,240	- Aberdeenshire Council for Capital Expenditure	396,555
39	- Other Authorities and Bodies	31
618	Debtors	943
80,970	- Temporary Investments	29,655
983	- Petty Cash	1,766
462,850		428,950
	Less: CURRENT LIABILITIES	
(100,987)	Temporary Advances from Services	(93,192)
(4,426)	Sundry Creditor	(14,077)
(5,383)	Borrowing Repayable within 12 Months	(38,320)
(3,854)	Bank Overdraft	-
(114,650)		(145,589)
348,200	NET ASSETS	283,361
	FINANCED BY:	
(269,953)	PWLB	(204,090)
(94,802)	Bonds and Mortgages	(94,997)
(327)	Other	(295)
16,882	Financial Instruments Adjustment Account	16,021
(348,200)		(283,361)

* These figures differ from 2007/08 published accounts in that they now exclude accrued interest.

NOTES TO THE CORE FINANCIAL STATEMENTS

32. Long Term Borrowing

Included within the Council's debt at 31 March 2009 are the following categories:

* 31 March 2008 £'000	Source of Loan	Range of Interest Rates	Outstanding as at 31 March 2009 £'000
269,952	Public Works Loans Board (PWLB)	0.91% to 11.75%	204,090
94,802	Bonds & Mortgages	3.50% to 11.00%	94,997
327	Other	1.50% to 6.25%	295
<u>365,081</u>			<u>299,382</u>

* These figures differ from 2007/08 published statement of accounts in that they now exclude accrued interest.

Number of Years	PWLB £'000	Bonds & Mortgages £'000	Other £'000	Total £'000
1-2	1,963	-	-	1,963
2-5	24,482	-	-	24,482
5-10	53,275	-	-	53,275
Over 10	<u>124,370</u>	<u>94,997</u>	<u>295</u>	<u>219,662</u>
	<u>204,090</u>	<u>94,997</u>	<u>295</u>	<u>299,382</u>

This figure differs from financed by section in note 31 in that it excludes the financial instrument adjustment account.

33. Insurance Fund

The insurance fund was set up to meet potential material losses that are not insured externally, including excesses applicable to external policies.

It will meet, where appropriate excess/uninsured loss payments in respect of motor, casualty, property and other insured policies for which the Council is liable. Losses due to self insurance or uninsured perils in respect of buildings, plant, equipment and contents including exhibits and property on loan to Aberdeenshire Council may also be met from the Fund where the loss would place an exceptional burden on a particular Service's budget.

The fund has a balance as at 31 March 2009 of £1,487,000 (31 March 2008 - £1,567,000), payments from the fund being met from Service contributions in respect of uninsured losses and interest for the year.

Recorded outstanding potential liabilities as at 31 March 2009 amount to £1,435,000 (31 March 2008 - £1,199,000).

The increase in outstanding potential liabilities is due to increased self insured/excess levels, which was introduced on 1 April 2005 and now requires contributions to the fund on an annual basis to be maintained at present levels for the foreseeable future.

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NOTES TO THE CORE FINANCIAL STATEMENTS

Provisions

(i) General Provision

Estimates have been made for potential liabilities in relation to the following:

Roads Operations Contracts

A provision has been created to provide for the cost of correcting defects on completed contracts within the Roads Operations Trading Account.

Equal Pay

A provision for future action in relation to equal pay has been made in respect of claims for staff who have not yet signed compromise agreements and who have progressed to tribunal claims (see note 4).

Landfill Allowance Trading Scheme (LATS)

A provision has been created to provide for landfill penalties that may arise as a result of failure to comply with landfill targets.

Elderly Homecare Staff Rota System

A provision has been made for the introduction of a new staff rota system within Elderly Homecare.

PFI/PPP Contracts

A provision has been made for potential settlements in respect of deductions for non-performance of PFI/PPP contracts.

	Balance at 1 April 2008 £'000	Provision Made in Year £'000	Provision Not Realised in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2009 £'000
Roads Operations	(320)	(304)	132	103	(389)
LATS	(344)	-	344	-	-
Equal Pay	(2,418)	(290)	-	-	(2,708)
Elderly Homecare Staff Rota System	-	(20)	-	-	(20)
PFI/PPP Non-Performance	-	(1,208)	-	-	(1,208)
Total	<u>(3,082)</u>	<u>(1,822)</u>	<u>476</u>	<u>103</u>	<u>(4,325)</u>

(ii) Debtors Provision

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

General Debtors

Provides for possible losses on debts and loans which the Council considers may not be settled in full.

Revenues

Provides for possible losses on the collection of Community Charge, Council Tax and Business Rates.

Housing Rents

Provides for possible losses on housing rents. The tenants' rent arrears amount to £1,518,000 as at 31 March 2009.

	Balance at 1 April 2008 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2009 £'000
General Debtors	(2,175)	(656)	(2,831)
Revenues	(16,101)	(1,602)	(17,703)
Housing Rents	(1,079)	(78)	(1,157)
Total	<u>(19,355)</u>	<u>(2,336)</u>	<u>(21,691)</u>

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NOTES TO THE CORE FINANCIAL STATEMENTS

Summary Introduction to Detail of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance at 1 April 2008 £'000	Net Movement In Year £'000	Balance at 31 March 2009 £'000	Purpose of Reserve	Further Details of Movements
Capital Adjustment Account	(563,654)	16,476	(547,178)	Store of capital resources set aside to meet past expenditure	Note 36 to the Core Financial Statements, page 41.
Financial Instruments Adjustment Account	19,403	(942)	18,461	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 37 to the Core Financial Statements, page 41.
Revaluation Reserve	(15,617)	(34,537)	(50,154)	Store of gains on revaluation of fixed assets not yet realised through sales	Note 36 to the Core Financial Statements, page 41.
Available-For-Sale Financial Instruments Reserve	-	-	-	Store on gains on revaluation of investments not yet realised through sales	Note 37 to the Core Financial Statements, page 41.
Capital Receipts Reserve	-	-	-	Proceeds of fixed asset sales available to meet future capital investment	Note 36 to the Core Financial Statements, page 41.
Pension Reserve	* 168,837	21,595	190,432	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	Note 38 to the Core Financial Statements, page 42.
Housing Revenue Account	(29,365)	279	(29,086)	Resources available to meet future running costs for council houses	Note 39 to the Core Financial Statements, page 42 and HRA Statements pages 58-60.
General Fund	(20,806)	(2,295)	(23,101)	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance, page 14 and Note 40 to the Core Financial Statements, pages 42-43.
Other Reserves	(6,276)	(2,729)	(9,005)	Resources available to meet specific future costs, as allowed by statute.	Note 41 to the Core Financial Statements, pages 43-44.
Total	(447,478)	(2,153)	(449,631)		

* Restated – See Note 4 to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

36. Capital Reserves

The system of capital accounting requires the establishment of a Revaluation Reserve and a Capital Adjustment Account (CAA). The Revaluation Reserve is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations. The CAA reflects the internal repayment of debt on funds borrowed to finance fixed assets and other cash receipts and contributions used to finance capital expenditure. The Revaluation Reserve and the CAA relate to the valuation of assets and financing of capital expenditure and do not, therefore, represent funds available for use. The Usable Capital Receipts Reserve represents capital receipts received that have been applied during the year to finance capital expenditure.

	Revaluation Reserve £'000	Capital Adjustment Account £'000	Capital Receipts Reserve £'000
Balance at 1 April 2008	(15,617)	(563,654)	-
Revaluations & Restatements	(34,537)	(3,747)	-
Depreciation of Fixed Assets	-	24,675	-
Amortisation of Intangible Fixed Assets	-	556	-
Impairment of Fixed Assets	-	22,870	-
Government Grants Deferred Amortisation	-	(3,174)	-
Net Gain or Loss on Sale of Fixed Assets	-	(3,141)	-
Loans Fund Principal Repayments	-	(10,042)	-
Finance Lease Prudent Charge	-	(809)	-
Capital Financed from Current Revenue	-	(11,302)	-
Government Grants Deferred Received	-	443	-
PFI/PPP Deferred Considerations	-	147	-
Disposals at Cash Value:			
- HRA	-	-	(6,311)
- Other	-	-	(1,074)
Applied Sales Receipts	-	-	7,385
Balance at 31 March 2009	(50,154)	(547,178)	-

37. Financial Instruments Reserves

	Balance as at 1 April 2008 £'000	Write down Discount and Premium £'000	Adjustments Soft Loans £'000	Adjustments Stepped Loans £'000	Balance as at 31 March 2009 £'000
Financial Instrument Adjustment Account	19,403	(1,057)	(80)	195	18,461
Available for Sale Financial Instrument Reserve	-	-	-	-	-
	19,403	(1,057)	(80)	195	18,461

The Council had no deposits held with Icelandic Banks during 2008/09.

NOTES TO THE CORE FINANCIAL STATEMENTS

38. Pension Reserve

The movement in the Pension Reserve is set out below:

	£'000
Restated Balance at 1 April 2008	168,837
Movements in Year:	
Actuarial (Gains)/Losses	11,452
Net charges made for retirement benefits in accordance with FRS17	36,205
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	<u>(26,062)</u>
Balance at 31 March 2009	<u>190,432</u>

39. Housing Revenue Account

The Housing Revenue Account Working Balance is cumulative and used to:

- (a) provide for unforeseen events and contingencies. The Council's policy is to maintain a minimum balance of £2m for this purpose.
- (b) build up funds to provide for the future enhancement of the council housing stock. The principles of the operation of this reserve are established under the 30 year Business Plan for Council Housing, which is reviewed regularly by the Social Work & Housing Committee in consultation with tenants' associations and other interested parties.

40. General Fund

The General Fund consists of a working balance and a number of earmarked funds.

The Council's policy is to maintain a minimum balance of £7m in a Working Balance to cushion the impact of any unforeseen circumstances or emergencies. This was increased from the previous figure of £5m by the Policy and Resources Committee on 18 September 2008. This sum is based on a 1% adverse variance on gross revenue expenditure. Any balance above this level is the subject of consideration by the Council with a view to re-investing in services or further investment in capital assets.

The purpose and policy with regards to earmarked funds is as follows:

- Devolved Education Management (DEM) Balance – see note 44. This fund is a consolidation of balances held by schools that are retained for the specific purpose of investing in services delivered at each individual school. The DEM scheme enables a policy of retaining resources at each school rather than returning balances to a corporate fund, and encourages schools to plan over the medium financial term.
- Invest to Save – the purpose of this fund is to provide initial investment to finance schemes that will generate long-term revenue savings. The Council's policy is to utilise this investment to develop proposals that will lead to a more effective and efficient use of resources.
- School Transport – the budget for school transport is based on the assumption that there will be 190 school days in each financial year. However, due to the timing of the Easter holidays which may fall in March or April, in some years this may exceed 190 days and in other years it may be less than 190 days. To prevent the budget from fluctuating from year to year, this fund has been established. Each year a sum is transferred to or from the fund as appropriate to help defray expenditure on school transport.
- Other Miscellaneous Balances – balances set aside for specific purposes e.g. to purchase artefacts for Museums.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Working Balance £'000	DEM £'000	Invest To Save £'000	School Transport £'000	Others £'000	Total £'000
Balance at 1 April 2008	(12,525)	(6,088)	(327)	(709)	(1,157)	(20,806)
Movement for the Year	(5,909)	3,194	36	709	(325)	(2,295)
Balance at 31 March 2009	<u>(18,434)</u>	<u>(2,894)</u>	<u>(291)</u>	<u>-</u>	<u>(1,482)</u>	<u>(23,101)</u>

41. Other Reserves

The Council operates a Capital Fund and Renewal & Repair Fund in terms of Schedule 3, Section 22 (1) of the Local Government (Scotland) Act 1975 and an Insurance Fund in terms of Schedule 13 of the Local Government etc (Scotland) Act 1994. Movements for the year are set out below.

	Balance as at 31 March 2008 £'000	Add Contributions £'000	Add Interest £'000	Deduct Expenditure £'000	Balance as at 31 March 2009 £'000
Renewal & Repair Fund					
Building Repairs & Maintenance (i)	-	-	-	-	-
Coastal Protection Emergencies (i)	(20)	(550)	(1)	-	(571)
Road Maintenance (i)	(1,890)	-	(79)	1,266	(703)
Winter Maintenance (i)	(1,726)	-	(72)	691	(1,107)
Amenity Areas (ii)	(481)	(7)	(20)	-	(508)
Vehicle Replacement (iii)	(592)	-	(25)	-	(617)
Total Renewal & Repair	<u>(4,709)</u>	<u>(557)</u>	<u>(197)</u>	<u>1,957</u>	<u>(3,506)</u>
Insurance Fund (iv)	(1,567)	-	(65)	145	(1,487)
Capital Fund (v)	-	(4,012)	-	-	(4,012)
	<u>(6,276)</u>	<u>(4,569)</u>	<u>(262)</u>	<u>2,102</u>	<u>(9,005)</u>

Renewal and Repair Fund

The Renewal and Repair Fund is sub-divided into the following elements:

- (i) Building Repairs and Maintenance, Coastal Protection Emergencies, Road Maintenance and Winter Maintenance - These are largely used to smooth workflows and to ring-fence revenue expenditure in the event that scheduled work is unable to proceed within any given financial year. This is largely determined by the weather, and allows any unspent portion of the revenue budget to be carried forward into the following financial year, thereby cushioning the budget impact of uneven workflows.

The Council's policy is to set a revenue budget that determines the overall annual contribution to these reserves.

- (ii) Amenity Areas - This represents contributions paid to the Council by property developers in respect of future maintenance work that the Council will undertake on adoption of the land concerned. The Council's policy is to ensure sufficient funds are available within the revenue budget to meet the annual costs associated with this work.

- (iii) Vehicle Replacement - The purpose of this is to accumulate balances to facilitate the cash purchase of vehicles as an alternative means of procurement to borrowing or leasing.

The Council's policy is to have sufficient funds available to enable all financing options to be considered within existing budget provision and to ensure that the optimum financial solution is sought, thereby enabling best value to be obtained in the purchase of additional and replacement vehicles to the long-term financial benefit of the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

Insurance Fund

- (iv) The Insurance Fund represents the Council's degree of self-insurance and represents the provision for known and unforeseen losses that the Council has opted to meet itself, rather than obtaining external insurance cover.

The Council's policy is to increase the level of self- insurance through the proactive management of risk, thereby enabling a greater retention of funds within the Council.

Capital Fund

- (v) The Council has established a Capital Fund to help fund its capital plan. On 17 April 2008, Policy and Resources Committee agreed that any surpluses on the working balance, over and above the prudent minimum and after taking account of ring fenced amounts and amounts to be carried forward under End Year Flexibility in 2007/08 and future years, should be made available to offset or bring forward capital spending.

42. Contingent Liabilities – Single Status and Guarantees

The Council implemented the single status agreement on 1 July 2007. The Council has received a number of appeals in respect of the grades determined. At 31 March 2009, there were in excess of 1,000 appeals outstanding. A successful appeal may also affect the grading of staff who perform a similar role but who have not submitted an appeal. The liability in respect of these appeals cannot be estimated with accuracy and the outcome is not considered to be sufficiently certain. Accordingly, no provision for these appeals has been made in the financial statements.

The Landfill Allowances Trading Scheme (LATS) is currently under review and the Scottish Government has suspended penalties and trading under the scheme since October 2008 pending the review's outcome. The Council has exceeded its allowances in each of the financial years from 2006/07 to 2008/09 as shown below:

	Excess over allowance	Potential Penalty
2006/07	7,159	£25 per tonne
2007/08	6,872	£50 per tonne
2008/09	12,614	£150 per tonne

In total, the potential penalty that could be applied to the Council is £2,415,000.

Aberdeenshire Council, at 31 March 2009, has the undernoted guarantees in place.

Ellon Development Company

The Council has agreed to guarantee rent due by Ellon Development Company to Gordon Enterprise Trust, up to the value of £21,000 per annum.

North Sea Regional Advisory Council

The Council has agreed to an unlimited bank guarantee in favour of this Directorate General for Fisheries and Maritime Affairs, European Commission until November 2009, at which time it will be reviewed.

43. Authorisation

The unaudited accounts were issued on 22 June 2009, and the audited accounts were authorised for issue on 30 September 2009 by Charles Armstrong, BA, CPFA, FCCA, Director of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973.

No events have occurred after the balance sheet date that could be classified as adjusting or non-adjusting events.

NOTES TO THE CORE FINANCIAL STATEMENTS

44. Reserves and Balances Held by Schools Under Delegated Schemes

The General Fund Balance includes an amount of £2,894,000 (31 March 2008 £6,088,000) which is held by schools under Devolved Education Management. These balances are committed to be spent on the Education Service.

45. Retirement Benefits

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be paid until the employees retire, the Council's commitment to make the payments needs to be disclosed at the time that employees earn their future entitlement.

Pension schemes can either be classed as 'defined benefit' or 'defined contribution' schemes. In a defined benefit scheme, retirement benefits are determined independently of the investments of the scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits. In a defined contribution scheme the employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits. Defined benefit schemes require to be included in the Council's accounts in accordance with the provisions of FRS 17 whereas for defined contribution schemes, the pension cost reported for the year is equivalent to the contributions payable to the scheme for the accounting period.

The Council participates in two pension schemes:

- the Local Government Pension Scheme, administered by Aberdeen City Council. All employees, with the main exception of teachers, are eligible to join this scheme, subject to certain qualifying criteria. This is a funded scheme, which means that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- the Teachers' Pension Scheme, administered by the Scottish Government. This scheme meets the definition of a defined benefit scheme, but it is treated as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participating authorities. More details in respect of this scheme are provided in note 46.

Change of Accounting Policy

Under the 2008 SORP, the Council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £38,811,000 to £38,717,000, a decrease of £94,000. This has resulted in an increase in the deficit on the Income and Expenditure account of £94,000 from £11,430,000 to £11,524,000. This increase in the deficit has been matched by a transfer of £94,000 from the Pension Reserve, hence there is no effect on the Council's General Fund Balance.

Transactions Relating to Retirement Benefits

In respect of the Local Government Pension Scheme, the Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

Restated 2007/08 £'000	Income and Expenditure Account	2008/09 £'000
	Net Cost of Services:	
25,281	- Current Service Cost	23,871
434	- Past Service Costs	6,024
1,257	- Curtailments	632
	Net Operating Expenditure:	
35,586	- Interest Cost	45,718
(38,717)	- Expected return on assets in the Scheme	(40,040)
23,841	Net charge to the Income and Expenditure Account	36,205

Statement of Movement in the General Fund Balance

(23,841)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(36,205)
	Actual amount charged against the General Fund Balance for pensions in the year:	
23,719	Employers' contributions payable to scheme	26,062

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £206,345,000 (£54,066,000 for 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Gains and Losses is £128,589,000.

No contributions remained payable at the year end.

Assets and Liabilities in Relation to Retirement Benefits

The following table shows a reconciliation of the present value of the scheme liabilities:

Restated 2007/08 £'000		2008/09 £'000
643,588	1 April	734,527
25,281	Current Service Cost	23,871
35,586	Interest Cost	45,718
7,579	Contributions by Scheme Participants	8,191
434	Past Service Cost	6,024
22,831	Actuarial (Gains)/Losses	(194,893)
1,257	Curtailments	632
(2,029)	Benefits Paid	(2,157)
734,527	31 March	621,913

NOTES TO THE CORE FINANCIAL STATEMENTS

The following table shows a reconciliation of the fair value of the scheme assets:

Restated 2007/08 £'000		2008/09 £'000
551,770	1 April	565,690
38,717	Expected Return on Plan Assets	40,040
(54,066)	Actuarial Gains/(Losses)	(206,345)
23,719	Employer Contributions	26,062
7,579	Member Contributions	8,191
(2,029)	Benefits Paid	(2,157)
565,690	31 March	431,481

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 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 of scheme assets in the year was £40,040,000 (2007/08 £38,717,000).

Scheme History

	2004/05	2005/06	Restated 2006/07	Restated 2007/08	2008/09
Present value of liabilities:					
Local Government Pension Scheme	(478,450)	(608,882)	(632,352)	(720,220)	(608,837)
Teachers Pension Scheme	(10,010)	(11,038)	(11,236)	(14,307)	(13,076)
Fair value of assets:					
Local Government Pension Scheme	356,720	495,502	551,770	565,690	431,481
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme	(121,730)	(113,380)	(80,582)	(154,530)	(177,356)
Teachers Pension Scheme	(10,010)	(11,038)	(11,236)	(14,307)	(13,076)
Total	(131,740)	(124,418)	(91,818)	(168,837)	(190,432)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £190,432,000 has a substantial impact on the net worth of the authority, resulting in a reduced overall balance of £449,631,000. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining life of employees, as assessed by the scheme actuary. Aberdeenshire Council's contribution rate over the accounting period was 300% of Members' contributions.

The rate of employer contributions as a percentage of pensionable pay for the next three years is:

2009/10	19.1%
2010/11	19.2%
2011/12	19.3%

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £26,507,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Fund has been assessed by Mercer Limited, an independent firm of actuaries, estimates for this fund being based on the latest full valuation of the scheme as at 31 March 2008. The next triennial valuation will be based on the Fund as at 31 March 2011.

The principal assumptions used in their calculations have been:

2007/08		2008/09
	Long-term expected rate of return on assets in the scheme:	
7.50%	Equities	7.50%
4.60%	Government Bonds	4.00%
6.10%	Other Bonds	6.00%
6.50%	Property	6.50%
5.25%	Cash/Liquidity	0.50%
7.50%	Other	7.50%
	 Mortality Assumptions (years):	
	Longevity at 65 for Current Pensioners:	
20.3	Men	22.0
23.1	Women	24.0
	Longevity at 65 for Future Pensioners:	
22.2	Men	23.1
25.0	Women	25.0
3.60%	Rate of Inflation	3.30%
5.35%	Rate of Increase in Salaries	5.05%
3.60%	Rate of Increase in Pensions	3.30%
6.10%	Rate for Discounting Scheme Liabilities	7.10%
25.00%	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	50.00%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held by the Fund:

31 March 2008		31 March 2009
%		%
74.0	Equities	67.0
3.0	Government Bonds	2.0
4.0	Other Bonds	9.0
9.0	Property	7.0
7.0	Cash Liquidity	10.0
3.0	Other	5.0
100.0		100.0

NOTES TO THE CORE FINANCIAL STATEMENTS

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
Differences between the expected and actual return on assets	3.7%	13.4%	0.0%	9.6%	47.8%
Experience gains and losses on liabilities	1.5%	4.2%	0.0%	0.3%	6.7%

Joint Boards

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

- Grampian Joint Fire and Rescue Board
- Grampian Joint Police Board
- Grampian Valuation Joint Board

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

46. Scottish Teachers' Pension Scheme

As stated in Note 45 above, teachers employed by the authority are entitled to be members of the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09, the Council paid £13,029,000 to the Scottish Government in respect of teachers' retirement benefits representing 14.90% of pensionable pay. The figures for 2007/08 were £12,597,000 and 13.50%. In addition, the council is responsible for all pension payments related to "added years" it has awarded, together with related increases. These amounted to £93,000 or 0.10% of pensionable pay. The figures for 2007/08 were £828,000 and 0.89%. No contributions remained payable at the year end.

Although this scheme is unfunded, the Scottish Government uses a notional fund for the basis of calculating the employers' contribution rate paid by Local Authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in Note 45 above.

NOTES TO THE CORE FINANCIAL STATEMENTS

47. Financial Instruments

(i) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	2007/08 £'000	2008/09 £'000	2007/08 £'000	2008/09 £'000
Financial liabilities at amortised cost	(365,081)	(299,382)	(101,002)	(121,649)
Total borrowings	<u>(365,081)</u>	<u>(299,382)</u>	<u>(101,002)</u>	<u>(121,649)</u>
Loans and receivables	5,179	5,195	139,590	67,233
Total investments	<u>5,179</u>	<u>5,195</u>	<u>139,590</u>	<u>67,233</u>

(ii) Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	2007/08 Financial Liabilities Measured at amortised cost £'000	2007/08 Financial Assets Loans and receivables £'000	Total £'000
Interest expense	(21,537)	-	(21,537)
Losses on derecognition	-	-	-
Impairment losses	-	(809)	(809)
Interest payable and similar charges	<u>(21,537)</u>	<u>(809)</u>	<u>(22,346)</u>
Interest income	-	5,560	5,560
Interest and investment income	<u>-</u>	<u>5,560</u>	<u>5,560</u>
Net gain/(loss) for the year	<u>(21,537)</u>	<u>4,751</u>	<u>(16,786)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09 Financial Liabilities Measured at amortised cost £'000	2008/09 Financial Assets Loans and receivables £'000	Total £'000
Interest expense	(17,923)		(17,923)
Losses on derecognition	-	-	
Impairment losses	-	(2,336)	(2,336)
Interest payable and similar charges	(17,923)	(2,336)	(20,259)
Interest income	-	4,605	4,605
Gains on derecognition	-	-	-
Interest and investment income	-	4,605	4,605
Net gain/(loss) for the year	(17,923)	2,269	(15,654)

(ii) Fair value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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 current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market.

- 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.

The fair values calculated are as follows:

Financial Liabilities	Carrying amount 2008/09 £'000	Fair value 2008/09 £'000
PWLB	218,330	257,874
Market Loan – Long Term	96,764	99,299
Market Loan – Short Term	22,638	22,898
	337,732	380,071

The fair value is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

NOTES TO THE CORE FINANCIAL STATEMENTS

Loans and Receivables	Carrying amount 2008/09 £'000	Fair value 2008/09 £'000
Financial Assets		
Cash and Bank Deposits	1,766	1,766
Fixed Term Deposits	30,592	30,840
	<u>32,358</u>	<u>32,606</u>

The fair value is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. Receiving interest below current market rates decreases the amount that the authority would receive if it agreed to early repayment of the loans.

(iii) Nature and Extent of Risks Arising from Financial Instruments

The authority'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 authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy statement. The most recent Treasury Management Strategy document was approved by the Council's Policy and Resources Committee on 5 March 2009. A copy of the report can be found on the Council's website. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a "very small risk" classification, specifically a member of the EU, a rating of P-2 (or better) from Moodys or a rating of F-2 (or better) from Fitch, and has a Moodys Financial Strength Rating of 'C' or greater. The authority has a policy of not lending more than 10% of its surplus balances to one institution.

At the balance sheet date Aberdeenshire Council had £29,700,000 of investment of which £11,000,000 were with the Republic of Ireland, the balance being with UK financial institutions.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectibility and adjusted to reflect current market conditions.

	2007/08 £'000	2008/09 £'000
General Debtors	(2,175)	(2,831)
Housing Rents	(1,079)	(1,157)
Guarantees	-	-
	<u>(3,254)</u>	<u>(3,988)</u>

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity risk

As the authority has ready access to borrowings from 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 authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure the minimum average life to maturity of Council long term borrowing should be 5 years with maximum proportion of fixed rate borrowing maturing as follows:

Maximum proportion of fixed rate borrowing maturing

Under 12 months	30%
1 year to 2 years	30%
2 years to 5 years	50%
5 years to 10 years	75%
10 years and above	90%

The maturity analysis of financial liabilities is as follows:

	Short-Term Borrowing 2007/08 £'000	Creditors 2007/08 £'000	Overdraft 2007/08 £'000	Long-Term Borrowing 2007/08 £'000	Total 2007/08 £'000
Less than one year	(5,383)	(91,765)	(3,854)	-	(101,002)
Between one and two years	-	-	-	(1,900)	(1,900)
Between two and five years	-	-	-	(16,021)	(16,021)
Between five and ten years	-	-	-	(40,811)	(40,811)
More than ten years	-	-	-	(306,349)	(306,349)
	(5,383)	(91,765)	(3,854)	(365,081)	(466,083)

	Short-Term Borrowing 2008/09 £'000	Creditors 2008/09 £'000	Overdraft 2008/09 £'000	Long-Term Borrowing 2008/09 £'000	Total 2008/09 £'000
Less than one year	(38,320)	(83,329)	-	-	(121,649)
Between one and two years	-	-	-	(1,963)	(1,963)
Between two and five years	-	-	-	(24,482)	(24,482)
Between five and ten years	-	-	-	(53,275)	(53,275)
More than ten years	-	-	-	(219,662)	(219,662)
	(38,320)	(83,329)	-	(299,382)	(421,031)

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The authority is exposed to significant 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 authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account 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 Income and Expenditure Account will rise.
- investments at fixed rates – the fair value of the assets will fall.

NOTES TO THE CORE FINANCIAL STATEMENTS

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority 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 Authority'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 forecast regularly 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 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Impact on Income and Expenditure Account

	£'000
Increase in interest payable on variable rate borrowings	226
Increase in interest receivable on variable rate investments	<u>(297)</u>
Impact on Income and Expenditure Account	<u>(71)</u>
Share of overall impact debited to the HRA	<u>(22)</u>

Impact on Fair Value

Decrease in fair value of fixed rate investment assets	<u>70</u>
Impact on STRGL	<u>-</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	<u>64,969</u>

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

Price risk

The authority does not generally invest in equity shares.

Foreign exchange risk

The Authority holds a bank account in Euros that has a maximum balance of approximately £1,500,000 and therefore has limited exposure to foreign exchange.

NOTES TO THE CORE FINANCIAL STATEMENTS

48. Reconciliation of Surplus/(Deficit) to Net Cash Inflow/(Outflow) from Operating Activities

Restated 2007/08 £'000		2008/09 £'000
(11,524)	Surplus/(Deficit) for the Year	(24,679)
	Non Cash Transactions	
42,945	Depreciation & Impairment	44,353
(2,154)	Deferred Grants amortised in year	(3,174)
147	Net PFI debtor adjustments	147
120	Pension Fund adjustments	10,145
1,608	Contributions to Provisions	1,243
42,666		52,714
	Adjustment for items reported separately on Cashflow	
(5,560)	Interest and Investment Income	(4,605)
	Interest payable and similar charges (including gains or losses on the repurchase or early settlement of borrowing taken to revenue and amortisation of gains or losses on repurchase or early settlement of borrowings c/fwd in accordance with the SORP)	17,767
21,373		17,767
164	Interest element of finance lease rental payments	156
(3,946)	(Gain) or loss on the disposal of Fixed Assets	(3,141)
	Items on an Accrual Basis	
(96)	(Increase)/Decrease in Stock	(441)
6,411	(Increase)/Decrease in Debtors	1,148
2,873	Increase/(Decrease) in Creditors	(3,371)
52,361	Net Cash Inflow/(Outflow) from Operating Activities	35,548

49. Analysis of Net Debt

(Reconciliation of Net Debt to related items in the Balance Sheet)

	Balance at 1 April 2008 £'000	Cashflow/ Changes in Year £'000	Other Non Cash changes £'000	Balance at 31 March 2009 £'000
Cash	(2,871)	4,637	-	1,766
Temporary Investments & Short Term deposits	81,588	(51,933)	-	29,655
Total	78,717	(47,296)	-	31,421
Loans due within one year	(5,383)	(32,937)	-	(38,320)
Loans due after more than one year	(369,507)	70,320	(195)	(299,382)
Deferred Liabilities	(3,279)	808	(614)	(3,085)
Net Debt	(299,452)	(9,105)	(809)	(309,366)

NOTES TO THE CORE FINANCIAL STATEMENTS

50. Reconciliation of Changes in Cash to Movement in Net Debt

Restated 2007/08 £'000		2008/09 £'000
(3,782)	Increase/(Decrease) in Cash	4,637
54,771	Cash Inflow/(Outflow) from Management of Liquid Resources	(51,933)
(37,736)	Cash Inflow from: New loans raised	(96,791)
2,315	Cash Outflow from: Loans repaid	129,748
-	Payment of Interest accrued at last balance sheet date	4,426
696	Deferred liabilities repaid	808
<u>3,011</u>		<u>134,982</u>
16,264	Change in Net Debt Resulting from Cash Flows	(9,105)
(1,210)	Other Non Cash Changes: New Deferred Liabilities	(614)
(256)	Net Adjustments for differences between Effective Interest Rates and actual interest payable	(195)
(2,754)	Interest accrued at year end on loans and finance leases carried at nominal value	-
<u>(4,220)</u>		<u>(809)</u>
<u>(311,496)</u>	Net Debt Brought Forward	<u>(299,452)</u>
<u>(299,452)</u>	Net Debt Carried Forward	<u>(309,366)</u>

51. Analysis of Changes in Cash and Liquid Resources During the Year

Liquid resources comprise short term cash balances that are available for investment.

	Balance at 31 March 2008 £'000	Balance at 31 March 2008 £'000	Change in Year £'000
Temporary Investments	81,588	29,655	(51,933)
Cash	983	1,766	783
Bank overdraft	(3,854)	-	3,854
Increase/(Decrease) in year	<u><u>78,717</u></u>	<u><u>31,421</u></u>	<u><u>(47,296)</u></u>

52. Analysis of Government Grants

The categories of Government Grants shown in the Cash Flow Statement are:-

2007/08 £'000		2008/09 £'000
17,687	Capital Activities	17,936
42,058	Revenue Activities	11,609
<u>59,745</u>		<u>29,545</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of Government Grants – Revenue Activities

2007/08 £'000		2008/09 £'000	2008/09 £'000
	Education, Learning and Leisure		
8,118	- National Priorities Action Fund	-	
488	- Discipline Task Group Grant	-	
1,391	- New Community Schools	-	
665	- Continuing Professional Development	-	
335	- In-Service Training	-	
872	- Probationers – Fully Funded posts	-	
672	- Determined to Succeed	847	
602	- Youth Music Initiative	525	
598	- Additional Support for Learners	-	
831	- Education Maintenance Allowances	603	
<u>2,991</u>	- Education, Learning & Leisure Others	<u>1,658</u>	
17,563			3,633
	Housing & Social Work		
2,144	- Criminal Justice Service Grant	2,276	
578	- Mental Illness	23	
1,208	- Changing Children's Service Fund	13	
	- Housing (Scotland) Act 2001 – Homelessness Grant	-	
741		-	
9,533	- Supporting People	-	
614	- Improvements and Repairs Grant	-	
<u>2,534</u>	- Social Work and Housing Others	<u>1,769</u>	
17,352			4,081
	Transportation & Roads		
-	- Capital Grant – Nestrans	1,703	
3,833	- Waste Strategy	-	
<u>1,542</u>	- Transportation & Infrastructure Other	<u>1,990</u>	
5,375			3,693
	Policy & Resources		
1,367	- Benefits Administration	1,287	
15	- Electronic Document Management (DWP)	-	
121	- Community Safety Partnership	128	
-	- Capital Grant – Grampian Joint Police Board	880	
265	- Policy & Resources Other	587	
<u>1,768</u>			<u>2,882</u>
<u>42,058</u>			<u>14,289</u>

The government grants for revenue activities has decreased considerably between 2007/08 and 2008/09 as a large number of grants that were awarded for specific purposes in 2007/08 were included within the Council's Revenue Support Grant in 2008/09.

HRA INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) reflects the statutory obligation to account separately for Local Authority housing provision as defined in the Housing (Scotland) Act of 1987. This statement includes the major elements of housing revenue expenditure and how this is financed.

2007/08 Actual £'000	Income	2008/09 Actual £'000	2008/09 Actual £'000	Notes Ref
(34,006)	Dwelling Rents	(35,076)		
(1,246)	Non-dwelling Rents	(1,617)		
(3,013)	Other Income	(3,173)		
(38,265)	Total Income		(39,866)	
	Expenditure			
9,980	Repairs & Maintenance	12,995		
7,686	Supervision & Management	8,057		
15,144	Depreciation & Impairment of Fixed Assets	12,724		
6,391	Other Expenditure	6,580		
(26)	Increase/ (Decrease) in Bad Debt Provision	354		
39,175	Total Expenditure		40,710	2
910	Net Cost of HRA Services per Authority Income & Expenditure Account		844	
	HRA services share of Corporate and Democratic Core		427	
466	Net Cost of HRA Services		1,271	
(3,418)	(Gain) or Loss on sale of HRA fixed assets		(2,317)	
7,262	Interest payable and similar charges		6,092	
(1,134)	Interest and investment income		(1,236)	
(159)	Pensions interest cost and expected return on pensions assets		207	
3,927	(Surplus) or Deficit for the year on HRA services		4,017	
	Other Notes to the HRA Income and Expenditure Account			1

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 £'000		2008/09 £'000	Notes Ref
3,927	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account	4,017	
<u>(10,886)</u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<u>(3,738)</u>	3
(6,959)	(Increase) / Decrease in the Housing Revenue Account Balance	279	
<u>(22,406)</u>	Housing Revenue Account surplus brought forward	<u>(29,365)</u>	
<u>(29,365)</u>	Housing Revenue Account surplus carried forward	<u>(29,086)</u>	

NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT

1. Statistics

2007/08		2008/09
13,095	Housing Stock as at 31 March	12,960
	Types of dwellings:	
1,552	- Sheltered Housing	1,552
8	- 1 apartment	0
3,619	- 2 apartment	3,597
5,237	- 3 apartment	5,166
2,543	- 4 apartment	2,502
136	- 5 + apartment	143
13,095		12,960
£'000		£'000
	Rent Arrears	
541	- Current Tenants	711
823	- Former Tenants	807
1,080	Provision for Bad Debts (Housing Rents)	1,158
736	Losses on Void Properties	630
£47.04	Average Weekly Rent	£49.03

2. Defined Benefit Pension Schemes

The Housing Revenue Account Income and Expenditure Account incorporates the requirements of FRS 17. The overall amount to be met from Council House Rents and other sources of income has remained unchanged, but the Gross Expenditure is 0.42% lower (2007/08 0.05% lower) after the replacement of employer's contributions by current service costs.

3. Note to the Statement of Movement on the HRA Balance

2007/08		2008/09	£'000
£'000		£'000	£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year		
(15,144)	Depreciation and impairment of fixed assets	(12,724)	
41	Amortisation of Government Grants Deferred	104	
3,418	Gain / (Loss) on sale of HRA fixed assets	2,317	
(914)	Net charges made for retirement benefits in accordance with FRS17	(1,212)	
(12,599)			(11,515)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year		
	Employer's contributions payable to the Local Government Pension		
929	Fund and retirement benefits payable direct to pensioners	1,040	
438	Loans fund principal repayments	300	
335	Capital expenditure funded by the HRA	6,449	
11	Transfer to/(from) insurance fund	(12)	
1,713			7,777
(10,886)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year		(3,738)

COUNCIL TAX INCOME ACCOUNT

Council Tax is a property based tax which relates to the capital value of domestic properties, as determined by the Assessor who prepares a valuation list which places each dwelling within one of eight broad valuation bands. Basically, all domestic dwellings, which appear on the valuation list, are liable for the tax, but some dwellings, for instance student residences and certain unoccupied dwellings, are exempt.

The full Council Tax bill is based on the assumption that there are two adults living in the dwelling. If only one adult lives in a dwelling the Council Tax bill is reduced by 25%.

In 2008/09, for Band D properties, the Council Tax was £1,141.00. The Scottish average Band D Council Tax for 2008/09 was £1,149.00. This statement also includes any residual Community Charges collected.

2007/08 £'000		2008/09 £'000	2008/09 £'000	Notes Ref
(125,212)	Gross Council Tax Due		(127,204)	
	Less:			
9,722	Other Discounts and Reductions	11,836		
1,565	Provision for bad and doubtful debts	1,594		
			13,430	
	Adjustments to Previous Years:			
545	Council Tax & Community Charge		386	
(113,380)	Transfer to Income and Expenditure Account		(113,388)	

Council Tax Income Account notes

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NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. Analysis of Properties by Bandings (based on valuation list at September 2008)

Table 1 provides an analysis of properties across the valuation bandings and details the numbers of properties which are subject to discounts and those which are exempt. The total number of properties in each banding is then converted into Band D equivalent figures.

<u>BAND</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>TOTAL</u>
Properties	20,666	15,598	13,417	15,882	19,084	13,544	8,173	486	106,850
Less:									
Exemptions	1,069	408	309	295	228	111	74	6	2,500
Discount – 25%	2,602	1,492	1,084	1,025	901	451	214	10	7,779
Discount – 50%	365	236	225	218	201	131	88	16	1,480
Disabled Reduction Adjustment	(68)	(17)	(3)	(39)	19	56	51	1	-
Effective Properties	16,698	13,479	11,802	14,383	17,735	12,795	7,746	453	95,091
Ratio	6/9*	7/9	8/9	1	11/9	13/9	15/9	18/9	
Band D Equivalents	11,127	10,484	10,491	14,383	21,676	18,482	12,910	906	100,459
Contributions in lieu of Council Tax by HM Government									13
COUNCIL TAX BASE									
				2008/09					100,472
				2007/08					98,819

* Of the 16,698 Band A properties, 41 receive a discount in the ratio 5/9 relating to disabled relief.

2. Valuation Banding Table

Band	Property Value	Proportion of Band D	2008/09 Council Tax	2007/08 Council Tax
A	Up to £27,000	6/9	£760.67	£760.67
B	£27,001 – £35,000	7/9	£887.44	£887.44
C	£35,001 – £45,000	8/9	£1,014.22	£1,014.22
D	£45,001 - £58,000	9/9	£1,141.00	£1,141.00
E	£58,001 - £80,000	11/9	£1,394.56	£1,394.56
F	£80,001 - £106,000	13/9	£1,648.11	£1,648.11
G	£106,001 - £212,000	15/9	£1,901.67	£1,901.67
H	Above £212,000	18/9	£2,282.00	£2,282.00

BUSINESS RATES INCOME ACCOUNT

Business rates are levied in respect of all commercial properties within the area. The Regional Assessor determines a rateable value for each property, this figure broadly representing the rent, which the property could expect to fetch on the open market.

The Assessor maintains the listing of all rateable values in the Valuation Roll. All properties listed in the Roll are liable for rating purposes. The actual rates charge is calculated by multiplying the rateable value by the poundage i.e. pence in the pound, set each year by the Scottish Government. The poundage set for the year 2008/09 was 45.8 pence, for properties with a rateable value up to £29,000 and 46.2 pence for properties with a rateable value over £29,000. Properties with a rateable value of less than £11,500 are entitled to small business rate relief.

Properties which are empty may be exempt from the charge for up to 3 months, and thereafter may enjoy, in certain circumstances, some further relief against the charge. Similarly certain properties, such as Post Offices in rural areas, can also qualify for relief from the full charge. Charities can also receive reductions against the rates bill for any property.

2007/08		2008/09	2008/09	Notes
£'000		£'000	£'000	Ref
(61,611)	Gross Rates Levied and Contributions in Lieu		(64,323)	
8,430	Reliefs and Other Deductions	10,606		
22	Payment of Interest	115		
(6)	Provisions for Bad and Doubtful Debt	3	10,724	
<u>(53,165)</u>	Net Business Rate Income		<u>(53,599)</u>	
<u>(32,580)</u>	Contribution from National Non-Domestic Rate Pool		<u>(36,891)</u>	
<u>(85,745)</u>	Transfer to Income and Expenditure Account		<u>(90,490)</u>	

Business Rate Income Account notes

1-2

NOTES TO THE BUSINESS RATES INCOME ACCOUNT

1. Rateable Values and Numbers of Premises at 1 April 2008

2007/08 Number of Subjects	2007/08 Rateable Value £'000		2008/09 Number of Subjects	2008/09 Rateable Value £'000
1,827	21,668	Shops	1,812	22,627
118	1,859	Public Houses	119	1,859
1,098	12,306	Offices (including banks)	1,131	12,760
234	5,243	Hotel, Boarding Houses, Etc	230	5,194
362	23,279	Industrial & Freight Transport Subjects	359	23,143
		Leisure, Entertainment Caravans and Holiday		
513	2,446	Sites	549	2,550
456	2,299	Garages and petrol stations	442	2,219
53	391	Cultural	53	389
379	2,901	Sporting Subjects	387	2,928
288	12,444	Education and Training	293	12,406
153	1,175	Public Service Subjects	152	1,183
37	1,354	Communication (Non Formula)	38	1,372
203	878	Quarries, Mines etc	203	952
17	9,086	Petrochemical	17	9,088
239	985	Religious	238	957
118	2,530	Health and Medical	119	2,569
4,232	30,660	Other	4,318	32,079
125	2,770	Care Facilities	119	2,687
28	42	Advertising	26	37
29	6,387	Undertaking	30	6,423
10,509	140,703	Total	10,635	143,422

2. Occupiers of business property continue to pay rates based on the valuation of the property as compiled by the Joint Valuation Board. The business rate poundage is set by the Scottish Government. For 2008/09, the Business Rate for properties with a rateable value up to £29,000 was 45.8 pence (2007/08 = 44.1 pence) unless the property had a rateable value of less than £11,500 and was not in transition, when small business rate relief is available. For 2008/09, the Business Rate for properties with a rateable value in excess of £29,000 was 46.2 pence (2007/08 = 44.4 pence).

TRUSTS AND ENDOWMENTS

The Council administers 430 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Account, Balance Sheet, a summary of the balances of the Trusts at 31 March 2009 and details of how these balances were invested at that date are shown below.

<u>Income & Expenditure Account</u>		2008/09	Notes
2007/08	Expenditure	£'000	Ref
£'000		£'000	
49	Administrative Costs	48	
70	Donations, Grants etc	65	
<u>119</u>	Total Expenditure	<u>113</u>	
	Income		
(1)	Property	(1)	
(93)	Investment Income	(94)	
(151)	Other Income	(112)	
<u>(245)</u>	Total Income	<u>(207)</u>	
<u>(126)</u>	Surplus for the year	<u>(94)</u>	
 <u>Balance Sheet</u>			
2007/08		2008/09	
£'000		£'000	
	Current Assets		
14	Other	12	
2,749	Investments	1,928	
2,124	Loans Fund Balance	2,217	
<u>4,887</u>		<u>4,157</u>	
	Current Liabilities		
(32)	Creditors	(31)	
<u>4,855</u>	Working Capital	<u>4,126</u>	
<u>4,855</u>	Total Net Assets	<u>4,126</u>	
	Financed by:		
(3,788)	Capital	(3,005)	
(1,067)	Revenue Balance	(1,121)	
<u>(4,855)</u>	Reserves	<u>(4,126)</u>	

Trusts and Endowments notes

1-3

TRUSTS AND ENDOWMENTS

<u>Summary of Funds</u>		
Total Funds 2007/08		Total Funds 2008/09
£'000		£'000
	Education Trusts	
2,536	Aberdeenshire Educational Trust	1,996
137	Kincardineshire Educational Trust	104
	Other Trusts	
1,268	General	1,269
128	Libraries	130
	Endowment Funds	
447	Educational Endowments	355
339	Social Work Endowments	272
4,855		4,126

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
22 June 2009

The unaudited accounts were issued on 22 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

NOTES TO THE TRUSTS AND ENDOWMENTS

1. Purpose and Administration of Trusts

The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisitions for clients in Social Work homes.

In addition to administering the trusts, the Council is also the appointed Trustee for all the Trusts except the Kincardineshire Educational Trust. For this Trust, the Council's Directors of Education, Learning & Leisure, Finance and Law & Administration act as Educational Adviser, Treasurer and Clerk respectively; this arrangement was approved by the former Grampian Regional Council on 8 April 1976.

With the exception of the Kincardineshire Educational Trust and other trusts, the investments of the Trusts, apart from property superiorities, were transferred on 1 April 1977 to a Central Investment Fund. The quoted investments of this Fund were revalued to market value at 31 March 2009 and the resultant loss on revaluation has been debited to the various Trusts in proportion to their holding in the Central Fund.

2. Charitable Trusts

Forty of the Trusts and Endowments are registered Charities. A separate Income and Expenditure Account and Balance Sheet have been prepared covering the Charitable Trusts only and these are shown below, along with a summary of the total funds held by each Charitable Trust. The total funds held by a number of the Trusts is less than £1,000.

<u>Income & Expenditure Account</u>		
2007/08		2008/09
£'000	Expenditure	£'000
31	Administrative Costs	30
49	Donations, Grants etc	45
<u>80</u>	Total Expenditure	<u>75</u>
	Income	
-	Property	-
(69)	Investment Income	(68)
(58)	Other Income	(52)
<u>(127)</u>	Total Income	<u>(120)</u>
<u>(47)</u>	Surplus for the year	<u>(45)</u>
 <u>Balance Sheet</u> 		
2007/08		2008/09
£' 000		£' 000
	Current Assets	
1	Other	1
2,013	Investments	1,394
995	Loans Fund Balance	1,047
<u>3,009</u>		<u>2,442</u>
	Current Liabilities	
(26)	Creditors	(25)
<u>2,983</u>	Working Capital	<u>2,417</u>
2,983	Total Net Assets	2,417
	Financed by:	
(2,763)	Capital	(2,103)
(220)	Revenue Balance	(314)
<u>(2,983)</u>	Reserves	<u>(2,417)</u>

NOTES TO THE TRUSTS AND ENDOWMENTS

Summary of Funds

Total Funds 2007/08 £'000	Scottish Charity Number	Charity Name	Total Funds 2008/09 £'000
4	SC019285	Andrew Cooper History Prize Fund	3
137	SC028381	Kincardineshire Educational Trust	104
2,537	SC028382	Aberdeenshire Educational Trust	1,996
7	SC019093	McDonald Public Park Endowment	7
5	SC019107	Vicaresso Bequest	5
1	SC019114	Oldmeldrum War Memorial Fund	1
6	SC019094	William Clark Charitable Fund	6
-	SC019095	Mrs Milne Mortification	-
6	SC019096	Helen Fraser Bequest	6
3	SC019097	James Angus Trust	3
2	SC019098	Mary Anderson Bequest	2
1	SC019099	John Bothwell Charitable Fund	1
4	SC019100	Inverurie Dining & Welfare Trust	4
2	SC019101	Inverurie Coal Funds	2
8	SC019102	James Davidson Trust	9
17	SC019103	Inverurie Nursing Trust	17
35	SC019112	William Philip	36
3	SC019108	William Davidson Mortification	3
3	SC019109	Miss Jeannie Annand Bequest	3
3	SC019115	Miss AE Scattery Bequest	3
4	SC019284	Mrs Anna M Thow Bequest	5
2	SC011947	Dyce Nicol Bequest Burgh of Stonehaven	2
-	SC019280	Charles Nicol Trust Fund	-
-	SC019281	Jane Cooper Trust	-
1	SC014275	Mr & Mrs Boath Trust For Poor of Bervie	1
-	SC019292	William Munro Bequest	-
-	SC019283	Isobel Donaldson Bequest	-
1	SC019286	Mrs Helen Watson Bequest	1
2	SC019110	Mrs Adeline M Cooper Trust	2
12	SC019105	William Murray Trust	13
1	SC019106	Huntly Coal Funds	1
24	SC019104	Lt Col George Andrew Trust	25
4	SC019116	Peter H Gordon Bequest	4
62	SC019113	Gordon Callum Trust	62
5	SC019289	Mrs ALC Collins Bequest	6
-	SC019282	Miss Mary Anne Thomson Bequest	-
-	SC019287	Peter Philip Bequest	-
-	SC019290	John Gordon Bequest	-
81	SC000850	Anderson & Woodman Library Trust	84
-	SC025064	Aberdeenshire Council Charitable Trusts	-
<hr/> 2,983 <hr/>			<hr/> 2,417 <hr/>

3. Further Details

A full analysis of the individual Trusts and also the Common Good Funds can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

COMMON GOOD FUNDS

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs.

2007/08 £'000	<u>Income & Expenditure Account</u>	2008/09 £'000
	Expenditure	
-	Property Costs	-
15	Administrative Costs	16
28	Donations, Grants etc	31
3	Other Costs	13
46	Total Expenditure	60
	Income	
(54)	Property	(8)
(1)	Investment Income	(1)
(68)	Other Income	(65)
(123)	Total Income	(74)
(77)	(Surplus) Deficit for the year	(14)

2007/08 £'000	<u>Balance Sheet</u>	2008/09 £'000
	Tangible Fixed Assets	
219	Land & Buildings	817
17	Other Heritable Property	17
236		834
	Current Assets	
12	Other	12
15	Investments	12
1,347	Loans Fund Balance	1,385
1,374		1,409
	Current Liabilities	
(10)	Creditors	(14)
1,364	Working Capital	1,395
1,600	Total Net Assets	2,229
	Financed by:	
(296)	Capital	(316)
(201)	Revaluation Reserve	(796)
(1,103)	Revenue Balance	(1,117)
(1,600)	Reserves	(2,229)

COMMON GOOD FUNDS

Summary of Funds

Total Funds 2007/08 £'000		Total Funds 2008/09 £'000
169	Macduff	169
358	Banff	968
5	Rosehearty	6
11	Portsoy	11
5	Aberchirder	5
64	Fraserburgh	66
441	Peterhead	457
28	Turriff	29
11	Oldmeldrum	11
111	Inverurie	110
43	Kintore	44
106	Stonehaven	106
55	Inverbervie	55
38	Laurencekirk	37
121	Huntly	120
34	Banchory	35
-	Ballater	-
<u>1,600</u>		<u>2,229</u>

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
22 June 2009

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GROUP ACCOUNTS – STATEMENT OF ACCOUNTING POLICIES

Basis of Consolidation

The Group Accounts have been prepared on the basis of full consolidation of the financial transactions and balances of the Council, Archaeolink, Scotland's Lighthouse Museum, the Common Good Funds falling within the boundaries of Aberdeenshire Council, Aberdeenshire Education Trust, Kincardineshire Education Trust, Other Trusts and Educational and Social Work Endowment Funds. Grampian Joint Police Board, Grampian Joint Fire and Rescue Board, Grampian Valuation Joint Board and the North East of Scotland Transport Partnership (Nestrans) have been incorporated as associates, using the equity method i.e. the Council's investments in these associates are incorporated at cost and adjusted each year by the Council's share of each organisation's results (recognised in the Group Income and Expenditure Account), and its share of other gains and losses.

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 7-12, with the following exceptions:

1. Pension Costs

The employees of Scotland's Lighthouse Museum are members of the Local Government Pension Scheme. The scheme is exempt from disclosure under FRS 17, as the fund is administered by Aberdeen City Council and is not separately identifiable.

2. Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenues and Customs.

GROUP INCOME AND EXPENDITURE ACCOUNT

Restated Net Expenditure 2007/08 £'000		Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000	Notes Ref
220,663	Education Services	269,173	(25,874)	243,299	
2,368	Housing Services	37,316	(31,703)	5,613	
909	HRA	40,709	(39,866)	843	
20,364	Cultural & Related Services	40,005	(20,005)	20,000	
23,681	Environmental Services	35,034	(7,174)	27,860	
27,525	Roads & Transport Services	66,108	(34,344)	31,764	
9,916	Planning & Development Services	22,376	(10,439)	11,937	
100,805	Social Work	143,599	(27,342)	116,257	
5,748	Central Services	27,063	(19,990)	7,073	
8,580	Fire Services	9,276	-	9,276	
17,722	Police Services	18,994	(880)	18,114	
500	Share of Operating Results of Associates	59,419	(58,450)	969	
1,854	Exceptional Item	374	-	374	
8,910	Corporate & Democratic Core	8,845	-	8,845	
1,815	Non Distributed Costs	6,722	-	6,722	
451,360	Net Cost of Services	785,013	(276,067)	508,946	
(3,985)	Net (Gain)/Loss on Disposal of Fixed Assets			(3,229)	
(123)	(Surplus)/Deficit from Trading Undertaking not included in Net Cost of Services			(92)	
21,537	Interest Payable and Similar Charges			17,923	
534	Share of Interest Payable and Similar Charges for Associates			530	
(5,735)	Interest and Investment Income			(4,764)	
(437)	Share of Interest and Investment Income for Associates			(326)	
(3,131)	Pensions Interest Cost and Return on Pensions Assets			5,678	
12,803	Share of Pensions Interest Cost and Return on Pensions Assets for Associates			16,078	
472,823	Net Operating Expenditure			540,744	
(113,380)	Council Tax (including Community Charges)			(113,388)	
(249,028)	Revenue Support Grant Government Grants			(295,132)	
(85,745)	Business Rates			(90,490)	
(448,153)	Total Income			(499,010)	
24,670	(Surplus)/Deficit for the Year			41,734	

Other Notes to the Group Accounts

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**RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR
TO THE GROUP SURPLUS OR DEFICIT**

Restated 2007/08 £'000		2008/09 £'000	Notes Ref
11,524	(Surplus)/deficit on the authority's single entity Income and Expenditure Account for the year	24,679	
-	Less: subsidiary and associate dividend income and any other distributions from group entities included in the single entity surplus or deficit on the Income and Expenditure Account.	-	
	Add: (surplus)/deficit arising from other entities included in the group accounts analysed into the amount attributable to:		
(215)	- Subsidiaries	(108)	
13,361	- Associates	17,163	
-	- Joint Ventures	-	
<u>24,670</u>	Group Account (surplus)/deficit for the year	<u>41,734</u>	

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Group Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, the re-measurement of the net liability to cover the cost of retirement benefits, and any other gains and losses.

Restated		
2007/08		2008/09
£'000		£'000
24,670	Net (surplus)/deficit for the year	41,734
(17,549)	(Surplus)/Deficit on revaluation of fixed assets	(41,756)
88,637	Actuarial (gains)/losses on pension fund assets and liabilities	(50,959)
<u>24,756</u>	Any other (gains)/losses recognised in the STRGL	<u>905</u>
<u>120,514</u>	Total Recognised (Gains) and Losses for the Year	<u>(50,076)</u>

GROUP BALANCE SHEET

Restated 31 March 2008 £'000		£'000	£'000	31 March 2009 £'000	Notes Ref
	FIXED ASSETS				
2,010	Intangible Fixed assets		2,473		
	Tangible Fixed Assets				
	Operational Assets:				
437,344	Council Dwellings	430,066			
360,969	Other Land & Buildings	386,247			
21,769	Vehicles, Plant & Equipment	29,253			
140,004	Infrastructure	158,363			
5,916	Community Assets	6,523	1,010,452		9
	Non-Operational Assets:				
53,405	Investment Properties	55,038			
1,243	Assets Under Construction	1,231			
3,585	Surplus Assets, Held for disposal	4,449	60,718		
1,026,245	TOTAL FIXED ASSETS			1,073,643	
	Other Long-Term Assets:				
5,137	Long Term Debtors	5,195			
42	Long Term Investments	-	5,195		
1,031,424	TOTAL LONG-TERM ASSETS			1,078,838	
	CURRENT ASSETS				
3,490	-Stocks & Work in Progress	3,929			
57,668	-Debtors	57,521			
(19,365)	Less Provision for Bad Debts	(21,691)			
83,734	-Investments	31,594			
1,029	-Cash and Bank	1,816			
126,556			73,169		
1,157,980	TOTAL ASSETS			1,152,007	
	Less: CURRENT LIABILITIES				
(1,912)	-Short Term Borrowing	(34,719)			
(91,832)	-Creditors	(83,406)			
(3,854)	-Bank overdraft	-	(118,125)		
1,060,382	TOTAL ASSETS LESS CURRENT LIABILITIES			1,033,882	
(365,081)	Long Term Borrowing		(299,382)		
(63,376)	Government Grants Deferred		(77,994)		
(2,559)	Deferred Liabilities		(2,245)		
(168,837)	Pension Liabilities		(190,432)		
(242,383)	Share of Net Liabilities of Associates		(194,364)		
(3,082)	Provisions		(4,325)	(768,742)	
215,064	TOTAL ASSETS LESS LIABILITIES			265,140	

GROUP BALANCE SHEET

Restated 31 March 2008 £'000		31 March 2009 £'000	
	FINANCED BY:		
(583,602)	Capital Adjustment Account	(565,828)	7
19,403	Financial Instruments Adjustment Account	18,461	7
(15,617)	Revaluation Reserve	(50,154)	7
(1,003)	Capital Receipts Reserve	(1,207)	7
436,163	Pension Reserve	411,146	7
(9,942)	Funds & Reserves	(12,308)	7
(2,947)	Charities Ring-Fenced Reserve	(2,385)	7,10
(22,668)	General Fund Balance	(24,835)	7
(29,365)	Housing Revenue Account Balance	(29,086)	7
	Revaluation Reserve of Group Entities and Reporting Authorities Share of Revaluation Reserve of Associates	(8,944)	7
(5,486)		(8,944)	7
(215,064)	TOTAL NET WORTH	(265,140)	8

Charles Armstrong, BA, CPFA, FCCA
 Director of Finance
 22 June 2009

The unaudited accounts were issued on 22 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

GROUP CASH FLOW STATEMENT

Restated 2007/08 £'000		2008/09 £'000	2008/09 £'000	Notes Ref
52,408	REVENUE ACTIVITIES NET CASH FLOW		35,514	
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash Outflows			
(21,638)	Interest Paid	(18,293)		
(130)	Interest Element of Finance Lease Rental Payments	(164)		
	Cash Inflows			
<u>4,867</u>	Interest Received	<u>4,606</u>		
(16,901)			(13,851)	
	CAPITAL ACTIVITIES			
	Cash Outflows			
(51,849)	Purchase of Fixed Assets	(61,195)		
-	Purchase of Long Term Investments	-		
(196)	Other Capital Cash Payments	(395)		
	Cash Inflows			
16,942	Sale of Fixed Assets	8,236		
-	Proceeds from Long Term Investments matured in year	42		
(197)	Other Capital Cash Receipts	144		
<u>16,278</u>	Capital Grants Received	<u>18,082</u>		
(19,022)			(35,086)	
16,485	Net Cash Inflow/(Outflow) before Financing		(13,423)	
	MANAGEMENT OF LIQUID RESOURCES			
(54,771)	Net Increase/(Decrease) in Management of Liquid Resources		51,933	
	FINANCING			
	Cash Outflows			
(2,315)	Repayments of Amounts Borrowed	(129,748)		
(696)	Capital Element of Finance Lease Rental Payments	(808)		
	Cash Inflows			
<u>37,542</u>	New Loans Raised	<u>96,687</u>		
<u>34,531</u>			<u>(33,869)</u>	
<u>(3,755)</u>	Increase/(Decrease) in Cash		<u>4,641</u>	

Other Cash Flow notes

6

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

The Council has an interest in a number of Subsidiary and Associate organisations. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's controlling interest in all of the Trusts & Common Good Funds administered by the Authority and of two Visitor Attractions. The Council has also recognised its relationship with three Joint Boards and Nestrans as Associates.

The organisations that have been consolidated are:

- Archaeolink
- Scotland's Lighthouse Museum
- All Trusts & Common Good Funds

The Associates that have been incorporated are:

- Grampian Joint Police Board
- Grampian Valuation Joint Board
- Grampian Joint Fire and Rescue Board
- Nestrans

The accounting period for all entities is 31 March 2009.

The accounts of Grampian Joint Police Board and Grampian Joint Fire and Rescue Board have been qualified due to a disagreement about the accounting treatment of FRS 17 pension costs.

The Local Government Pension Reserve Fund (Scotland) Regulation 2003 (the 2003 Regulation) provides the statutory basis for local authorities to remove FRS 17 based costs from the General Fund and replace them with actual pension contributions/payments made during the year.

However, the 2003 Regulation does not currently apply to new pension schemes established by The Police Pensions (Scotland) Regulations 2007 and the Firefighters Pension Scheme (Scotland) Order 2007.

Although the Scottish Government intend amending the Regulation to include these new schemes, there is currently no statutory basis for reversing the impact of the FRS 17 based costs on the Joint Boards' General Fund balances.

As a result, Grampian Joint Police Board's General Fund balance and Pensions reserve are overstated by £4.025 million and Grampian Joint Fire and Rescue Board's General Fund balance and Pensions Reserve are overstated by £1.141 million as at 31 March 2009. Aberdeenshire Council's group accounts have not been amended for these overstatements as the Council's share, £1.837 million, is not material and would not impact on the group's net assets as at 31 March 2009.

2. Nature of Combination

The Council inherited its interest in these subsidiary and associate organisations following the reorganisation of local government in 1996. The Nestrans partnership was formed during the financial year 2006/07. It is considered that the combination was based on a merger basis. However, as no consideration was given for this interest there is no goodwill involved in these instances.

3. Other Entities in which the Council has an Interest

The Council has an interest in the following entities:

- Grampian Venture Capital Fund Limited
- Balmedie Sports Trust
- Bennachie Sports Trust
- Denman Park Pavilion
- Ellon & District Trust
- Garioch Sports Trust

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

- Lawsondale Playing Fields
- Westdyke Leisure Centre
- Huntly Leisure Trust
- Strategic Development Planning Authority (SDPA)
- Scotland Excel

These entities have not been consolidated into the Group Accounts. A more detailed explanation for the exclusion can be found in Note 29, Related Companies and Other Organisations Page 34-36.

4. Financial Impact of Consolidation

The effect of inclusion of the subsidiary and associate entities on the group balance sheet is to decrease both reserves and net assets by £184,491,000 (2007/08 £232,427,000) representing the Council's share in these companies.

5. Reporting Authority Adjustments to Align with UK GAAP

Previously, a number of adjustments were required to align with the UK GAAP requirements for Group Accounting arrangements. The majority of these UK GAAP adjustments are now included in the single entity accounts of the Council, its subsidiaries and associates. The only adjustment still required is the removal of intra-group transactions. Therefore, all intra-group transactions have been removed from the Group Income and Expenditure Account during the consolidation process.

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

6. Group Cash Flow Statement

Reconciliation of Surplus/(Deficit) to Net Cash Inflow/(Outflow) from Operating Activities

Restated 2007/08 £'000		2008/09 £'000
(24,736)	Surplus/(Deficit) for the Year	(41,734)
	Non Cash Transactions	
42,954	Depreciation & Impairment	44,356
(2,154)	Deferred Grants amortised in year	(3,174)
147	Net PFI debtor adjustments	147
120	Pension Fund adjustments	10,145
15,039	Contributions to Provisions	18,406
56,106		69,880
	Adjustment for items reported separately on Cashflow	
(5,562)	Interest and Investment Income	(4,606)
	Interest payable and similar charges (including gains or losses on the repurchase or early settlement of borrowing taken to revenue and amortisation of gains or losses on repurchase or early settlement of borrowings c/fwd in accordance with the SORP)	17,608
21,198	Interest element of finance lease rental payments	156
164	Gain or loss on the disposal of Fixed Assets	(3,141)
(3,946)		
	Items on an Accrual Basis	
(97)	(Increase)/Decrease in Stock	(439)
6,409	(Increase)/Decrease in Debtors	1,151
2,872	Increase/(Decrease) in Creditors	(3,361)
52,408	Net Cash Inflow/(Outflow) from Operating Activities	35,514

Analysis of Changes in Cash and Liquid Resources During the Year

Liquid resources comprise short term cash balances that are available for investment.

	As at 31 March 2008 £'000	As at 31 March 2009 £'000	Change in Year £'000
Temporary Investments	84,352	31,594	(52,758)
Cash	1,029	1,816	787
Bank overdraft	(3,854)	-	3,854
Increase/(Decrease) in year	81,527	33,410	(48,117)

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

7. Total Movement in Group Reserves

The Council keeps a number of reserves in the Group Balance Sheet. The purpose of each of the Reserves is explained in note 35 to the Core Financial Statements. Movements in the reserve are summarised below, with further details given for each of the Reserves. The Housing Revenue Account Balance relates to the Council in its entirety.

		Balance as at 1 April 2008 £'000	Net (Surplus) Deficit for Year £'000	Balance as at 31 March 2009 £'000
Capital Adjustment Account	a	(583,602)	17,774	(565,828)
Financial Instruments Adjustment Account	b	19,403	(942)	18,461
Revaluation Reserve	c	(15,617)	(34,537)	(50,154)
Capital Receipts Reserve	d	(1,003)	(204)	(1,207)
Pension Reserve	e	434,818	(23,672)	411,146
Funds & Reserves	f	(9,942)	(2,366)	(12,308)
Charities Ring-Fenced Reserve	g	(2,947)	562	(2,385)
General Fund Balance	h	(22,668)	(2,167)	(24,835)
Housing Revenue Account Balance		(29,365)	279	(29,086)
Revaluation reserve of group entities and reporting authorities share of revaluation reserve of associates	i	(5,486)	(3,458)	(8,944)
		<u>(216,409)</u>	<u>(48,731)</u>	<u>(265,140)</u>
		Group 2008/09 £'000	Associates 2008/09 £'000	Total 2008/09 £'000
Restated Balance at 1 April 2008		(563,902)	(19,700)	(583,602)
Revaluations and Restatements		(3,747)	-	(3,747)
Amortisation of Intangible Fixed Assets		556	-	556
CFCR		(11,302)	(90)	(11,392)
Loans Fund Repayments		(10,042)	(467)	(10,509)
Disposal of Fixed Assets		(3,141)	123	(3,018)
Depreciation and Impairment of assets		47,558	3,019	50,577
PFI/PPP Deferred Considerations		147	-	147
Finance Leased Assets		(809)	-	(809)
Government Grants Deferred Received		443	-	443
Grants Deferred Amortised		(3,174)	(1,060)	(4,234)
Capital Expenditure from Reserves		-	(240)	(240)
Balance at 31 March 2009		<u>(547,413)</u>	<u>(18,415)</u>	<u>(565,828)</u>

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

Note 7b Financial instruments Adjustment Account

	Group 2008/09 £'000	Associates 2008/09 £'000	Total 2008/09 £'000
Balance at 1 April 2008	19,403	-	19,403
Opening Balance Restatements	(942)	-	(942)
Balance at 31 March 2009	<u>18,461</u>	<u>-</u>	<u>18,461</u>

Note 7c Revaluation Reserve

	Group 2008/09 £'000	Associates 2008/09 £'000	Total 2008/09 £'000
Balance at 1 April 2008	(15,617)	-	(15,617)
Revaluation & Restatement of Assets	(34,537)	-	(34,537)
Balance at 31 March 2009	<u>(50,154)</u>	<u>-</u>	<u>(50,154)</u>

Note 7d Capital Receipts Reserve

	Group 2008/09 £'000	Associates 2008/09 £'000	Total 2008/09 £'000
Balance at 1 April 2008	-	(1,003)	(1,003)
Financing of Assets	7,365	-	7,365
Effects of Disposal of Fixed Assets	(7,365)	(204)	(7,569)
Balance at 31 March 2009	<u>-</u>	<u>(1,207)</u>	<u>(1,207)</u>

Note 7e Pension Reserve

	Group 2008/09 £'000	Associates 2008/09 £'000	Total 2008/09 £'000
Balance at 1 April 2008	168,837	267,326	436,163
(Surplus)/Deficit	21,595	(46,612)	(25,017)
Balance at 31 March 2009	<u>190,432</u>	<u>220,714</u>	<u>411,146</u>

Note 7f Funds & Reserves

	Group 2008/09 £'000	Associates 2008/09 £'000	Total 2008/09 £'000
Balance at 1 April 2008	(9,499)	(443)	(9,942)
Transfer from/(to) Other Reserves	-	241	241
Surplus/Deficit	(2,597)	(10)	(2,607)
Balance at 31 March 2009	<u>(12,096)</u>	<u>(212)</u>	<u>(12,308)</u>

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

Note 7g Charities Ring-Fenced Reserve

	Group	Associates	Total
	2008/09	2008/09	2008/09
	£'000	£'000	£'000
Balance at 1 April 2008	(2,947)	-	(2,947)
Surplus/Deficit	562	-	562
Balance at 31 March 2009	(2,385)	-	(2,385)

Note 7h General Fund Balance

	Group	Associates	Total
	2008/09	2008/09	2008/09
	£'000	£'000	£'000
Balance at 1 April 2008	(20,806)	(1,862)	(22,668)
Surplus/Deficit	(2,295)	128	(2,167)
Balance at 31 March 2009	(23,101)	(1,734)	(24,835)

Note 7i Revaluation Reserve of Group Entities and Reporting Authorities Share of Revaluation Reserve of Associates

	Group	Associates	Total
	2008/09	2008/09	2008/09
	£'000	£'000	£'000
Balance at 1 April 2008	(3,551)	(1,935)	(5,486)
Revaluation & Restatement of Assets	(611)	(2,847)	(3,458)
Balance at 31 March 2009	(4,162)	(4,782)	(8,944)

8. Prior Period Adjustments

The Grampian Fire and Rescue Board restated their Capital Adjustment Reserve by £95,000 as at 1 April 2008 to account for the fact that it was overstated in the 2007/08 Statement of Accounts. This arose due to an inconsistency in the periods used to calculate the amortisation of a government grant with the depreciation charged on the asset it was used to finance. The group accounts consolidate 34% of the Grampian Fire and Rescue Board accounts, therefore, the impact of this restatement on the group accounts is to increase the Capital Adjustment Account opening balance by £32,000.

The Grampian Valuation Board made the following prior year adjustment in their accounts. As a result of new pension reporting requirements, the actuarial gains/losses and expected return on assets for 2007/08 were recalculated by the Board's actuary, which has been reflected by restating the pension reserves figures in the Accounts for 2007/08 by £41,000. The group accounts consolidate 44% of the Grampian Valuation Board accounts, therefore, the impact of this restatement on the group accounts is to increase the Pension Reserve opening balance by £19,000.

9. Fixed Assets

The following categories of Fixed Assets relating to Aberdeenshire Council have increased after the consolidation of the Subsidiaries, as shown below. All other categories are as per note 18 to the Core Financial Statements.

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

	Group Land and Buildings £'000	Group Vehicles, Plant & Equipment £'000	Group Community Assets £'000
Gross Book Value at 1 April 2008	391,157	37,094	7,813
Reclassifications	751	-	-
Revaluations and restatements	30,105	6	919
Additions	13,412	12,567	215
Disposals	(25)	(1,075)	-
Gross Book Value at 31 March 2009	435,400	48,592	8,947
Depreciation at 1 April 2008	(30,188)	(15,325)	(1,897)
Depreciation charge for the year	(21,929)	(5,022)	(527)
Depreciation on assets reclassified	3	-	-
Depreciation on assets revalued/sold	2,961	1,008	-
Depreciation at 31 March 2009	(49,153)	(19,339)	(2,424)
Net Book Value at 31 March 2009	386,247	29,253	6,523
Net Book Value at 31 March 2008	360,969	21,769	5,916

10. Charitable Trusts Incorporated in Group Accounts

The Council has identified that it has significant influence over the following subsidiaries which are registered as charities:

- Archaeolink
- Scotland's Lighthouse Museum
- Forty Trust Funds (see pages 67-68, Note 2 for further details)

The balance and the net income and expenditure for the above charities is now posted to the Charities Ring-Fenced Reserve. The purpose of the Charities Ring-Fenced Reserve is to highlight that these assets are not the property of the local authority and are subject to charitable trusts.

	£'000	£'000
Charities Ring-Fenced Reserve		
Opening Balance at 1 April 2008		
Archaeolink	94	
Scotland's Lighthouse Museum	(58)	
Trust Funds	(2,983)	(2,947)
Surplus/Deficit		
Archaeolink	(5)	
Scotland's Lighthouse Museum	1	
Trust Funds	566	562
Closing Balance at 31 March 2009		(2,385)

GLOSSARY OF TERMS

- 1. Accruals:**
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
- 2. Acquisition Basis:**
A method of accounting for acquisitions and subsidiaries and associates in which the values of assets and liabilities of the subsidiary or associate are required to be adjusted to fair value. The difference between the fair value of the assets and liabilities acquired and the consideration paid is recognised as positive or negative goodwill.
- 3. Administration Costs:**
Includes telephone, printing, stationery, advertising and postage.
- 4. Allocations and Charges to Other Accounts:**
For services provided by one service to another.
- 5. Amortisation:**
The writing off of the expenditure on an asset or the income from a grant over a fixed period.
- 6. Associate:**
An organisation other than a subsidiary or a joint venture in which the Council has a participating interest and over whose operating and financial policies the Council is able to exercise a significant influence without support from other participants.
- 7. Business Rates:**
A charge levied on commercial properties and collected by the Council. The rate is set by the Scottish Government. It is also known as Non-Domestic Rates.
- 8. Capital Expenditure:**
This is expenditure incurred in creating or acquiring a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing fixed asset. Capital expenditure is normally financed by borrowing over a period of years or by utilising the income from the sale of existing assets.
- 9. Premises Costs:**
Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, metered water charges, etc.
- 10. Community Assets:**
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal, for example, parks and historic buildings.
- 11. Consistency:**
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 12. Contingent Liability:**
A contingent liability is either: -
(a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
- 13. Corporate & Democratic Core & Non Distributed Costs:**
Corporate & Democratic Core relates to those activities in which Aberdeenshire Council engages, over and above the provision of any single service. This includes, for example, meetings of the Council, members expenses and External Audit fees. Non Distributed Costs are overheads for which no user benefits and are not apportioned to services. For example, excess pension costs and long term unused but unrealisable assets.

GLOSSARY OF TERMS

14. **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

15. **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

16. **Depreciation:**

The measure of wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

17. **Dominant Influence:**

The Council exercises dominant influence over an organisation where it has a right to give directions with regard to the operating and financial policies of that organisation. The organisation is required to comply with these policies whether or not they are for the benefit of the organisation.

18. **Equity Method:**

A method of accounting that brings an investment into the Council's financial statements, initially at cost, identifying any goodwill arising. The amount of the investment is then adjusted in each reporting period by the Council's share of the results of the organisation, less any amortisation or write off of goodwill. The Council's share of any relevant gains or losses, and any other changes in the organisations net assets.

19. **Exceptional Items:**

This relates to material items which are not expected to recur, and which require to be disclosed separately.

20. **Expected Rate of Return on Pensions Assets**

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

21. **Fair Value**

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

22. **Fees and charges:**

Income received for services provided.

23. **Goodwill:**

The monetary marketable value of the established trade, reputation or personal relationship with customers. Goodwill is an intangible asset.

24. **Grants:**

Grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred.

25. **Government Grants:**

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

26. **Intangible Assets:**

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

GLOSSARY OF TERMS

27. Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

28. Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

29. Investment Properties:

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

30. Joint Venture:

An organisation in which the Council has an interest on a long term basis and is controlled jointly by the Council and one or more other entities under a contract or other binding arrangement.

31. Net Book Value:

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

32. Net Current Replacement Cost:

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the asset.

33. Net Realisable Value:

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

34. Non-Operational Assets:

Fixed assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

35. Operational Assets:

Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

36. Past Service Cost

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

37. Prior Period Adjustments

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

38. Payments to Agencies and Others:

Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.

39. Public Works Loans Board (PWLB):

A Government Agency which provides long term loans to the Council.

40. Remuneration

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

GLOSSARY OF TERMS

41. Retirement Benefits

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

42. Revenue Expenditure:

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

43. Revenue Support Grant:

A block grant received from Government to help finance the cost of the Council's services.

44. Significant Influence:

The exercise of significant influence occurs when the Council is actively involved and is influential in the direction of an organisation through its participation in policy decisions, covering aspects of policy relevant to the Council including decisions on strategic issues. A holding of 20% or more of the voting rights is presumed to confer significant influence unless the contrary is shown.

45. Single Status:

The Single Status Agreement is a national agreement which uses a Job Evaluation Scheme to produce a single pay spine for all employees covered by the Agreement. The Agreement also reduced the working week for manual employees from 39 to 37 hours and allows for local negotiation on conditions of service.

46. Staff Costs:

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

47. Subsidiary:

An organisation in which the Council controls the majority of the share capital or equivalent voting rights or exercises or has the right to exercise dominant influence.

48. Supplies and Services:

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

49. Tangible Fixed Assets:

Tangible assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

50. Transport and Plant Costs:

Includes the cost of providing and maintaining all vehicles and plant including fuel, tyres, repairs, road tax, insurance, etc.

STATEMENT OF ASSURANCE

Aberdeenshire 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.

In discharging this accountability, councillors and senior officers are responsible for putting in place proper arrangements for the governance of Aberdeenshire Council's affairs and the stewardship of the resources at its disposal. To this end, Aberdeenshire Council on 10 June 2004 approved and adopted a code of corporate governance, formalising the good practices and policies that were in place during 2003/04. The Code is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. A copy of the code is on our website at www.aberdeenshire.gov.uk or can be obtained from Chief Executive, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

The Code covers the four key areas of risk management, community focus, service delivery and structures and processes. The Director of Law & Administration has been given responsibility for overseeing the implementation and monitoring the operation of the code, reviewing the code in practice and reporting annually to the Policy & Resources Committee on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

The Council's Code of Corporate Governance and the related systems of internal financial control can provide only reasonable and not absolute assurance that objectives will be met, assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of corporate governance and internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:-

- performance management
- comprehensive financial management systems
- periodic and annual financial reports which indicate actual and projected financial performance against budget
- targets set for financial and other performance
- clearly defined capital expenditure guidelines
- as appropriate, formal project management disciplines

The effectiveness of the corporate governance and internal control procedures is informed by:-

- feedback from councillors and committees carrying out their scrutiny role
- the work of the managers within the Council
- the work of Internal Audit
- the work of External Audit
- work undertaken by external review bodies including Her Majesty's Inspectors
- review of various forms of customer and stakeholder feedback

The appointment of a risk manager in early 2008 has enabled significant progress to be made in risk management. Risk registers have been updated and revised on a consistent format across all Council services. Work is now underway to ensure that regular reviews take place.

The Council received a very positive report from Audit Scotland in 2008 following their Audit of Best Value and Community Planning. Fourteen areas for improvement have been identified, and work is progressing well in all areas, with regular update reports presented for consideration by all councillors at Council meetings.

STATEMENT OF ASSURANCE

The Council's service planning framework has been reviewed and a revised structure of reports will be presented to the appropriate policy committee from April 2009. These service reports will provide a much clearer link between the Council's strategic priorities, the Single Outcome Agreement, and individual service outcomes. This will enable greater scrutiny of service performance.

In addition, Aberdeenshire Council's Chief Internal Auditor has been given the responsibility to review independently, and report to the Scrutiny and Audit Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it. On the basis of the report of the Chief Internal Auditor arising from his review of Aberdeenshire Council's corporate governance arrangements, we are satisfied that, except for the matters listed below, they are adequate and are operating effectively.

The Chief Internal Auditor reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's control system in the year to 31 March 2009, with the following exception:

- Progress in respect of contingency and business continuity planning in relation to the main financial systems has been slow, and remains an area of concern. The Council is exposed to significant risk in the event of a major systems failure.

An investment plan is now in place to replace and enhance existing computer hardware. This will deliver a significant improvement in overall system security and provide greater protection against systems failure. The new hardware will be installed in the first half of financial year 2009/10.

In preparing this Statement account has also been taken of the Consolidated Group Accounts. With the exception of Grampian Joint Police and Valuation Boards, where reliance is placed on Aberdeen City and Moray Councils, all bodies are supported directly by Aberdeenshire Council which assumes responsibility for proper financial controls and effective governance procedures.

These have been reviewed by the Director of Finance. No areas of concern have been identified.

Signed:

Councillor Anne Robertson, Leader of the Council
Colin Mackenzie, Chief Executive
On behalf of the Councillors and Officers of Aberdeenshire Council
Dated 22 June 2009

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority 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 authority, that officer is the Director of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance's responsibilities:

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom ("the Code").

In preparing the Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:-

- ◆ kept proper accounting records; and
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities

The balance sheet has been signed by the Director of Finance as a representation that the financial statements give a true and fair view of the financial position of the Authority at the accounting date, and its income and expenditure for year ended 31 March 2009.

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
22 June 2009

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the councillors of Aberdeenshire Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeenshire Council and its group for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, the Council Tax Income Account, the Business Rates Income Account, the Trusts and Endowments Accounts, the Common Good Funds Accounts, and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 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 Director of Finance and auditor

The Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Aberdeenshire Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement of Assurance reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword, Glossary of Terms and Statutory Performance Indicators. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

INDEPENDENT AUDITOR'S REPORT

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director of Finance in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Aberdeenshire Council and its group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Aberdeenshire Council and its group as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

*Fiona Mitchell-Knight FCA
Assistant Director of Audit (Local Government)
Audit Scotland
7th Floor, Plaza Tower
East Kilbride, G74 1LW*

30 September 2009

STATUTORY PERFORMANCE INDICATORS

PERFORMANCE INFORMATION 2008/09

The Local Government Act 1992 requires the Accounts Commission to give such directions as it thinks fit for requiring councils, fire and police authorities to publish such information relating to their activities in any financial year or such other period as is specified as will, in the Commission's opinion:

- a) facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness in securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between -
 - i. the standards of performance achieved by different relevant bodies in that financial year or other period; and
 - ii. the standards of performance achieved in different financial years or, as the case may be, other periods.
- b) facilitate the drawing of conclusions about the discharge of those bodies' functions under Part 2 (community planning) of the Local Government in Scotland Act 2003.

The attached are the figures for Aberdeenshire Council for April 2008 – March 2009. Figures for 2007/08 are also included where they are available.

If you have any comments or questions about this performance information, please contact Alex Stephen, Principal Accountant, Woodhill House, Westburn Road, Aberdeen, AB16 5GB Tel. 01224 664554. Fax 01224 664022. E-mail: alex.stephen@aberdeenshire.gov.uk

UNRELIABLE INDICATORS

During the audit process the following five indicators were identified as being unreliable:

ASW 7 – Probation (Part B)

CM 4 – Public Access

CCS 3 – Museum (Part A)

CCS 4 – Changes in Library Stock (Children's and Teenage lending stock)

WM 5 – Abandoned Vehicles

The unreliable indicators are identified throughout the following document by a *.

2007/08 indicators with n/a are not included as no comparison can be made to the current year results, due to changes in how these indicators should be calculated.

The 2008/09 benefit indicators have not been reported, as the Department for Work and Pensions stopped producing information required to calculate these indicators.

STATUTORY PERFORMANCE INDICATORS

ADULT SOCIAL WORK		
COMMUNITY CARE ASSESSMENTS	2007/08	2008/09
1 Achievement of Targets for Assessment and Service Delivery		
a) Assessment – Percentage of people for which local assessment times were met	<i>n/a</i>	78.1%
b) Delivery of Care Service – Percentage of people for which local service target times were met	<i>n/a</i>	61.6%
RESIDENTIAL ACCOMMODATION: STAFF QUALIFICATION		
2 Care staff in Local Authority residential homes, who have appropriate qualifications:		
c) Older People	<i>49.0%</i>	51.4%
d) Others adults	<i>52.2%</i>	71.4%
e) Overall	<i>49.6%</i>	55.1%
RESIDENTIAL ACCOMMODATION: PRIVACY		
3 The percentage of all residential care places that are single rooms for the following groups for the following providers:		
a) i Elderly people – Council	<i>86.5%</i>	98.6%
ii Elderly people – voluntary sector	<i>99.2%</i>	97.9%
iii Elderly people – private sector	<i>96.2%</i>	95.8%
b) i Other adults – Council	<i>100.0%</i>	100.0%
ii Other adults – voluntary sector	<i>97.9%</i>	97.1%
iii Other adults – private sector	<i>97.6%</i>	92.4%
Rooms with en-suite facilities		
a) i Elderly people – Council	<i>27.9%</i>	34.8%
ii Elderly people – voluntary sector	<i>60.3%</i>	62.9%
iii Elderly people – private sector	<i>79.4%</i>	80.7%
b) i Other adults – Council	<i>7.7%</i>	0.0%
ii Other adults – voluntary sector	<i>14.4%</i>	13.6%
iii Other adults – private sector	<i>63.4%</i>	65.7%
HOME CARE/HOME HELPS		
4 Level of service		
a) Number of people aged 65+ receiving homecare	<i>2,071</i>	2,117
b) Total number of homecare hours per 1,000 population aged 65+	<i>299.1</i>	354.5
c) Percentage of homecare clients aged 65+ receiving:		
i personal care	<i>97.3%</i>	98.0%
ii a service during evening / overnight	<i>36.3%</i>	38.0%
iii a service at weekends	<i>62.6%</i>	67.1%
RESPIRE CARE		
5 a) Total overnight respite nights provided per 1000 population aged:		
i 65+	<i>423.7</i>	447.9
ii 18 – 64	<i>27.6</i>	29.0
b) Percentage of respite nights not in a care home per 1,000 population aged:		

STATUTORY PERFORMANCE INDICATORS

i 65+	4.2%	4.5%
ii 18 – 64	41.2%	9.7%
c) Total daytime respite hours provided per 1,000 population aged		
i 65+	1,403.8	1,500.9
ii 18 – 64	122.3	171.3
d) Percentage of daytime respite not in a care home per 1,000 population aged:		
i 65+	99.6%	99.8%
ii 18 – 64	100.0%	100.0%

CRIMINAL JUSTICE

6 Proportion of reports submitted to courts by due date	99.2%	99.1%
7 Proportion of new probationers seen by a supervising officer within one week	61.5%	73.5%*
8 Average number of hours per week to complete community orders	2.4	2.4

BENEFITS ADMINISTRATION

BENEFITS ADMINISTRATION	2007/08	2008/09
1 Gross administration cost per case	£62.13	n/a
2 Average time to process:-		
(i) new claims	29.6 days	n/a
(ii) change of circumstances	20.5 days	n/a
3 Percentage of cases for which the calculation of the amount of benefit due was correct on the basis of the information available at the determination	96.4%	n/a

STATUTORY PERFORMANCE INDICATORS

CORPORATE MANAGEMENT		
SICKNESS ABSENCE	<i>2007/08</i>	2008/09
1 a) Average number of days lost through sickness absence for the following groups of staff:-		
i Teachers	<i>n/a</i>	6.2
ii All other local government employees	<i>n/a</i>	9.3
LITIGATION CLAIMS		
2 a) The number of civil liability claims incurred by the council in the year per 10,000 population.	<i>16.7</i>	20.3
2 b) Claims as a percentage of the revenue budget.	<i>0.1%</i>	0.1%
2 c) i) The number of civil liability claims incurred by the council, updated for 2005/06, per 10,000 population.	<i>19.6</i>	17.9
2 c) ii) 2005/06 claims (updated) as a percentage of the revenue budget.	<i>0.1%</i>	0.1%
EQUAL OPPORTUNITIES		
3 a) The percentage of women employees in the top 2% of earners among council employees.	<i>38.7%</i>	40.1%
b) The percentage of women employees in the top 5% of earners among council employees.	<i>57.9%</i>	56.3%
PUBLIC ACCESS		
4 The percentage of buildings from which the council delivers services that are suitable for, and accessible to, disabled people.	<i>63.6%</i>	83.2%*
COUNCIL TAX COLLECTION		
5 Cost of collecting council tax per chargeable dwelling.	<i>£13.17</i>	£12.73
6 a) Income due from council tax for the year excluding relief and rebates.	<i>£105.4m</i>	£107.4m
b) The percentage of income due from council tax for the year that is received by the end of the year.	<i>96.1%</i>	96.0%
PAYMENT OF INVOICES		
7 The percentage of invoices paid within 30 days of receipt	<i>86.9%</i>	84.1%

STATUTORY PERFORMANCE INDICATORS

ASSET MANAGEMENT

8 a)	Proportion of gross internal floor area that is in satisfactory condition.	38.4%	68.5%
b)	Percentage of operational buildings that are suitable for their current use.	47.1%	53.5%

CULTURAL AND COMMUNITY SERVICES

SPORT AND LEISURE MANAGEMENT

2007/08

2008/09

1	Number of attendances per 1,000 population for all pools	3,248	3,292
2	Number of attendances per 1,000 population for indoor sport and leisure facilities excluding pools in a combined complex	873	2,714

MUSEUMS

3 a)	Number of visits to / usages of council funded or part funded museums per 1,000 population	468	578*
b)	Number of visits in part a) that were in person per 1,000 population	468	505

LIBRARY STOCK TURNOVER

4 a)	Changes in adult library lending stock		
i	Additions per 1,000 population	150	156*
ii	Closing stock items per 1,000 population	1,849	1,809*
4 b)	Changes in children's and teenage library lending stock		
i	Additions per 1,000 population	123	117*
ii	Closing stock items per 1,000 population	1,142	1,148*
5 a)	Number of visits to libraries per 1,000 population	4,991	4,573
b)	The percentage of the resident population that are borrowers from public libraries	18.9%	18.0%

LEARNING CENTRE AND LEARNING ACCESS POINT USERS

6 a)	Users as a percentage of the population.	12.4%	14.2%
b)	Number of occasions that terminals are accessed per 1,000 population.	338.7	406.4

STATUTORY PERFORMANCE INDICATORS

DEVELOPMENT SERVICES		
PROCESSING TIME – PLANNING APPLICATIONS	<i>2007/08</i>	2008/09
1 Percentage of applications dealt with within two months	<i>52.5%</i>	61.8%
a)Householder	<i>24.0%</i>	27.3%
b)Non-householder	<i>37.3%</i>	43.4%
c)Total		
APPEALS		
2a)Successful appeals as a percentage of determinations.	<i>0.8%</i>	0.6%
b) Successful appeals as a percentage of determinations that went to appeal.	<i>43.4%</i>	27.5%
DEVELOPMENT PLANS		
3 Percentage of population covered by a Local Plan which has been adopted or finalised within the last five years.	<i>100.0%</i>	100.0%

STATUTORY PERFORMANCE INDICATORS

EDUCATION AND CHILDREN'S SERVICES

PRIMARY SCHOOLS

2007/08

2008/09

1	The percentage of schools with occupancy of:		
	a)40% or less	8.6%	9.9%
	b)41 – 60%	21.1%	17.8%
	c)61 – 80%	35.5%	34.9%
	d)81 – 100%	20.4%	23.7%
	e)101% or more	14.5%	13.8%

SECONDARY SCHOOLS

2	The percentage of schools with occupancy of:		
	a)40% or less	0.0%	0.0%
	b)41 – 60%	0.0%	0.0%
	c)61 – 80%	11.8%	11.8%
	d)81 – 100%	41.2%	47.1%
	e)101% or more	47.1%	41.2%

EQUAL OPPORTUNITIES POLICY

3	The percentage of teachers in each of the following staff bands who are women:		
	a) Head and Deputy Head Teachers		
	i Secondary	32.1%	38.2%
	ii Primary	83.6%	85.5%
	iii Special	85.7%	87.5%
	iv Total	69.9%	73.5%
	b) All teachers including Head and Deputy Head		
	i Secondary	66.9%	67.1%
	ii Primary	93.9%	94.1%
	iii Special	92.3%	92.2%
	iv Total	80.8%	81.1%

CHILDREN'S REPORTER LIAISON

4	The percentage of Children's Hearing reports requested by the Reporter which were submitted within the target time	45.7%	43.1%
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SUPERVISION

5	Percentage of children that were seen by a supervising officer within 15 days as a result of new supervision requirements made during the year.	100.0%	100.0%
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STATUTORY PERFORMANCE INDICATORS

LOOKED AFTER CHILDREN – ACADEMIC ATTAINMENT

6	Percentage of 16 or 17 year olds ceasing to be looked after away from home who attained:		
i	at least one SCQF level 3 (any subject)		
	a) at home	80.0%	52.9%
	b) away from home	28.6%	62.5%
ii	at least level 3 in English and Maths		
	a) at home	50.0%	29.4%
	b) away from home	28.6%	37.5%

RESIDENTIAL ACCOMMODATION STAFF QUALIFICATION

7	Care staff in Local Authority residential children's homes, who have appropriate qualifications for the level of post held.	72.0%	76.9%
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RESPIRE CARE

8	Per 1,000 population aged 0 – 17:		
a)	Number of overnight respite nights provided.	21.1	16.6%
b)	Percentage of respite nights not in a care home	18.8%	14.6%
c)	Number of hours daytime respite provided	1,273.8	1,271.6
d)	Percentage of daytime respite hours not in a day care centre	74.3%	74.4%

STATUTORY PERFORMANCE INDICATORS

HOUSING		
RESPONSE REPAIRS	<i>2007/08</i>	2008/09
1 The percentage of repairs completed within target times	<i>n/a</i>	93.9%
HOUSING QUALITY		
2. Percentage of the council's housing stock being brought up to the Scottish Housing Quality Standard by criteria		
a) Tolerable standard	<i>n/a</i>	99.6%
b) Free from serious disrepair	<i>n/a</i>	96.3%
c) Energy efficient	<i>n/a</i>	49.4%
d) Modern facilities and services	<i>n/a</i>	83.7%
e) Healthy, safe and secure	<i>n/a</i>	38.9%
f) Total dwellings meeting SHQS	<i>n/a</i>	14.4%
MANAGING TENANCY CHANGES		
3 The percentage of rent due in the year that was lost due to voids	<i>1.7%</i>	1.5%
4 Average time to re-let dwelling that are:		
a) not low demand	<i>48 days</i>	45 days
b) low demand	<i>159 days</i>	85 days
c) the average number of days that low demand houses which were un-let at the year end had been un-let during the year	<i>432 days</i>	140 days
RENT ARREARS		
5 a) Current tenants' arrears as a percentage of net rent due	<i>2.8%</i>	3.4%
b) The percentage of current tenants owing more than 13 weeks rent at the year end excluding those owing less than £250	<i>2.5%</i>	3.6%
c) The percentage of tenants giving up their tenancy during the year that were in rent arrears	<i>37.4%</i>	36.4%
d) The average number of weeks rent owed by tenants leaving in arrears	<i>7.8</i>	8.2
e) The percentage of former tenants arrears written off or collected during the year	<i>30.8%</i>	27.3%
COUNCIL HOUSE SALES		
6 a) The percentage of house sales completed within 26 weeks.	<i>87.8%</i>	88.1%
b) Average time taken to sell houses.	<i>21 weeks</i>	21 weeks

STATUTORY PERFORMANCE INDICATORS

HOMELESSNESS

7 a) Permanent accommodation		
ii) Percentage of decision notifications issued within 28 days of initial presentation	<i>n/a</i>	81.4%
iii) Percentage who are housed	<i>n/a</i>	46.9%
iv) Percentage of cases reassessed within 12 months of completion of duty	<i>n/a</i>	7.8%
Temporary accommodation		
v) Percentage of decision notifications issued within 28 days of date of initial presentation	<i>n/a</i>	79.3%
vi) Percentage of cases reassessed within 12 months of completion of duty	<i>n/a</i>	8.6%
b) The proportion of those provided with permanent accommodation in council stock who maintained their tenancy for at least 12 months	<i>n/a</i>	90.2

PROTECTIVE SERVICES

FOOD SAFETY: HYGIENE INSPECTIONS 2007/08 2008/09

1. Percentage of establishments actually inspected within time:		
a) Approved premises	79.8%	85.7%
b) Inspections required every 6 months	97.0%	100.0%
c) Inspections required every 12 months	96.5%	98.4%
d) Inspections required greater than 12 months	67.5%	82.2%

DOMESTIC NOISE COMPLAINTS

2 For those complaints requiring attendance on site, the average time between the time of complaint and attendance on site.	<i>56 hours</i>	45.8 hours
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NON-DOMESTIC NOISE COMPLAINTS

3 For those complaints requiring formal action, the average time to institute formal action.	<i>N/A days</i>	N/A days
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TRADING STANDARDS – COMPLAINTS AND ADVICE

4a) Percentage of consumer complaints dealt with	68.7%	74.0%
b) Percentage of business advise requests dealt with within 14 days of receipt	94.8%	93.1%

INSPECTION OF TRADING PREMISES

4 Premises liable to inspection in the following categories where inspections were undertaken within time	90.3%	94.4%
a) High Risk (12 months)	83.7%	91.2%
b) Medium Risk (2 years)		

STATUTORY PERFORMANCE INDICATORS

ROADS AND LIGHTING		
CARRIAGEWAY CONDITION	<i>2007/08</i>	2008/09
1 Percentage of road network that should be considered for maintenance treatment:		
i) A class roads	<i>20.5%</i>	21.3%
ii) B class roads	<i>21.1%</i>	21.0%
iii) C class roads	<i>19.3%</i>	19.4%
iv) Unclassified roads	<i>35.6%</i>	25.9%
v) Overall	<i>26.8%</i>	22.7%
TRAFFIC LIGHT REPAIRS		
2 Percentage of traffic light failures repaired within 48 hours.	<i>89.5%</i>	89.1%
STREET LIGHT REPAIRS		
3 Percentage of street light failures repaired within 7 days.	<i>94.4%</i>	94.8%
STREET LIGHTING COLUMNS		
4. The proportion of street lighting columns that are over 30 years old.	<i>20.6%</i>	23.1%
BRIDGES – ROAD NETWORK RESTRICTIONS		
5. (a) The percentage of bridges failing European standards:		
i) Council	<i>6.5%</i>	6.3%
ii) Private	<i>25.0%</i>	26.2%
iii) Total	<i>7.3%</i>	7.0%
5. (b) The percentage of bridges with a weight or width restriction:		
i) Council	<i>0.1%</i>	0.1%
ii) Private	<i>0.0%</i>	0.0%
iii) Total	<i>0.1%</i>	0.1%

STATUTORY PERFORMANCE INDICATORS

WASTE MANAGEMENT		
REFUSE COLLECTION	2007/08	2008/09
1 a) Net cost of refuse collection per premise	£53.85	£53.99
b) Net cost of refuse disposal per premise	£103.70	£101.25
2 The number of complaints per 1,000 households	34.3	27.6
REFUSE RECYCLING		
3 The percentage of municipal waste collected by the Council that was composted or recycled	n/a	31.1%
CLEANLINESS		
4 The cleanliness index achieved following inspection of a sample of streets and other land	73	74
ABANDONED VEHICLES		
5 The proportion of abandoned vehicles removed within 14 days	78.2%	95.0%*