

**2007/2008
STATEMENT
OF
ACCOUNTS**

**FOR THE PERIOD
1 APRIL 2007 TO 31 MARCH 2008**

PROVOST'S FOREWORD TO THE ANNUAL REPORT 2007/08

I am pleased to present Aberdeenshire Council's Annual Report for 2007/08. This report is one of the ways in which the Council demonstrates how it has utilised some £500m of public funds to deliver a wide and comprehensive range of services 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.

The Council has therefore included in its public performance report a summarised version of the accounts, based on the pre-audit accounts. This will replace 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.

In last year's foreword I spoke of the Council looking forward to the independent scrutiny and challenge of the Audit of Best Value and Community Planning. I am therefore pleased this year to report on a very successful outcome of the Audit.

Audit Scotland concluded that the Council's financial management is sound and that it is clear about its overall direction and priorities, and has been effective in establishing a culture of continuous improvement. The auditors also noted that a good performance management framework is in place with good performance in a number of key services.

This is an extremely welcome report. However the Council is not complacent and has already agreed an action plan for further improvement in a number of areas.

As further evidence of strong performance I was delighted to note that Aberdeenshire Council has been officially named as the best large council to work for in Britain. This entry was based on employee surveys and reflects the views of the Council's greatest asset, its staff.

The Council also received praise for its management and leadership development programmes, and the use of the Kaizen approach to continuous improvement.

The Council has signed a Single Outcome Agreement with the Scottish Government and this will establish a range of priorities for developing key services. In addition the Council has recently approved an Asset Management Strategy for the development and enhancement of assets to provide high quality services to the citizens of Aberdeenshire.

We face difficult times ahead with anticipated tightening of government grant settlements, and financial challenges caused by inflationary pressures. 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**

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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 2008.

For 2007/08, there have been two substantial changes to the format of the accounts. These changes bring local authority accounts more into line with UK Generally Accepted Accounting Practice (UK GAAP), and makes them more comparable with the accounts of limited companies. These changes are as follows:

- i) The replacement of the Fixed Asset Restatement Account and the Capital Financing Account on the Balance Sheet with a Revaluation Reserve and the Capital Adjustment Account.
- ii) Accounting for Financial Instruments, which introduces two new lines in the Balance Sheet for the Financial Instruments Adjustment Account and the Available-for-Sale Financial Instruments Reserve.

The Revaluation Reserve records the accumulated gains on fixed assets arising from increases in value, as a result of inflation or other factors. Whilst these gains increase the net worth of the Council, they are not available for use unless the relevant assets are sold and capital receipts generated. Prior to 2007/08, revaluations were accounted for through the Fixed Asset Restatement Account. The Revaluation Reserve came into effect on 1 April 2007 and only applies to revaluations from that date. The changes to the Balance Sheet are set out in note 3 to the Core Financial Statements on pages 17-19.

The balance on the Fixed Asset Restatement Account, along with the balance on the Capital Financing Account have been transferred to the new Capital Adjustment Account. The Capital Adjustment Account accumulates the resources that have been set aside to finance capital expenditure i.e. the proceeds of the sale of fixed assets, capital expenditure funded from revenue, loans fund principal repayments and capital grants. 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. The Capital Adjustment Account does not represent funds available for use.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Financial instruments include borrowings by the Council, financial guarantees given by the Council, bank deposits and cash balances, loans awarded by the Council, investments made by the Council, payments due to be made by the Council and income due to be received by the Council.

To comply with the new requirements on Financial Instruments, a number of adjustments have been required to the accounts. These are set out in note 3 to the Core Financial Statements on Pages 17-19.

Accounting for Financial Instruments represents the first major development in accounting arrangements for local government arising from the influence of International Financial Reporting Standards on UK GAAP. International Financial Reporting Standards will have more of an influence over the format of local authority accounts in the next few years, and it is currently anticipated that local authorities will be required to prepare their accounts on the basis of International Financial Reporting Standards for financial year 2010/11.

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 2008 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 59-64 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.

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4. Balance Sheet

This statement brings together all the assets and liabilities in the Council's accounts at 31 March 2008 with the exception of Trust Funds and Common Good Funds, which are disclosed separately on pages 59-64.

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 separately detailed 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 2008 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 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 2008.

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. Group Notes to the 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 2007/2008

1. Revenue Expenditure

In 2007/08, the Council budgeted to spend £429,616,000 on the provision of Services. Actual expenditure was £424,881,000, or £4,735,000 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 £16,953,000. Actual expenditure was £16,447,000, or £506,000 lower than anticipated.

The Council budgeted to spend £2,928,000 on the costs of single status and equal pay claims, over and above the additional costs included in Service budgets. The actual charge that has been made in the accounts in 2007/08 is £2,004,000, or £924,000 lower than budgeted. More details of the background to single status and equal pay can be found at section 9 on page 5 and Notes 3, 42 and 43 to the Core Financial Statements.

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Income from Revenue Support Grant was budgeted at £248,574,000, income from Business Rates was budgeted at £85,941,000 and income from Council Tax was budgeted at £111,569,000. Actual income in total from these sources was £448,153,000 or £2,069,000 more than anticipated.

Taking all of the above into account gives net expenditure for the year which is £8,234,000 lower than anticipated.

In total, the budget was set to reduce the working balance to its minimum recommended level of £5,000,000. The actual working balance at the year end is £12,525,000.

Underspends have arisen through a number of one-off savings including increased income from building warrant fees and the sale of recyclables in Planning and Environmental Services, a delay in progressing the implementation of an Electronic Document Records Management System and other projects relating to computer technology, additional income in the Property Service, savings on Capital Financing Charges and additional income from Council Tax. Procurement savings included in the budget have not been achieved due to a delay in recruiting staff to the procurement team. These have all 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 2008/09.

2. Housing Revenue Account (HRA)

The revised HRA budget for 2007/2008 had approved expenditure of £44,368,000 and income of £39,067,000, giving a net operating deficit of £5,301,000. Actual expenditure totalled £32,399,000 with income of £39,358,000, giving a net surplus of £6,959,000. This surplus was transferred to the HRA balance.

The expenditure includes £335,000 which was used to meet capital expenditure. This is less than was budgeted due to the HRA capital programme being funded mainly from increased Council House sales, and is one of the main reasons for the underspend in the HRA. Repairs and Maintenance expenditure was also lower than budget due to the effect of the ongoing capital maintenance programme which has reduced the need for repairs.

The increased HRA balance is higher than anticipated by the 30 Year "Retention Plus" business plan agreed by the Council for the HRA. The business plan is currently being revised and will take account of revised forecasts for capital investment. The business

plan seeks to ensure that the future needs of the stock and of tenants can be met and are affordable.

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 remaining activities returned a net surplus of £1,426,000 in 2007/08. Housing Repairs and Roads Operations both achieved their statutory break-even target over the three year period 2005/06 to 2007/08. Further details of the significant trading operations are set out in note 4 on pages 19-20.

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 2007/2008 was £54,763,000, which was spent on Infrastructure improvements of £17,164,000, £12,531,000 on Education programmes and £12,535,000 on HRA Housing. The remaining balance of £12,533,000 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 £54,763,000 £14,987,000 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 2008 has total borrowings of £371,227,000, the majority of which is borrowed from the Public Works Loan Board (PWLb).

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

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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 2007/08, the Council made payments of £3,471,000 under this contract, and in 2008/09 is committed to making payments of £3,428,000, 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 2007/08, the Council made payments of £5,923,000 under this contract, and in 2008/09 is committed to making payments of £6,179,000, subject to performance.

Further details of the PFI schemes can be found in note 12 on pages 22-23, 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 page 9 sets out the Council's policy on pension costs and note 38 on page 39 and notes 46-47 on pages 42-44 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 2007/08 by £77,057,000 due mainly to a lower than anticipated return on assets, and 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 2005. As a result, a funding plan has been determined with the aim of recovering the deficit over a period of up to 20 years. This will necessitate an increase in the employers' contribution rate which will continue to be phased in over next year. The next triennial valuation will be as at 31 March 2008.

7. Changes in Accounting Policies

In 2007/08 the Council has made two changes to its policy on Tangible Fixed Assets. Firstly, the Council has changed its de minimus level for fixed assets from £6,000 to £20,000, with the exception of Vehicles which remains at £6,000. The effect of this change is that expenditure of £653,000 which would have resulted in the creation of fixed assets has been treated as in year operating costs. Secondly, the Council has decided to depreciate fixed assets from the year following the purchase of the asset. Previous policy

was to depreciate from the mid-point of the year in which the asset was purchased. This change also applies to intangible assets. The effect of this change in policy is to reduce the depreciation charges to Services for 2007/08 by £920,000.

These changes have been made to reflect the level of material increases in the cost of capital, principally inflation over a number of years. The change in depreciation policy is more reflective of patterns of expenditure during the financial year and the consumption of economic benefit in the first year following acquisition and is consistent with the charge for borrowing to finance the asset.

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 £232,427,000. 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 worker employees whose jobs do not attract bonus payments and who were able to identify a manual worker job which does attract bonus, is graded at a comparable level and which is undertaken predominantly by males. During 2006/07, actual payments of £21,144,000 were made in respect of compensation for equal pay. In addition, a further provision of £800,000 was made in the accounts in respect of outstanding payments. During 2007/08, further payments of £386,000 were made, and the balance of the provision of £414,000 was written back. A new provision of £2,418,000 has been made in respect of claims for staff who have not yet signed compromise agreements and who have progressed to a tribunal claim. The net movement in provision of £2,004,000 is shown as an Exceptional Item in the Income & Expenditure Account.

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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
24 June 2008

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 2007 (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 2008, provision for future losses in Roads Operations, compensation for equal pay claims for staff who have not yet signed compromise agreements and who have progressed a tribunal claim, potential penalties in respect of Landfill Allowances Trading Scheme and the call in of financial guarantees.

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 2007/2008 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 amortisation policy has changed from using the mid-point in the year of acquisition to nil amortisation 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, has been increased from £6,000 to £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.

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 has 50% depreciation charged in year of acquisition according to the following policy:

- Depreciation is not charged in the year of acquisition but thereafter the straight line method is applied where applicable. This has changed from previous years

STATEMENT OF ACCOUNTING POLICIES

which used the mid-point in the year of acquisition as the starting point.

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 2008. Grants payable have been accrued where Committee approval for payment has been obtained but the grants have not been paid over to applicants at 31 March 2008. 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 has been reflected on the appropriate account 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.

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 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

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the CIPFA Best Value Accounting Code of Practice 2006. 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. Pension Costs

The Council participates in two different schemes, which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. These schemes are as follows:

Teachers:

This 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. The policies are as follows:

- attributable assets of the scheme have been measured at realisable value
- attributable liabilities have been measured on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.
- scheme liabilities have been discounted at 2.5% in excess of inflation
- the deficit in the scheme is the shortfall of the value of the assets below the present value of the scheme liabilities
- the current service cost is calculated based on normal contributions paid by the Council, allowing for any changes in assumptions used for FRS 17 purposes. It is based on assumptions appropriate at the start of the year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period
- the expected return on assets is based on long term expectations at the beginning of the period and is expected to be reasonably stable
- actuarial gains and losses arising from new valuations and from updating the latest actuarial valuation have been taken into account to reflect conditions at the balance sheet date

- past service costs have been disclosed on a straight line basis over the period in which the increases in benefit vest

- losses arising from curtailments not allowed for in the actuarial assumptions are measured at the date on which the Council became demonstrably committed to the transaction and are reflected in the Net Cost of Services at that date.

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 and 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 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.

STATEMENT OF ACCOUNTING POLICIES

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 and 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 credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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.

Net Expenditure 2006/2007 £'000		Gross Expenditure 2007/2008 £'000	Income 2007/2008 £'000	Net Expenditure 2007/2008 £'000	Notes Ref
206,261	Education Services	258,602	(37,915)	220,687	
2,011	Housing Services	43,416	(41,048)	2,368	
(10,960)	HRA	38,737	(37,827)	910	
18,327	Cultural & Related Services	39,062	(18,704)	20,358	
22,060	Environmental Services	32,947	(9,266)	23,681	
25,609	Roads & Transport Services	59,301	(31,776)	27,525	
3,830	Planning & Development Services	21,120	(11,204)	9,916	
89,856	Social Work	128,151	(27,311)	100,840	
6,613	Central Services	26,377	(20,632)	5,745	2
8,545	Fire Services	8,580	-	8,580	2
16,981	Police Services	17,722	-	17,722	2
1,339	Exceptional Item	1,854	-	1,854	3
6,777	Corporate & Democratic Core	8,899	-	8,899	
(1,419)	Non Distributed Costs	1,815	-	1,815	
395,830	NET COST OF SERVICES	686,583	(235,683)	450,900	1-3
(685)	Net (Gain)/Loss on Disposal of Fixed Assets			(3,946)	
81	(Surplus)/Deficit from Trading Undertakings not included in Net Cost of Services			(123)	4
21,084	Interest Payable and Similar Charges			21,537	
(3,405)	Interest and Investment Income			(5,560)	
(1,191)	Pensions Interest Cost and Expected Return on Pensions Assets			(3,225)	
411,714	NET OPERATING EXPENDITURE			459,583	
(105,982)	Council Tax (including Community Charges)			(113,380)	5
(233,163)	Revenue Support Grant			(249,028)	
(86,148)	Business Rates			(85,745)	6
(13,579)	(SURPLUS)/DEFICIT FOR THE YEAR			11,430	

Other Notes to the Income and Expenditure Account

7-15

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.

2006/07	2007/08	Notes
£'000	£'000	Ref
(13,579) (Surplus)/Deficit for the Year on the Income and Expenditure Account	11,430	
Net Additional Amount required by statute and non statutory proper practices to be debited (or credited) to the General Fund Balance for the		
5,211 year	(14,611)	16
(8,368) (Increase)/Decrease in General Fund Balance for the Year	(3,181)	
(9,257) General Fund Balance Brought Forward	(17,625)	
- Transition adjustments to comply with SORP 2007	20,283	
Transfer from the Financial Instrument Adjustment Account per Statutory		
- guidelines	(20,283)	
(17,625) General Fund Balance Carried Forward	(20,806)	

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.

2006/07		2007/08
£'000	STATEMENT	£'000
(13,579)	(Surplus)/Deficit for the year on the Income and Expenditure Account	11,430
(124,898)	(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(15,617)
(33,754)	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	77,030
(6,542)	Other (Gains)/Losses that require to be included	*24,271
<u>(178,773)</u>	Total Recognised Gains and Losses for the Year	<u>97,114</u>

* This relates to:

- (i) an adjustment in relation to prior year HRA disposals as detailed in note 3 (iii) and
- (ii) the opening adjustment to the Financial Instrument Adjustment Account as detailed in note 3(ii)(c).

BALANCE SHEET

The Balance Sheet summarises the financial position of Aberdeenshire Council as at 31 March 2008. 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 59-64.

Restated 31 March 2007 £'000	£'000	£'000	31 March 2008 £'000	Notes Ref
FIXED ASSETS				
1,321	Intangible Fixed Assets		2,010	24
Tangible Fixed Assets				
Operational Assets:				
452,562	Council Dwellings	437,344		
345,641	Land & Buildings	355,219		
20,142	Vehicles, Plant & Equipment	21,743		
126,608	Infrastructure Assets	140,004		
6,398	Community Assets	<u>5,868</u>	960,178	
Non-Operational Assets:				
45,527	Investment Properties	53,405		
8,985	Assets Under Construction	1,243		
2,665	Surplus Assets, Held for Disposal	<u>3,585</u>	<u>58,233</u>	
	TOTAL FIXED ASSETS		1,020,421	17-23
OTHER LONG-TERM ASSETS:				
18,737	Deferred Premiums on the Early Repayment of Debt		-	
8,001	Long-term Debtors		5,137	26
42	Long Term Investments		<u>42</u>	
<u>1,036,629</u>	TOTAL LONG-TERM ASSETS		1,025,600	
CURRENT ASSETS				
3,380	- Stocks & Work in Progress	3,476		
44,195	- Debtors	37,664		34
26,199	- Investments	81,588		
911	- Cash and Bank	<u>983</u>		
<u>74,685</u>			123,711	
Less: CURRENT LIABILITIES				
(5,717)	- Short Term Borrowing	(5,383)		
(89,262)	- Creditors	(87,339)		
-	- Bank Overdraft	<u>(3,854)</u>	<u>(96,576)</u>	
<u>(20,294)</u>	NET CURRENT (LIABILITIES)/ASSETS		27,135	
(330,124)	Long Term Borrowing		(369,507)	32
(46,081)	Government Grants Deferred		(61,279)	27
(2,284)	Deferred Liabilities		(2,552)	22
(90,435)	Liability Related to Defined Benefit Pension Schemes		(167,492)	46,47
(1,474)	Provisions		<u>(3,082)</u>	34
			(603,912)	
<u>545,937</u>	TOTAL ASSETS LESS LIABILITIES		<u>448,823</u>	28

BALANCE SHEET

FINANCED BY:			
(591,014)	Capital Adjustment Account	(563,654)	36
-	Financial Instruments Adjustment Account	19,403	37
-	Revaluation Reserve	(15,617)	36
-	Available-for-sale Financial Instruments Reserve	-	37
	Funds & Reserves:		
90,435	Pension Reserve	167,492	35
(22,406)	Housing Revenue Account	(29,365)	35
(17,625)	General Fund	(20,806)	40
(5,327)	Other Reserves	(6,276)	41
<u>(545,937)</u>		<u>(448,823)</u>	

Other Notes to the Balance Sheet
25, 29, 31-35, 42-45

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
24 June 2008

The unaudited accounts were issued on 24 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

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 2006/2007 £'000		2007/2008 £'000	2007/2008 £'000	Notes Ref
	REVENUE ACTIVITIES			
	Cash Outflows			
273,555	Cash Paid to and on Behalf of Employees	299,313		
337,509	Other Operating Cash Payments	312,653		
20,984	Housing Benefit Paid Out	21,303		
<u>632,048</u>			633,269	
	Cash Inflows			
(101,586)	Council Tax Receipts	(103,174)		
(55,408)	Business Rates Receipts	(54,001)		
(33,275)	Business Rates Receipts from National Pool	(32,580)		
(233,163)	Revenue Support Grant	(249,028)		
(16,684)	Housing Rents (After Rebates)	(17,390)		
(34,657)	DWP Grants for Benefits	(44,031)		
(53,495)	Other Government Grants	(42,058)		53
(152,303)	Cash Received for Goods & Services	(146,302)		
<u>(680,571)</u>			(688,564)	
(48,523)	Revenue Activities Net Cash Flow		(55,295)	50
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash Outflows			
17,432	Interest Paid	18,482		
130	Interest Element of Finance Lease Rental Payments	164		
	Cash Inflows			
(2,838)	Interest Received	(2,683)		
<u>14,724</u>			15,963	
	CAPITAL ACTIVITIES			
	Cash Outflows			
56,872	Purchase of Fixed Assets	57,330		
-	Purchase of Long Term Investments	-		
	Cash Inflows			
(14,306)	Sale of Fixed Assets	(16,998)		
(2,023)	Sale of Long Term Investments	-		
(11,559)	Capital Grants Received	(17,687)		
(168)	Other Capital Cash Receipts	(195)		
<u>28,816</u>			<u>22,450</u>	
(4,983)	Net Cash (Inflow)/Outflow before Financing		(16,882)	
	MANAGEMENT OF LIQUID RESOURCES			
(40,044)	Net Increase/(Decrease) in short term deposits	55,389		
	FINANCING			
	Cash Outflows			
286,292	Repayments of Amounts Borrowed	2,315		
460	Capital Element of Finance Lease Rental Payments	696		
	Cash Inflows			
(243,756)	New Loans Raised	(37,736)		
<u>2,952</u>			<u>20,664</u>	
(2,031)	(Increase)/Decrease in Cash		3,782	49
	Other Cash Flow notes			51-52

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.

2006/2007		2007/2008
£'000		£'000
219,299	Education, Learning & Leisure	234,541
56,852	Transportation & Infrastructure	67,399
5,945	Policy & Resources	5,519
90,986	Social Work & Non-HRA Housing	102,198
27,011	Joint Board Requisitions (see Note 2)	27,765
(10,960)	Housing Revenue Account	910
1,339	Exceptional Item	1,854
6,777	Corporate & Democratic Core	8,899
(1,419)	Non-Distributed Costs	1,815
395,830		450,900

2. Joint Board Payments

Payments to Joint Boards are as follows:

2006/2007		2007/2008
£'000		£'000
16,981	Grampian Joint Police Board	17,722
8,545	Grampian Joint Fire and Rescue Board	8,580
1,485	Grampian Valuation Joint Board	1,462
27,011		27,764

3. 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 worker employees whose jobs do not attract bonus payments and who were able to identify a manual worker job which does attract bonus, is graded at a comparable level and which is undertaken predominantly by males. During 2006/07, actual payments of £21,144,000 were made in respect of compensation for equal pay. In addition, a further provision of £800,000 was made in the accounts in respect of outstanding payments. During 2007/08, further payments of £386,000 were made, and the balance of the provision of £414,000 was written back. A new provision of £2,418,000 has been made in respect of claims for staff who have not yet signed compromise agreements and who have progressed to a tribunal claim. The net movement in provision of £2,004,000 is shown as an Exceptional Item in the Income & Expenditure Account. In addition a loan repayment of £150,000 was received during the year and recorded as an exceptional item.

In 2007/08 Statement of Accounts, the council adopted 2 new accounting policies in relation to amendments to (i) capital accounting on the balance sheet and (ii) financial instruments. For financial instruments the policy did not require amendment to balances at 31 March 2007, they did result in the restatement of opening balance, and for capital accounting amendments were made to comparative figures.

(i) **Capital Accounting**

The following balance sheet changes arose as a result of this policy and as such comparative figures have been restated throughout this document:-

Balance as at		Restated Balance
31 March 2007		As at 31 March 2007
£'000		£'000
(419,158)	Fixed Asset Restatement Account	-
(171,856)	Capital Financing Account	-
-	Capital Adjustment Account	(591,014)
-	Revaluation Reserve	-
(591,014)		(591,014)

NOTES TO THE CORE FINANCIAL STATEMENTS

(ii) Financial Instruments

(a) Income and Expenditure Account & Statement of Movement on the General Fund Balance

Had the Income and Expenditure Account been prepared using the new policy the following adjustments would have been effected in 2006/2007:-

Income & Expenditure Account	2006/2007
	£'000
Original Net Operating Expenditure	411,714
Adjustment for Financial Instrument Accounting Policy	3,655
Revised Net Operating Expenditure	415,369
Council Tax (including) Community Charge	(105,982)
Revenue Support Grant	(233,163)
Business Rates	(86,148)
Revised Surplus/Deficit for the Year	<u>(9,924)</u>

(b) Statement of Movement on the General Fund Balance

Revised Surplus/Deficit for the Year	(9,924)
Net Additional Amount required by statute and non statutory proper practises to be debited or credited to the General Fund Balance during the year	5,211
Adjustment for Financial Instrument Accounting Policy	<u>(3,655)</u>
(Increase)/Decrease in General Fund Balance for the Year	<u><u>(8,368)</u></u>

(c) Balance Sheet

As a result of introducing this policy an adjustment was required to the opening balances of 2007/08 as follows:-

Restated		Balance as at
Balance as at		1 April 2007
31 March 2007		£'000
£'000		
18,737	Deferred Premiums on the Early repayment of Debt	-
8,001	Long Term Debtors	5,401
(330,124)	Long Term Borrowing	(329,070)
(17,625)	General Fund Balances	(17,625)
-	Financial Instruments Adjustment Account	20,283
-	Available for Sale Financial Instrument Reserve	-
<u>(321,011)</u>		<u><u>(321,011)</u></u>

(iii) Other Adjustments

(a) Council Dwellings

In addition to the above changes to accounting policy a prior year adjustment was identified in relation to depreciation of Council Dwellings. This adjustment has amended the opening value of these assets however prior year comparators have not been amended for this.

The impact of these are as follows:

Balance as at		Balance as at
31 March 2007		1 April 2007
£'000		£'000
452,562	Council Dwellings	448,020
-	Capital Adjustment Account - Disposal	3,988
-	- Depreciation	554
<u>452,562</u>		<u><u>452,562</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(b) Reclassification of Creditors and Provisions

Loans in relation to the Scheme for Aberdeenshire Businesses have been reclassified as Long Term Debtors. In addition two creditors in relation to Equal Pay and Landfill Allowance Trading Scheme have been reclassified as Provisions.

Balance as at 31 March 2007 £'000	Restated Balance as at 31 March 2007 £'000
7,889	8,001
44,307	44,195
(90,308)	(89,262)
(428)	(1,474)
(38,540)	(38,540)

4. 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:

Housing Repairs

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

	2007/2008 Turnover £'000	2007/2008 Expenditure £'000	2007/2008 (Surplus)/ Deficit £'000
Target	(8,828)	8,696	(132)
Actual	(9,329)	8,727	(602)

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

	Target £'000	(Surplus)/ Deficit £'000
2005/2006 Restated	(102)	(568)
2006/2007	(365)	(414)
2007/2008	(132)	(602)
Cumulative	(599)	(1,584)

Housing Repairs undertakes all types of property maintenance, with the principal client being the Housing Revenue Account, which had a stock of 13,095 houses at 31 March 2008.

The actual financial performance for the current year of £602,000 surplus compared favourably with the financial target for the year which was a £132,000 surplus.

The statutory financial target for the three year period is to break even although the Council has set a target of £599,000, which is in excess of that required. Housing Repairs has a cumulative surplus for 2005/06–2007/08 of £1,584,000 and has therefore achieved its statutory break-even target for 2005/06–2007/08.

NOTES TO THE CORE FINANCIAL STATEMENTS

Roads Operations

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

	2007/2008 Turnover £'000	2007/2008 Expenditure £'000	2007/2008 (Surplus)/ Deficit £'000
Target	(22,727)	21,815	(912)
Actual	(22,114)	21,290	(824)

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

	Target £'000	(Surplus)/ Deficit £'000
2005/2006 Restated	(319)	(1,219)
2006/2007	(433)	(430)
2007/2008	(912)	(824)
Cumulative	<u>(1,664)</u>	<u>(2,473)</u>

Roads Operations is principally involved in maintenance work on 5,579 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 37,919 street lights.

The actual financial performance for the current year of £824,000 surplus compares with the financial target for the year which was £912,000 surplus.

The statutory financial target for the three year period is to break even, although the Council has set a target of £1,664,000 surplus, which is in excess of that required. Roads Operations has a cumulative surplus for 2005/06-2007/08 of £2,473,000 and has therefore achieved its statutory break-even target for 2005/06-2007/08.

Net Surplus/Deficit on Trading Accounts

The net surplus on the statutory trading accounts is £1,426,000. This does not agree with the Surplus from Trading Operations of £123,000 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 £'000	IORB/ IOSB £'000	Reallocation of (Surplus)/Deficit £'000	Per I & E Account (Surplus)/Deficit £'000
Housing Repairs	(602)	(17)	583	(36)
Roads Operations	(824)	(62)	799	(87)
	<u>(1,426)</u>	<u>(79)</u>	<u>1,382</u>	<u>(123)</u>

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 £602,000 would be reduced to £574,000 and those for Roads Operations showing a surplus of £824,000 would be reduced to £717,000.

5. Council Tax & Community Charge

An analysis of Council Tax and Community Charge income is shown at Page 55, with the associated notes on Page 56.

6. Business Rates

NOTES TO THE CORE FINANCIAL STATEMENTS

An analysis of Business Rate income is shown at Page 57, with the associated notes on Page 58.

7. 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.

2006/2007		2007/2008
£'000		£'000
1,614	Publicity Expenditure	1,729

8. Local Authorities (Goods & Services) Act 1970

Aberdeenshire Council is empowered to provide goods and services under this Act. The Council received £4,192,000 from these services (2006/2007 £3,268,000), which equates to the costs incurred.

9. 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 2007/08 the gross income of the partnership was £177,942,000 (2006/2007 £165,699,000) and its gross expenditure was £176,789,000 (2006/2007 £168,146,000). Aberdeenshire's contribution to the partnership was £90,089,000 (2006/2007 £82,546,000).

10. Payments to Councillors

The table below discloses the total Councillors' Allowances paid during 2007/2008

2006/2007		2007/2008
£'000		£'000
498	Basic Allowance/Salaries	1,155
196	Special Responsibility Allowance	18
17	Telephone Allowances	2
165	Travel & Subsistence	163
-	Employers National Insurance	95
-	Employers Superannuation	99
876		1,532

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11. 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.

2006/2007	Salary Band	2007/2008
39	£50,000 - £59,999	91
38	£60,000 - £69,999	39
6	£70,000 - £79,999	8
-	£80,000 - £89,999	1
6	£90,000 - £99,999	4
1	£100,000 - £109,999	1
-	£110,000 - £119,999	-
1	£120,000 - £129,999	1
-	£130,000 - £139,999	-
1	£140,000 - £149,999	-
<u>92</u>		<u>145</u>

12. 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 23 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 2007/08 payments of £3,471,000 were made under this contract.

In 2008/09 the Council is committed to making payments estimated at £3,428,000 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

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 23 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 2007/08 payments of £5,923,000 were made under the contract and Aberdeenshire Council is committed to paying £6,179,000 in 2008/09.

13. Audit Costs

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

2006/2007		2007/2008
£'000		£'000
412	Fees payable to Audit Scotland with regard to services carried out by appointed auditor	427
-	Fees payable in respect of other services carried out by the appointed auditor	-

14. 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:

Restated		2007/2008
2006/2007		£'000
£'000	Payment to Other Bodies	
596	Educating Aberdeenshire children in mainstream and special schools outwith Aberdeenshire	(70)
281	Local Authorities – Care Management	434
236	Maintenance of Community Alarm System	216
65	Social Work service in Hospitals	65
39	Maintenance of Child Protection Register	40
50	Payment to Other Local Authorities for Community Care	192
313	Payment for share of Public Analyst Service	320
88	Payment for Library Archiving & Recording Service	89
28	Payment for Purchasing Services	-
131	Net Payment to Partners in Relation to Community Safety Partnership & Community Wardens	127
719	Payment for Publicity Services	307
68	Payment for Provision of Energy Efficiency Advice Service to the Public	65
316	Payment to Visit Scotland	316

NOTES TO THE CORE FINANCIAL STATEMENTS

Restated 2006/2007 £'000	2007/2008 £'000
Receipts from other bodies for Administrative Services	
(500) Scottish Water	(528)
(64) Income from educating pupils from other Authorities in Aberdeenshire	(64)
(104) Grampian Joint Fire Board	(96)
(16) Grampian Valuation Joint Board	(19)
(63) Grampian Joint Police Board	(35)
(64) Provision of Transportation Services for other Authorities	(18)
(410) Provision of Printing Services to other Authorities	(463)
(73) Provision of Property & Estate Management Services to other Authorities	(95)
(35) Provision of Services to NESTRANS	(36)
(23) Provision of Archaeology Service to Other Local Authority	(44)
(87) Provision of Rangers Service to Scottish Natural Heritage	(88)
(24) Provision of Strategic Environment Assessment for Aberdeen City Council	(22)
(7) Provision of NESBReC Service for Aberdeen City Council	(10)
(40) Provision of Fleet Management Services to Aberdeen City Council	(44)

15. 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:

2006/2007 £'000	2007/2008 Expenditure £'000	Income £'000
Government Grants		
(44,013) - Other Government Grants		(40,017)
(16,874) Capital Grants	1,128	(17,687)
31,997 Pension Fund Contributions	36,316	
Subsidised Bus Fares		
3,355 - Subsidy for Bus routes in Aberdeenshire	3,529	
Health Board Resource Transfer		
(10,251) - Total Resource transfer from Grampian Health Board		(10,539)
Housing Partnerships		
2,439 - Paid to other Housing Associations	1,056	

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2006/07 £'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	2007/08 £'000	2007/08 £'000
(287)	Amortisation of Intangible Fixed Assets	(348)	
(18,981)	Depreciation and Impairment of Fixed Assets	(42,597)	
(147)	Write downs of deferred charges to be financed from capital resources	(147)	
1,859	Amortisation of Government Grants Deferred	2,154	
460	Diminution of Finance Lease	696	
685	Net Gain/ (Loss) on Disposal of Assets	3,946	
	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	882	
-	Net charges made for retirement benefits in accordance with FRS17	(23,747)	
<u>(20,350)</u>			(59,161)
(36,761)			
	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		
10,511	Loans Fund Principal Repayments	10,434	
11,362	Capital Expenditure Charged in Year to the General Fund Balance	2,490	
20,579	Employer's contribution payable to the pension fund and retirement benefits payable direct to pensioners	23,719	
<u>42,452</u>			36,643
	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		
681	Contribution to/(from) Other Reserve Statutory Funds	940	
(1,200)	Transfer to /(from) Insurance Fund	8	
39	Housing Revenue Account Balance	6,959	
<u>(480)</u>			7,907
<u>5,211</u>	Net additional amount required to be debited/(credited) to the General Fund Balance for the year.		<u>(14,611)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

17. Movement of Fixed Assets

Operational Assets

	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, etc. £'000	Infra- Structure £'000	Community Assets £'000	Total £'000
Gross Book Value at 1 April 2007	455,108	361,145	30,043	166,058	7,654	1,020,008
Reclassifications	-	6,621	546	-	-	7,167
Revaluations and restatements	(3,988)	605	15	-	1	(3,367)
Additions	11,047	16,216	5,820	18,757	107	51,947
Disposals	(7,785)	(725)	(370)	-	-	(8,880)
Gross Book Value at 31 March 2008	<u>454,382</u>	<u>383,862</u>	<u>36,054</u>	<u>184,815</u>	<u>7,762</u>	<u>1,066,875</u>
Depreciation and impairments at 1 April 2007	(2,546)	(15,504)	(9,901)	(39,450)	(1,256)	(68,657)
Depreciation and impairment charges for the year	(14,676)	(13,199)	(4,711)	(5,361)	(641)	(38,588)
Depreciation on assets reclassified	-	(77)	(13)	-	-	(90)
Depreciation on assets revalued/sold	184	137	314	-	3	638
Depreciation and impairments at 31 March 2008	<u>(17,038)</u>	<u>(28,643)</u>	<u>(14,311)</u>	<u>(44,811)</u>	<u>(1,894)</u>	<u>(106,697)</u>
Net Book Value at 31 March 2008	<u>437,344</u>	<u>355,219</u>	<u>21,743</u>	<u>140,004</u>	<u>5,868</u>	<u>960,178</u>
Net Book Value at 31 March 2007	<u>452,562</u>	<u>345,641</u>	<u>20,142</u>	<u>126,608</u>	<u>6,398</u>	<u>951,351</u>

Non Operational Assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Gross Book Value at 1 April 2007	45,532	9,123	2,759	57,414
Reclassifications	298	(8,832)	1,367	(7,167)
Revaluations and restatements	14,063	-	934	14,997
Additions	819	960	-	1,779
Disposals	(3,425)	-	(1,256)	(4,681)
Gross Book Value at 31 March 2008	<u>57,287</u>	<u>1,251</u>	<u>3,804</u>	<u>62,342</u>
Depreciation and impairments at 1 April 2007	(5)	(138)	(94)	(237)
Depreciation and impairment charges for the year	(3,885)	-	(124)	(4,009)
Depreciation on assets reclassified	-	136	(46)	90
Depreciation on assets revalued/sold	8	(6)	45	47
Depreciation and impairments at 31 March 2008	<u>(3,882)</u>	<u>(8)</u>	<u>(219)</u>	<u>(4,109)</u>
Net Book Value at 31 March 2008	<u>53,405</u>	<u>1,243</u>	<u>3,585</u>	<u>58,233</u>
Net Book Value at 31 March 2007	<u>45,527</u>	<u>8,985</u>	<u>2,665</u>	<u>57,177</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

18. 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.

19. Effect of Change in Policy on Depreciation

In 2007/08 the Council has made two changes to its policy on Tangible Fixed Assets. Firstly, the Council has changed its de minimus level for fixed assets from £6,000 to £20,000, with the exception of Vehicles which remains at £6,000. The effect of this change is that expenditure of £653,000 which would have resulted in the creation of fixed assets has been treated as in year operating costs. Secondly, the Council has decided to depreciate fixed assets from the year following the purchase of the asset. Previous policy was to depreciate from the mid-point of the year in which the asset was purchased. This change also applies to intangible assets. The effect of this change in policy is to reduce the depreciation charges to Services for 2007/08 by £920,000.

These changes have been made to reflect the level of material increases in the cost of capital, principally inflation over a number of years. The change in depreciation policy is more reflective of patterns of expenditure during the financial year and the consumption of economic benefit in the first year following acquisition and is consistent with the charge for borrowing to finance the asset.

20. Analysis of Capital Expenditure and Financing Arrangements

Analysis of capital expenditure and financing arrangements are as follows:

2006/2007 £'000	Capital Expenditure During Year	2007/2008 £'000
4,510	Site & Building Acquisition	1,023
23,891	Building Works	26,760
6,685	Furniture & Equipment	6,242
18,059	Works – Roads	17,883
3,657	Fees	2,855
<u>56,802</u>		<u>54,763</u>

Financed as follows:

(19,522)	Capital Receipts, Grants & Contributions	(34,174)
(25,918)	Advances from Loans Fund & Capital Accruals	(14,987)
(11,362)	Revenue Financing	(5,602)
<u>(56,802)</u>		<u>(54,763)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Commitments on Capital Projects

The Council has entered into 24 significant capital projects on 31 March 2008:

Civic Amenity Site, Fraserburgh	£255,000
Installation of woodburning boiler and plant room, Aboyne Academy	£569,000
Refurbishment of Woodhill House	£394,000
Extension to Kincardine O'Neill Primary School	£621,000
Aboyne Academy	£211,000
New School, Lairhillock	£200,000
Civic Amenity Site, Peterhead	£574,000
Various Aberdeenshire Properties – Door Upgrades	£154,000
Macduff Industrial Estate – Site Servicing	£110,000
Buchan Area Aberdeenshire Properties – Kitchen Upgrades	£197,000
Formartine & Garioch Areas Aberdeenshire Properties – Kitchen Upgrades	£101,000
Marr Area Aberdeenshire Properties – Kitchen Upgrades	£234,000
Boiler Plant Replacement, Don House, Inverurie	£136,000
Formartine & Garioch Areas Aberdeenshire Properties – Heating Upgrades	£141,000
Marr Area Aberdeenshire Properties – Door Upgrades	£110,000
Various Aberdeenshire Properties – Electrical Upgrades	£127,000
Various Aberdeenshire Properties – BMS Control System	£123,000
Dust extraction plant for Balmedie Quarry	£125,000
Hot storage for Craighash Quarry	£140,000
Brucklay Bridge	£227,000
Macduff Slipway	£2,305,000
Don Bridge Montgarrie	£706,000
Lower Northwater Bridge	£198,000
Easter Anguston Bridge	£100,000

22. Finance and Operating Leases

Finance Leases

Vehicles, Plant and Equipment – In 2007/08, the Council has acquired vehicles and ICT equipment under finance leases. The rentals payable under these arrangements in 2007/08 were £860,000 (2006/07 = £590,000), charged to the Income and Expenditure Account as £164,000 finance costs (debited to interest payable) and £696,000 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 2006/2007 £'000		Vehicles, Plant & Equipment 2007/2008 £'000
-	Value at 1 April	2,968
3,225	Additions	1,210
-	Revaluations	-
(257)	Depreciation	(752)
-	Disposals	-
<u>2,968</u>	Value at 31 March	<u>3,426</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2008, accounted for as creditors for obligations payable in 2008/09, and Deferred Liabilities for obligations payable after 2008/09, are as follows:

	Vehicles, Plant & Equipment 2007/2008 £'000
Obligations payable in 2008/09	727
Obligations payable between 2009/10 and 2012/13	2,451
Obligations payable after 2013/14	101
Total liabilities at 31 March 2008	3,279

The Council has not entered into any commitments in respect of finance leases at 31 March 2008 where payments will start in 2008/09.

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 2007/2008 was £2,778,000 (2006/2007 = £2,941,000).

Commitments under Operating Leases – The Council was committed at 31 March 2008 to making payments of £2,403,000 under operating leases in 2008/09, comprising the following elements:

	Vehicles, Plant & Equipment 2007/2008 £'000
Leases expiring within 2008/09	415
Leases expiring between between 2009/10 and 2012/13	1,797
Leases expiring after 2012/13	191
Total payments under operating leases in 2008/09	2,403

Authority as Lessor – The Council leases industrial, commercial and other properties accounted for under operating lease arrangements. The rent received in 2007/08 was £4,715,000. The gross value of assets held for use in operating leases was £73,592,000 and subject to £1,310,000 depreciation to 31 March 2008.

	Land & Buildings £'000	HRA £'000	Investment Properties £'000
Gross Book Value	28,797	3,422	41,373
Accumulated Depreciation	(1,183)	(125)	(2)
Net Book Value at 31/03/08	27,614	3,297	41,371

NOTES TO THE CORE FINANCIAL STATEMENTS

23. 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 23 February 2004, on the basis of EUV or Depreciated Replacement Cost (DRC) - £24,618,000.
- 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 2007/2008 are as follows:

Gordon Daniels FRICS, who is internal to the Council and Roger McKechnie, MRICS, who is external to the Council.

24. Movement in Intangible Assets

	Purchased Software Licences £'000
Original Cost	1,742
Amortisations to 1 April 2007	(421)
Balance at 1 April 2007	1,321
Expenditure in Year	1,037
Amortisation charge for the year	(348)
Balance at 31 March 2008	2,010

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

	General Fund £'000	HRA £'000	Total £'000
Fixed Asset Additions	41,320	12,406	53,726
Intangible Assets Additions	909	128	1,037
Total Capital Expenditure	42,229	12,534	54,763
Less funded: Finance Leases	(1,210)	-	(1,210)
	41,019	12,534	53,553

NOTES TO THE CORE FINANCIAL STATEMENTS

26. Long-Term Debtors

Balance Outstanding 2006/2007 £'000	Cumulative Soft Loan Adjustment £'000	Fair Value Amortised Costs At 1 April 2007 £'000		Balance Outstanding At 31 March 2008 £'000	Cumulative Soft Loan Adjustment 2007/2008 £'000	Fair Value Amortised Costs At 31 March 2008 £'000
3,069	-	3,069	PFI/PPP Deferred Consideration	2,922	-	2,922
100	(62)	38	Enterprise North-East Trust	100	(60)	40
343	-	343	Portlethen Golf Club	338	-	338
48	-	48	Visit Scotland	39	-	39
4	-	4	Ellon and District Sports Development Trust	2	-	2
3,744	(2,512)	1,232	Aberdeenshire Housing Partnership	3,744	(2,448)	1,296
30	(3)	27	Kinellar Community Association	-	-	-
90	(13)	77	Cornerstone Community Association	90	(9)	81
460	-	460	House Loans	333	-	333
113	(10)	103	Support for Aberdeenshire Business Loans	92	(6)	86
<u>8,001</u>	<u>(2,600)</u>	<u>5,401</u>		<u>7,660</u>	<u>(2,523)</u>	<u>5,137</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.

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 2007 £'000	Received During Year £'000	Released to Services £'000	Balance at 31 March 2008 £'000
Education Services	(22,515)	(11,245)	816	(32,944)
Housing Services	-	-	-	-
HRA	(744)	(142)	41	(845)
Cultural & Related Services	(1,889)	(100)	195	(1,794)
Environmental Services	(4,454)	(962)	665	(4,751)
Roads & Transport Services	(10,862)	(4,391)	285	(14,968)
Planning & Development Services	(3,658)	(149)	49	(3,758)
Social Work	(1,741)	(363)	41	(2,063)
Central Services	(218)	-	62	(156)
Corporate & Democratic Core	-	-	-	-
Total	<u>(46,081)</u>	<u>(17,352)</u>	<u>2,154</u>	<u>(61,279)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Net Assets Employed

The net assets employed can be broken down as follows:

2006/07		2007/08
£'000		£'000
186,575	Assets employed by the General Fund	109,925
362,514	Assets employed by the Housing Revenue Account	341,060
(3,152)	Assets employed by Trading Services	(2,162)
545,937		448,823

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 2008, the net profit was £5,000 and the net assets were £2,000,000. 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 2008, the net profit was £15,000 and the net assets were £58,000. 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.

Trusts and Common Good Funds

The Council acts as Trustee for 405 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 2008, the net assets were £4.9m for Trusts and £1.6m for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 59-64. 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 2008, the net deficit was £30,610,000 and the net liabilities were £570,272,000. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2008, the net deficit was £7,533,000 and the net liabilities were £106,238,000. 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 2008, the net surplus was £427,000 and the net liabilities were £2,222,000. 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 2008, 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.

Sporting Trusts

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

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 2007		375,758
Expenditure during year	54,763	
Less: Receipts, Grants & Accruals	(36,474)	
Revenue Financing	<u>(5,602)</u>	12,687
Net New Borrowings		
Debt Repayments		<u>(10,419)</u>
Loans Fund Outstanding 31 March 2008		<u>378,026</u>

Debt repayments are net of receipts from external bodies.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 2007/2008 the average interest rate for capital advances was 5.82% (2006/2007= 5.63%); and expenses on raising loans 0.03% (2006/2007 = 0.03%).

INCOME AND EXPENDITURE ACCOUNT

2006/2007		2007/2008
£'000		£'000
	EXPENDITURE	
23,334	Interest paid to Lenders	25,252
126	Expenses and Commission of Raising Loans	126
<u>23,460</u>		<u>25,378</u>
	INCOME	
(21,084)	- Aberdeenshire Council	(22,142)
(3)	- Other Authorities and Bodies	(3)
(2,373)	- Temporary Investments	(3,233)
<u>(23,460)</u>		<u>(25,378)</u>

BALANCE SHEET AS AT 31 MARCH

Restated		2007/2008
2006/2007		£'000
£'000		£'000
	ASSETS	
	<i>Advances to</i>	
375,710	- Aberdeenshire Council for Capital Expenditure	377,987
48	- Other Authorities and Bodies	39
68	Debtors	
18,737	- Debt Redemption Premium	-
26,199	- Temporary Investments	81,588
911	- Petty Cash	983
<u>421,673</u>		<u>460,597</u>
	Less: CURRENT LIABILITIES	
(80,710)	Temporary Advances from Services	(98,735)
(5,122)	Sundry Creditor	
(5,717)	Borrowing Repayable within 12 Months	(5,383)
-	Bank Overdraft	(3,854)
<u>(91,549)</u>		<u>(107,972)</u>
<u>330,124</u>	NET ASSETS	<u>352,625</u>
	FINANCED BY:	
(249,172)	PWLB	(273,339)
(80,600)	Bonds and Mortgages	(95,841)
(352)	Other	(327)
-	Financial Instruments Adjustment Account	16,882
<u>(330,124)</u>		<u>(352,625)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

32. Long Term Borrowing

Included within the Council's debt at 31 March 2008 are the following categories:

31 March 2007 £'000	Source of Loan	Range of Interest Rates	Outstanding as at 31 March 2008 £'000
249,172	Public Works Loans Board (PWLB)	2.5% to 11.75%	273,339
80,600	Bonds & Mortgages	2.52% to 11.00%	95,841
352	Other	5.75% to 6.75%	327
<u>330,124</u>			<u>369,507</u>

Number of Years	PWLB £'000	Bonds & Mortgages £'000	Other £'000	Total £'000
1-2	1,900	-	-	1,900
2-5	16,021	-	-	16,021
5-10	40,811	-	-	40,811
Over 10	214,607	95,841	327	310,775
	<u>273,339</u>	<u>95,841</u>	<u>327</u>	<u>369,507</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 of a particular Service's budget.

The fund has a balance as at 31 March 2008 of £1,567,000 (31 March 2007 - £1,558,000), 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 2008 amount to £1,199,000 (31 March 2007 - £1,066,000).

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.

34. Provisions

(i) **General Provision**

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

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 3).

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	Roads Operations £'000	LATS £'000	Equal Pay £'000	Total £'000
Balance at 1 April 2007	(428)	(246)	(800)	(1,474)
Provision Made in Year	(132)	(344)	(2,418)	(2,894)
Provision not Realised in Year	168	246	414	828
Provision Utilised in Year	72	-	386	458
Balance at 31 March 2008	(320)	(344)	(2,418)	(3,082)

(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 £1,364,000 as at 31 March 2008.

	General Debtors £'000	Revenues £'000	Housing Rents £'000	Total £'000
Balance at 1 April 2007	(1,492)	(17,146)	(1,247)	(19,885)
Adjustment to Provision Made in Year	(683)	1,045	168	530
Balance at 31 March 2008	(2,175)	(16,101)	(1,079)	(19,355)

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	Restated Balance at 1 April 2007 £'000	Net Movement In Year £'000	Balance at 31 March 2008 £'000	Purpose of Reserve	Further Details of Movements
Capital Adjustment Account	(591,014)	27,360	(563,654)	Store of capital resources set aside to meet past expenditure	Note 36 to the Core Financial Statements, page 38.
Financial Instruments Adjustment Account	20,283	(880)	19,403	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 38.
Revaluation Reserve	-	(15,617)	(15,617)	Store of gains on revaluation of fixed assets not yet realised through sales	Note 36 to the Core Financial Statements, page 38.
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 38.
Capital Receipts Reserve	-	-	-	Proceeds of fixed asset sales available to meet future capital investment	Note 36 to the Core Financial Statements, page 38.
Pension Reserve	90,435	77,057	167,492	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	Note 38 to the Core Financial Statements, page 39.
Housing Revenue Account	(22,406)	(6,959)	(29,365)	Resources available to meet future running costs for council houses	Note 39 to the Core Financial Statements, page 39 and HRA Statements pages 52-54.
General Fund	(17,625)	(3,181)	(20,806)	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance, page 12 and Note 40 to the Core Financial Statements, pages 39-40.
Other Reserves	(5,327)	(949)	(6,276)	Resources available to meet specific future costs, as allowed by statute.	Note 41 to the Core Financial Statements, pages 40-41.
Total	(525,654)	76,831	(448,823)		

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.

	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Capital Receipts Reserve £'000
Closing Balance at 31 March 2007	(419,158)	(171,856)	-	-	-
Adjustment for revised accounting treatment	<u>419,158</u>	<u>171,856</u>	<u>-</u>	<u>(591,014)</u>	<u>-</u>
Restated Closing Balance at 31 March 2007	-	-	-	(591,014)	-
Revaluations & Restatements	-	-	(15,617)	-	-
Depreciation of Fixed Assets	-	-	-	24,437	-
Amortisation of Intangible Fixed Assets	-	-	-	348	-
Impairment of Fixed Assets	-	-	-	18,160	-
Government Grants Deferred Amortisation	-	-	-	(2,154)	-
Net Gain or Loss on Sale of Fixed Assets	-	-	-	(3,946)	-
Loans Fund Principal Repayments	-	-	-	(10,434)	-
Finance Lease Prudent Charge	-	-	-	(696)	-
Capital Financed from Current Revenue	-	-	-	(4,392)	-
Government Grants Deferred Received	-	-	-	1,902	-
PFI/PPP Deferred Considerations	-	-	-	147	-
Adjustment re HRA Disposals	-	-	-	3,988	-
Disposals at Cash Value:					
- HRA	-	-	-	-	(12,059)
- Other	-	-	-	-	(4,763)
Applied Sales Receipts	-	-	-	-	16,822
Closing Balance at 31 March 2008	<u>-</u>	<u>-</u>	<u>(15,617)</u>	<u>(563,654)</u>	<u>-</u>

37. Financial Instruments Reserves

	Restated Balance as at 1 April 2007 £'000	Write down Discount and Premium £'000	Adjustments Soft Loans £'000	Adjustments Stepped Loans £'000	Balance as at 31 March 2008 £'000
Financial Instrument Adjustment Account (see note 3(iii))	20,283	(1,056)	(80)	256	19,403
Available for Sale Financial Instrument Reserve	-	-	-	-	-
	<u>20,283</u>	<u>(1,056)</u>	<u>(80)</u>	<u>256</u>	<u>19,403</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

38. Pension Reserve

The actuarial gains or losses identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£'000	%	£'000	%	£'000	%		%	£'000	%
Actual return less expected return on assets	(43,630)	14.0	(13,310)	3.7	(66,376)	13.4	(232)	-	56,343	9.9
Experience gains and losses on pension liabilities	280	0.1	(7,340)	1.5	25,532	4.2	-	-	-	-
Changes in assumptions underlying the present value of pension liabilities	(790)	0.2	84,860	17.4	30,812	5.0	(33,522)	5.2	20,686	2.8
	<u>(44,140)</u>		<u>64,210</u>		<u>(10,032)</u>		<u>(33,754)</u>		<u>77,029</u>	

The movement in the Pension Reserve is set out below:

	£'000
Balance at 1 April 2007	90,435
Movements in Year:	
Actuarial (Gains)/Losses	77,029
Net charges made for retirement benefits in accordance with FRS17	23,747
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	(23,719)
Balance at 31 March 2008	<u>167,492</u>

39. Housing Revenue Account

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

- provide for unforeseen events and contingencies. The Council's policy is to maintain a minimum balance of £2m for this purpose.
- 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 £5m in a Working Balance to cushion the impact of any unforeseen circumstances or emergencies. 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 45 . 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.
- Bank of Commerce and Credit International (BCCI) – dividends received following the liquidation of BCCI. The Council has determined that these proceeds are ring-fenced and re-invested in the Banff and Buchan area to the general benefit of the residents of that area.
- Other Miscellaneous Balances – balances set aside for specific purposes e.g. to purchase artefacts for Museums.

	Working Balance £'000	DEM £'000	Invest To Save £'000	School Transport £'000	BCCI £'000	Others £'000	Total £'000
Balance at 1 April 2007	(7,704)	(7,529)	(718)	-	(543)	(1,131)	(17,625)
Movement for the Year	(4,821)	1,441	391	(709)	543	(26)	(3,181)
Balance at 31 March 2008	<u>(12,525)</u>	<u>(6,088)</u>	<u>(327)</u>	<u>(709)</u>	<u>-</u>	<u>(1,157)</u>	<u>(20,806)</u>

41. Other Reserves

The Council operates a 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 3, Section 24 (4) of that Act. Movements for the year are set out below.

	Balance as at 31 March 2007 £'000	Add Contributions £'000	Add Interest £'000	Deduct Expenditure £'000	Balance as at 31 March 2008 £'000
Renewal & Repair Fund					
Building Repairs & Maintenance (i)	-	-	-	-	-
Coastal Protection Emergencies (i)	(67)	-	(3)	50	(20)
Road Maintenance (i)	(1,833)	-	(90)	33	(1,890)
Winter Maintenance (i)	(907)	(774)	(45)	-	(1,726)
Amenity Areas (ii)	(398)	(61)	(22)	-	(481)
Vehicle Replacement (iii)	(564)	-	(28)	-	(592)
Total Renewal & Repair	<u>(3,769)</u>	<u>(835)</u>	<u>(188)</u>	<u>83</u>	<u>(4,709)</u>
Insurance Fund (iv)	(1,558)	(133)	(76)	200	(1,567)
	<u>(5,327)</u>	<u>(968)</u>	<u>(264)</u>	<u>283</u>	<u>(6,276)</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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- (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.

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.

42. Single Status

The Council has carried out a job evaluation exercise as part of the single status agreement. This agreement was signed nationally in 1999 by local government employers and trade unions, and represents a major opportunity to review the Council's current service structures and develop a fair pay and grading mechanism that can be applied consistently to all employees.

The agreement was implemented on 1 July 2007, although revised salaries for employees covered by the agreement was backdated to 1 January 2007. The cost of implementing the agreement was in excess of £11,000,000 in 2007/08.

43. Contingent Liabilities – Single Status and Guarantees

As detailed in Note 42, 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 2008, there were approximately 2,000 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.

Aberdeenshire Council, at 31 March 2008, 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 a bank guarantee up to the value of €106,000 (£72,000) in favour of this Directorate General for Fisheries and Maritime Affairs, European Commission until 28 July 2008, at which time it will be reviewed.

44. Authorisation

The unaudited accounts were authorised for issue on 24 June 2008 and the audited accounts were authorised for issue on 30 September 2008 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.

45. Reserves and Balances Held by Schools Under Delegated Schemes

The General Fund Balance includes an amount of £6,088,000 (31 March 2007 £7,529,000) which is held by schools under Devolved Education Management. These balances are committed to be spent on the Education Service.

NOTES TO THE CORE FINANCIAL STATEMENTS

46. 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 47.

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:

2006/07	£'000 Income and Expenditure Account	2007/08
		£'000
	Net Cost of Services:	
23,568	- Current Service Cost	25,281
(4,117)	- Past Service Costs	434
2,090	- Curtailments	1,257
	Net Operating Expenditure:	
31,066	- Interest Cost	35,586
(32,257)	- Expected return on assets in the Scheme	(38,811)
20,350	Net charge to the Income and Expenditure Account	23,747

Statement of Movement in the General Fund Balance

(20,350)	Reversal of net charges made for retirement benefits in accordance with FRS 17 Actual amount charged against the General Fund Balance for pensions in the year:	(23,747)
20,579	Employers contributions payable to scheme	23,719

Contributions of £2,649,000 remained payable at the year end.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pension Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

31 March 2007		31 March 2008
£'000		£'000
(612,135)	Estimated funded liabilities in scheme	(713,156)
(31,453)	Estimated unfunded liabilities in scheme	(21,371)
<u>553,153</u>	Estimated assets in scheme	<u>567,035</u>
<u>(90,435)</u>	Net asset/ (liability)	<u>(167,492)</u>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net liability of £167,492,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a reduced overall balance of £448,823,000. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Aberdeenshire Council's contribution rate over the accounting period was 285% of members' contributions. The contribution rates certified for Aberdeenshire Council at the 31 March 2005 valuation for April 2008 to March 2009 is 300% of Members' contributions.

These figures include the past service element of the contribution rate.

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 Human Resource Consulting Limited, an independent firm of actuaries, estimates for this fund being based on the latest full valuation of the scheme as at 31 March 2005. The next triennial valuation will be based on the Fund as at 31 March 2008.

The main assumptions used in their calculations have been:

2006/07		2007/08
3.1%	Rate of inflation	3.6%
5.4%	Discount rate	6.1%
4.85%	Rate of increase in salaries	5.35%
3.1%	Rate of increase in pensions	3.6%

Long term expected rates of return used in the calculations are as follows:

2006/07		2007/08
7.5%	Equities	7.5%
4.7%	Government Bonds	4.6%
5.4%	Other Bonds	6.1%
6.5%	Property	6.5%
5.25%	Cash/Liquidity	5.25%
7.5%	Other	7.5%

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets in the Local Government Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

31 March 2007		31 March 2008	
	%		%
74.0	Equities	74.0	
5.0	Government Bonds (includes all bonds)	3.0	
7.0	Other Bonds	4.0	
10.0	Property	9.0	
3.0	Cash Liquidity	7.0	
1.0	Other	3.0	
<u>100.0</u>		<u>100.0</u>	

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.

47. Scottish Teachers' Pension Scheme

As stated in Note 46 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 2007/08, the Council paid £12,597,000 to the Scottish Government in respect of teachers' retirement benefits representing 13.50% of pensionable pay. The figures for 2006/07 were £11,418,000 and 12.50%. In addition, the council is responsible for all pension payments related to "added years" it has awarded, together with related increases. These amounted to £828,000 or 0.89% of pensionable pay. The figures for 2006/07 were £776,000 and 0.85%. Contributions of £1,559,000 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 46 above.

NOTES TO THE CORE FINANCIAL STATEMENTS

48. 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	
	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000
Financial liabilities at amortised cost	(330,124)	(369,507)	(94,979)	(96,576)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	<u>(330,124)</u>	<u>(369,507)</u>	<u>(94,979)</u>	<u>(96,576)</u>
Loans and receivables	6,497	5,179	71,305	120,235
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	<u>6,497</u>	<u>5,179</u>	<u>71,305</u>	<u>120,235</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:

	2006/07 Financial Liabilities	2006/07 Financial Assets		
	Measured at amortised cost £'000	Loans and receivables £'000	Available- for-sale assets £'000	Total £'000
Interest expense	(21,084)	-	-	(21,084)
Losses on derecognition	-	-	-	-
Impairment losses	-	(94)	-	(94)
Interest payable and similar charges	<u>(21,084)</u>	<u>(94)</u>	<u>-</u>	<u>(21,178)</u>
Interest income	-	3,405	-	3,405
Gains on derecognition	-	-	-	-
Interest and investment income	<u>-</u>	<u>3,405</u>	<u>-</u>	<u>3,405</u>
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	-	-
Amounts recycled to the I+E Account after impairment	-	-	-	-
Surplus arising on revaluation of financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net gain/(loss) for the year	<u>(21,084)</u>	<u>3,311</u>	<u>-</u>	<u>(17,773)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	2007/08 Financial Liabilities		2007/08 Financial Assets	
	Measured at amortised cost £'000	Loans and receivables £'000	Available- for-sale assets £'000	Total £'000
Interest expense	(21,537)	-	-	(21,537)
Losses on derecognition	-	-	-	-
Impairment losses	-	(809)	-	(809)
Interest payable and similar charges	(21,537)	(809)	-	(22,346)
Interest income	-	5,560	-	5,560
Gains on derecognition	-	-	-	-
Interest and investment income	-	5,560	-	5,560
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	-	-
Amounts recycled to the I+E Account after impairment	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-
Net gain/(loss) for the year	(21,537)	4,751	-	(16,786)

(iii) 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	Fair value
	2007/08 £'000	2007/08 £'000
PWLB	275,059	313,678
Market Loan	95,841	103,984
	370,900	417,662

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	Fair value
	2007/08	2007/08
	£'000	£'000
Financial Assets		
Cash and Bank Deposits	21,634	21,634
Fixed Term Deposits	57,083	57,014
	78,717	78,648
	78,717	78,648

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.

(iv) 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 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 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.

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.

	2006/07	2007/08
	£'000	£'000
General Debtors	1,492	2,175
Revenues	17,146	16,101
Housing Rents	1,247	1,079
Guarantees	-	-
	19,885	19,355
	19,885	19,355

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 2006/2007 £'000	Creditors 2006/2007 £'000	Overdraft 2006/2007 £'000	Long-Term Borrowing 2006/2007 £'000	Total 2006/2007 £'000
Less than one year	(5,717)	(89,262)	-	-	(94,979)
Between one and two years	-	-	-	(1,720)	(1,720)
Between two and five years	-	-	-	(4,601)	(4,601)
Between five and ten years	-	-	-	(40,570)	(40,570)
More than ten years	-	-	-	(283,233)	(283,233)
	(5,717)	(89,262)	-	(330,124)	(425,103)

	Short-Term Borrowing 2007/2008 £'000	Creditors 2007/2008 £'000	Overdraft 2007/2008 £'000	Long-Term Borrowing 2007/2008 £'000	Total 2007/2008 £'000
Less than one year	(5,383)	(87,339)	(3,854)	-	(96,576)
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	-	-	-	(310,775)	(310,775)
	(5,383)	(87,339)	(3,854)	(369,507)	(466,083)

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 2008, 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	-
Increase in interest receivable on variable rate investments	(781)
Increase in government grant receivable for financing costs	-
Impact on Income and Expenditure Account	<u>(781)</u>
Share of overall impact debited to the HRA	<u>(256)</u>

Impact on Fair Value

Decrease in fair value of fixed rate investment assets	<u>226</u>
Impact on STRGL	<u>-</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	<u>54,387</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.

49. Increase/(Decrease) in Cash and Cash Equivalents

2006/2007		2007/2008
£'000		£'000
1,484	Bank Overdraft	(3,854)
547	Cash	72
<u>2,031</u>		<u>(3,782)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

50. Reconciliation of Surplus to Net Cash Flow

2006/2007 £'000		2007/2008 £'000	2007/2008 £'000
(13,579)	(Surplus)/Deficit for Year		11,430
	Non Cash Transactions		
59	(Increase)/Decrease in Provisions set aside in Year	(1,608)	
(953)	Contributions (to)/from Funds and Reserves	(7,908)	
(894)			(9,516)
	Items on an Accruals Basis		
(47)	Increase/(Decrease) in Stock	96	
(1,309)	Increase/(Decrease) in Debtors	(9,395)	
684	(Increase)/Decrease in Creditors	1,923	
(672)			(7,376)
(33,378)	Adjust Capital Financing		(49,833)
<u>(48,523)</u>	Net Cash Flow from Revenue Activities		<u>(55,295)</u>

51. Reconciliation of Movement in Cash to the Movement of Net Debt

2006/2007 £'000		2007/2008 £'000
2,031	Increase/(Decrease) in Cash	(3,782)
2,492	Increase/(Decrease) in Debt	16,340
4,523	Movement in Net Debt	12,558
(313,254)	Net Debt as at 1 April	(308,731)
<u>(308,731)</u>	Net Debt as at 31 March	<u>(296,173)</u>

Analysis of Movement in Net Debt

	As at 1 April 2007 £'000	Cash Flows £'000	As at 31 March 2008 £'000
Cash in Hand	911	72	983
Bank Overdraft	-	(3,854)	(3,854)
	911	(3,782)	(2,871)
Long Term Borrowing	(330,124)	(39,383)	(369,507)
Temporary Borrowing	(5,717)	334	(5,383)
	(335,841)	(39,049)	(374,890)
Current Asset Investments	26,199	55,389	81,588
Total	<u>(308,731)</u>	<u>12,558</u>	<u>(296,173)</u>

52. Liquid Resources

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

NOTES TO THE CORE FINANCIAL STATEMENTS

53. Analysis of Government Grants - Revenue Activities

2006/2007 £'000	2007/2008 £'000	2007/2008 £'000
Education, Learning and Leisure		
(12,921) - National Priorities Action Fund	(8,118)	
(488) - Discipline Task Group Grant	(488)	
(1,391) - New Community Schools	(1,391)	
(665) - Continuing Professional Development	(665)	
(335) - In-Service Training	(335)	
(605) - Probationers – Fully Funded posts	(872)	
(1,516) - Determined to Succeed	(672)	
(610) - Youth Music Initiative	(602)	
(598) - Additional Support for Learners	(598)	
(664) - Education Maintenance Allowances	(831)	
(2,295) - Equipment & Resources for Schools	-	
<u>(2,333) - Education, Learning & Leisure Others</u>	<u>(2,991)</u>	
(24,421)		(17,563)
Housing & Social Work		
(1,724) - Criminal Justice Service Grant	(2,144)	
(578) - Mental Illness	(578)	
(718) - NHS Grampian	-	
(2,183) - Changing Children's Service Fund	(1,208)	
(612) - Housing (Scotland) Act 2001 – Homelessness Grant	(741)	
(9,440) - Supporting People	(9,533)	
(2,327) - Improvements and Repairs Grant	(614)	
<u>(2,831) - Social Work and Housing Others</u>	<u>(2,534)</u>	
(20,413)		(17,352)
Transportation & Roads		
(395) - Rural Transport Initiative	-	
(95) - Eastern Cairngorm Access Project	-	
21 - NOLIMP Interreg Project	-	
(6,087) - Waste Strategy	(3,833)	
<u>(540) - Transportation & Infrastructure Other</u>	<u>(1,542)</u>	
(7,096)		(5,375)
Policy & Resources		
- - Council Tax Grant	-	
(1,248) - Benefits Administration	(1,367)	
(48) - Verification Framework Income	-	
- - National Fraud Initiative (DWP)	-	
(74) - Electronic Document Management (DWP)	(15)	
(121) - Community Safety Partnership	(121)	
<u>(74) - Policy & Resources Other</u>	<u>(265)</u>	
(1,565)		(1,768)
<u>(53,495)</u>		<u>(42,058)</u>

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.

2006/2007 Actual £'000	Income	2007/2008 Actual £'000	2007/2008 Actual £'000	Notes Ref
(32,849)	Dwelling Rents	(34,006)		
(1,228)	Non-dwelling Rents	(1,246)		
(2,944)	Other Income	(3,013)		
(37,021)	Total Income		(38,265)	
	Expenditure			
9,502	Repairs & Maintenance	9,980		
7,076	Supervision & Management	7,686		
2,835	Depreciation & Impairment of Fixed Assets	15,144		
6,756	Other Expenditure	6,391		
(108)	Increase/ (Decrease) in Bad Debt Provision	(26)		
26,061	Total Expenditure		39,175	2
(10,960)	Net Cost of HRA Services per Authority Income & Expenditure Account		910	
317	HRA services share of Corporate and Democratic Core		466	
-	HRA share of other amounts included in the whole authority		-	
-	Net Cost of Services but not allocated to specific services		-	
(10,643)	Net Cost of HRA Services		1,376	
(685)	(Gain) or Loss on sale of HRA fixed assets		(3,418)	
7,117	Interest payable and similar charges		7,262	
258	Amortisation of premiums and discounts		-	
(1,018)	Interest and investment income		(1,134)	
(74)	Pensions interest cost and expected return on pensions assets		(159)	
(5,045)	(Surplus) or Deficit for the year on HRA services		3,927	

Other Notes to the HRA Income and Expenditure Account

1

STATEMENT OF MOVEMENT ON HRA BALANCE

2006/2007 £'000		2007/2008 £'000	Notes Ref
(5,045)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account	3,927	
5,006	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(10,886)	3
		<hr/>	
(39)	(Increase) / Decrease in the Housing Revenue Account Balance	(6,959)	
(22,367)	Housing Revenue Account surplus brought forward	(22,406)	
<u>(22,406)</u>	Housing Revenue Account surplus carried forward	<u>(29,365)</u>	

NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT

1. Statistics

2006/2007		2007/2008
13,443	Housing Stock as at 31 March	13,095
	Types of dwellings:	
1,556	- Sheltered Housing	1,552
8	- 1 apartment	8
3,647	- 2 apartment	3,619
5,414	- 3 apartment	5,237
2,667	- 4 apartment	2,543
151	- 5 + apartment	136
13,443		13,095
£'000		£'000
	Rent Arrears	
686	- Current Tenants	541
916	- Former Tenants	823
1,247	Provision for Bad Debts (Housing Rents)	1,080
905	Losses on Void Properties	736
£44.58	Average Weekly Rent	£47.04

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 0.05% lower (2006/07 0.87% higher) after the replacement of employer's contributions by current service costs.

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

2006/2007		2007/2008	
£'000		£'000	£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year		
(2,835)	Depreciation and impairment of fixed assets	(15,144)	
41	Amortisation of Government Grants Deferred	41	
685	Gain / (Loss) on sale of HRA fixed assets	3,418	
(957)	Net charges made for retirement benefits in accordance with FRS17	(914)	
(3,066)			(12,599)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year		
806	Employer's contributions payable to the Local Government Pension Fund and retirement benefits payable direct to pensioners	929	
481	Loans fund principal repayments	438	
6,785	Capital expenditure funded by the HRA	335	
-	- Transfer to/(from) insurance fund	11	
8,072			1,713
5,006	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year		(10,886)

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 2007/2008, for Band D properties, the Council Tax was £1,141.00. The Scottish average Council Tax for 2007/2008 was £1,087.00. This statement also includes any residual Community Charges collected.

2006/2007 £'000		2007/2008 £'000	2007/2008 £'000	Notes Ref
(120,128)	Gross Council Tax Due		(125,212)	
	Less:			
12,374	Other Discounts and Reductions	9,722		
1,492	Provision for bad and doubtful debts	1,565	11,287	
	Adjustments to Previous Years:			
280	Council Tax & Community Charge		545	
(105,982)	Transfer to Income and Expenditure Account		(113,380)	

Council Tax Income Account notes

1-2

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. Analysis of Properties by Bandings (based on valuation list at September 2007)

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	20,761	15,580	13,309	15,720	18,741	12,956	7,961	475	105,503
<i>Less:</i>									
Exemptions	1,088	402	319	264	204	98	47	6	2,428
Discount – 25%	2,629	1,483	1,067	1,009	869	442	206	9	7,714
Discount – 50%	374	246	228	214	191	125	91	18	1,487
Disabled Reduction Adjustment	(70)	(10)	-	(48)	34	51	42	1	-
Effective Properties	16,740	13,459	11,695	14,281	17,443	12,240	7,575	441	93,874
Ratio	6/9*	7/9	8/9	1	11/9	13/9	15/9	18/9	
 Band D Equivalents	 11,156	 10,468	 10,395	 14,281	 21,319	 17,680	 12,625	 882	 98,806
 Contributions in lieu of Council Tax by HM Government									 13
COUNCIL TAX BASE									<u>98,819</u>
									2006/2007 97,175

* Of the 16,740 Band A properties, 39 receive a discount in the ratio 5/9 relating to disabled relief.

2. Valuation Banding Table

Band	Property Value	Proportion of Band D	2007/08 Council Tax	2006/2007 Council Tax
A	Up to £27,000	6/9	£760.67	£742.00
B	£27,001 – £35,000	7/9	£887.44	£865.67
C	£35,001 – £45,000	8/9	£1,014.22	£989.33
D	£45,001 - £58,000	9/9	£1,141.00	£1,113.00
E	£58,001 - £80,000	11/9	£1,394.56	£1,360.33
F	£80,001 - £106,000	13/9	£1,648.11	£1,607.67
G	£106,001 - £212,000	15/9	£1,901.67	£1,855.00
H	Above £212,000	18/9	£2,282.00	£2,226.00

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 2007/2008 was 44.1 pence, for properties with a rateable value up to £29,000 and 44.4 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.

2006/2007		2007/2008	2007/2008	Notes
£'000		£'000	£'000	Ref
(61,221)	Gross Rates Levied and Contributions in Lieu		(61,611)	
8,347	Reliefs and Other Deductions	8,430		
5	Payment of Interest	22		
(4)	Provisions for Bad and Doubtful Debt	(6)	8,446	
(52,873)	Net Business Rate Income		(53,165)	
(33,275)	Contribution from National Non-Domestic Rate Pool		(32,580)	
<u>(86,148)</u>	Transfer to Income and Expenditure Account		<u>(85,745)</u>	

Business Rate Income Account notes

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NOTES TO THE BUSINESS RATES INCOME ACCOUNT

1. Rateable Values and Numbers of Premises at 1 April 2007

2006/2007 Number of Subjects	2006/2007 Rateable Value £'000		2007/2008 Number of Subjects	2007/2008 Rateable Value £'000
1,826	20,646	Shops	1,827	21,668
119	1,842	Public Houses	118	1,859
1,063	11,935	Offices (including banks)	1,098	12,306
235	4,975	Hotel, Boarding Houses, Etc	234	5,243
365	23,146	Industrial & Freight Transport Subjects	362	23,279
498	2,355	Leisure, Entertainment Caravans and Holiday Sites	513	2,446
462	2,267	Garages and petrol stations	456	2,299
52	382	Cultural	53	391
378	2,884	Sporting Subjects	379	2,901
281	11,987	Education and Training	288	12,444
155	1,164	Public Service Subjects	153	1,175
36	1,361	Communication (Non Formula)	37	1,354
204	854	Quarries, Mines etc	203	878
17	8,627	Petrochemical	17	9,086
239	986	Religious	239	985
121	2,518	Health and Medical	118	2,530
4,219	30,484	Other	4,232	30,660
125	2,752	Care Facilities	125	2,770
28	40	Advertising	28	42
29	6,387	Undertaking	29	6,387
10,452	137,592	Total	10,509	140,703

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 2007/2008, the Business Rate for properties with a rateable value up to £29,000 was 44.1 pence (2006/2007 = 44.9 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 2007/08, the Business Rate for properties with a rateable value in excess of £29,000 was 44.4 pence (2006/2007 = 45.3 pence).

TRUSTS AND ENDOWMENTS

The Council administers 405 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 2008 and details of how these balances were invested at that date are shown below.

<u>Income & Expenditure Account</u>		
2006/07		2007/08
£'000	Expenditure	£'000
		Notes Ref
-	Property Costs	-
47	Administrative Costs	49
56	Donations, Grants etc	70
-	Other Costs	-
103	Total Expenditure	119
	Income	
(1)	Property	(1)
(81)	Investment Income	(93)
(101)	Other Income	(151)
(183)	Total Income	(245)
(80)	Surplus for the year	(126)
	<u>Balance Sheet</u>	
2006/07		2007/08
£'000		£'000
-	Tangible Fixed Assets	-
	Current Assets	
14	Other	14
2,956	Investments	2,749
2,001	Loans Fund Balance	2,124
4,971		4,887
	Current Liabilities	
(25)	Creditors	(32)
4,946	Working Capital	4,855
4,946	Total Net Assets	4,855
	Financed by:	
(3,986)	Capital	(3,788)
(960)	Revenue Balance	(1,067)
(4,946)	Reserves	(4,855)

Trusts and Endowments notes

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TRUSTS AND ENDOWMENTS

Total Funds 2006/07	<u>Summary of Funds</u>	Total Funds 2007/08
£'000		£'000
	Education Trusts	
2,666	Aberdeenshire Educational Trust	2,536
145	Kincardineshire Educational Trust	137
	Other Trusts	
1,217	General	1,268
121	Libraries	128
	Endowment Funds	
474	Educational Endowments	447
323	Social Work Endowments	339
4,946		4,855

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
24 June 2008

The unaudited accounts were issued on 24 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

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 2008 and the resultant gain on revaluation has been credited 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>		
2006/07		2007/08
£'000	Expenditure	£'000
-	Property Costs	-
30	Administrative Costs	31
43	Donations, Grants etc	49
-	Other Costs	-
73	Total Expenditure	80
	Income	
-	Property	-
(60)	Investment Income	(69)
(52)	Other Income	(58)
(112)	Total Income	(127)
(39)	Surplus for the year	(47)
<u>Balance Sheet</u>		
2006/07		2007/08
£' 000		£' 000
-	Tangible Fixed Assets	-
	Current Assets	
-	Other	1
2,207	Investments	2,013
924	Loans Fund Balance	995
3,131		3,009
	Current Liabilities	
(23)	Creditors	(26)
3,108	Working Capital	2,983
3,108	Total Net Assets	2,983
	Financed by:	
(2,903)	Capital	(2,763)
(205)	Revenue Balance	(220)
(3,108)	Reserves	(2,983)

NOTES TO THE TRUSTS AND ENDOWMENTS

Summary of Funds

Total Funds 2006/07 £'000	Scottish Charity Number	Charity Name	Total Funds 2007/08 £'000
4	SC019285	Andrew Cooper History Prize Fund	4
145	SC028381	Kincardineshire Educational Trust	137
2,666	SC028382	Aberdeenshire Educational Trust	2,537
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	-
5	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	8
16	SC019103	Inverurie Nursing Trust	17
33	SC019112	William Philip	35
3	SC019108	William Davidson Mortification	3
3	SC019109	Miss Jeannie Annand Bequest	3
3	SC019115	Miss AE Scatterty Bequest	3
4	SC019284	Mrs Anna M Thow Bequest	4
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	12
1	SC019106	Huntly Coal Funds	1
24	SC019104	Lt Col George Andrew Trust	24
3	SC019116	Peter H Gordon Bequest	4
59	SC019113	Gordon Callum Trust	62
5	SC019289	Mrs ALC Collins Bequest	5
-	SC019282	Miss Mary Anne Thomson Bequest	-
-	SC019287	Peter Philip Bequest	-
-	SC019290	John Gordon Bequest	-
77	SC000850	Anderson & Woodman Library Trust	81
-	SC025064	Aberdeenshire Council Charitable Trusts	-
3,108			2,983

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.

2006/07 £'000	<u>Income & Expenditure Account</u>	2007/08 £'000
	Expenditure	
45	Property Costs	-
15	Administrative Costs	15
28	Donations, Grants etc	28
3	Other Costs	3
91	Total Expenditure	46
	Income	
(14)	Property	(54)
(16)	Investment Income	(1)
(47)	Other Income	(68)
(77)	Total Income	(123)
(14)	(Surplus) Deficit for the year	(77)

2006/07 £'000	<u>Balance Sheet</u>	2007/08 £'000
	Tangible Fixed Assets	
222	Land & Buildings	219
17	Other Heritable Property	17
239		236
	Current Assets	
12	Other	12
28	Investments	15
1,250	Loans Fund Balance	1,347
1,290		1,374
	Current Liabilities	
(3)	Creditors	(10)
1,287	Working Capital	1,364
1,526	Total Net Assets	1,600
	Financed by:	
(287)	Capital	(296)
(212)	Revaluation Reserve	(201)
(1,027)	Revenue Balance	(1,103)
(1,526)	Reserves	(1,600)

COMMON GOOD FUNDS

Summary of Funds

Total Funds 2006/07 £'000		Total Funds 2007/08 £'000
142	Macduff	169
340	Banff	358
5	Rosehearty	5
10	Portsoy	11
5	Aberchirder	5
61	Fraserburgh	64
432	Peterhead	441
27	Turriff	28
10	Oldmeldrum	11
107	Inverurie	111
41	Kintore	43
106	Stonehaven	106
52	Inverbervie	55
37	Laurencekirk	38
119	Huntly	121
32	Banchory	34
-	Ballater	-
<hr/> 1,526 <hr/>		<hr/> 1,600 <hr/>

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
24 June 2008

The unaudited accounts were issued on 24 June 2008 and the audited accounts were authorised for issue on 30 September 2008

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 7-10, 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 2006/2007 £'000		Gross Expenditure 2007/08 £'000	Income 2007/08 £'000	Net Expenditure 2007/08 £'000	Notes Ref
206,232	Education Services	258,654	(37,991)	220,663	
2,011	Housing Services	43,416	(41,048)	2,368	
(10,967)	HRA	38,736	(37,827)	909	
18,343	Cultural & Related Services	39,261	(18,897)	20,364	
22,060	Environmental Services	32,947	(9,266)	23,681	
25,609	Roads & Transport Services	59,301	(31,776)	27,525	
3,830	Planning & Development Services	21,120	(11,204)	9,916	
89,850	Social Work	128,157	(27,352)	100,805	
6,617	Central Services	26,377	(20,629)	5,748	
8,545	Fire Services	8,580	-	8,580	
16,981	Police Services	17,722	-	17,722	
1,528	Share of Operating Results of Associates	56,170	(55,637)	533	
1,339	Exceptional Item	1,854	-	1,854	
6,880	Corporate & Democratic Core	8,910	-	8,910	
(1,419)	Non Distributed Costs	1,815	-	1,815	
397,439	Net Cost of Services	743,020	(291,627)	451,393	
(689)	Net (Gain)/Loss on Disposal of Fixed Assets			(3,985)	
81	(Surplus)/Deficit from Trading Undertaking not included in Net Cost of Services			(123)	
21,084	Interest Payable and Similar Charges			21,537	
538	Share of Interest Payable and Similar Charges for Associates			534	
(3,559)	Interest and Investment Income			(5,735)	
(314)	Share of Interest and Investment Income for Associates			(437)	
(1,191)	Pensions interest Costs and Return on Pensions Assets			(3,225)	
11,835	Share of Pensions Interest Cost and Return on Pensions Assets for Associates			12,802	
425,224	Net Operating Expenditure			472,761	
(105,982)	Council Tax (including Community Charges)			(113,380)	
(233,163)	Revenue Support Grant Government Grants			(249,028)	
(86,148)	Business Rates			(85,745)	
(425,293)	Total Income			(448,153)	
(69)	(Surplus)/Deficit for the Year			24,608	

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 2006/07 £'000		2007/08 £'000	Notes Ref
(13,579)	(Surplus)/deficit on the authority's single entity Income and Expenditure Account for the year	11,430	
-	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:		
(73)	- Subsidiaries	(215)	
13,583	- Associates	13,393	
<u> </u>	- - Joint Ventures	<u> </u>	
<u>(69)</u>	Group Account (surplus)/deficit for the year	<u>24,608</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		
2006/07		2007/08
£'000		£'000
(69)	Net (surplus)/deficit for the year	24,608
(125,407)	(Surplus)/Deficit on revaluation of fixed assets	(17,549)
(50,702)	Actuarial (gains)/losses on pension fund assets and liabilities	87,387
<u>(6,172)</u>	Any other (gains)/losses recognised in the STRGL	<u>24,723</u>
<u>(182,350)</u>	Total Recognised (Gains) and Losses for the Year	<u>119,169</u>

GROUP BALANCE SHEET

Restated 31 March 2007 £'000		£'000	£'000	31 March 2008 £'000	Notes Ref
	FIXED ASSETS				
1,321	Intangible Fixed assets		2,010		
	Tangible Fixed Assets				
	Operational Assets:				
452,562	Council Dwellings	437,344			
351,533	Land & Buildings	360,969			
20,176	Vehicles, Plant & Equipment	21,769			
126,608	Infrastructure	140,004			
6,447	Community Assets	5,916	966,002		9
	Non-Operational Assets:				
45,527	Investment Properties	53,405			
8,985	Assets Under Construction	1,243			
2,665	Surplus Assets, Held for disposal	3,585	58,233		
	Other Long-Term Assets:				
18,737	Deferred Premiums on the Early Repayment of Debt	-			
8,001	Long Term Debtors	5,137			
42	Long Term Investments	42			
(220,338)	Share of Net Assets of Associates	(242,396)	(237,217)		
822,266	TOTAL FIXED ASSETS			789,028	
	CURRENT ASSETS				
3,393	-Stocks & Work in Progress	3,490			
44,210	-Debtors	37,685			
29,192	-Investments	84,352			
930	-Cash and Bank	1,029			
77,725			126,556		
	Less: CURRENT LIABILITIES				
(2,466)	-Short Term Borrowing	(1,912)			
(89,308)	-Creditors	(87,406)			
-	-Bank overdraft	(3,854)	(93,172)		
(14,049)	NET CURRENT ASSETS/(LIABILITIES)			33,384	
(330,124)	Long Term Borrowing		(369,507)		
(48,322)	Government Grants Deferred		(63,376)		
(2,297)	Deferred Liabilities		(2,559)		
(90,435)	Pension Liabilities		(167,492)		
(1,474)	Provisions		(3,082)	(606,016)	
335,565	TOTAL ASSETS LESS LIABILITIES			216,396	

GROUP BALANCE SHEET

FINANCED BY:		
(611,237)	Capital Adjustment Account	(583,570) 7
-	Financial Instruments Adjustment Account	19,403 7
-	Revaluation Reserve	(15,617) 7
(761)	Capital Receipts Reserve	(1,003) 7
333,959	Pension Reserve	434,799 7
(5,815)	Funds & Reserves	(9,942) 7
-	Charities Ring-Fenced Reserve	(2,947) 7
(19,339)	General Fund Balance	(22,668) 7
(22,406)	Housing Revenue Account Balance	(29,365) 7
(8,024)	Revaluation Reserve of Group Entities and Reporting Authorities Share of Revaluation Reserve of Associates	(5,486) 7
<u>(1,942)</u>	Income and Expenditure Account	<u>-</u>
<u>(335,565)</u>		<u>(216,396)</u> 8,10

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
24 June 2008

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GROUP CASH FLOW STATEMENT

Restated 2006/2007 £'000		2007/2008 £'000	2007/2008 £'000	Notes Ref
	REVENUE ACTIVITIES			
	Cash Outflows			
273,823	Cash Paid to and on Behalf of Employees	299,531		
337,479	Other Operating Cash Payments	312,640		
20,984	Housing Benefit Paid Out	21,303		
632,286			633,474	
	Cash Inflows			
(101,586)	Council Tax Receipts	(103,174)		
(55,408)	Business Rates Receipts	(54,001)		
(33,275)	Business Rates Receipts from National Pool	(32,580)		
(233,163)	Revenue Support Grant	(249,028)		
(16,684)	Housing Rents (After Rebates)	(17,390)		
(34,657)	DWP Grants for Benefits	(44,031)		
(53,495)	Other Government Grants	(42,058)		
(152,477)	Cash Received for Goods & Services	(146,554)		
(680,745)			(688,816)	
(48,459)	Net Cash Inflow from Revenue Activities		(55,342)	6
-	Dividends from Joint Ventures and Associates	-	-	
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash Outflows			
17,278	Interest Paid	18,307		
130	Interest Element of Finance Lease Rental Payments	164		
	Cash Inflows			
(2,839)	Interest Received	(2,685)		
14,569			15,786	
-	Taxation	-	-	
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
	Cash Outflows			
56,906	Purchase of Fixed Assets	57,333		
-	Purchase of Long Term Investments	-		
	Cash Inflows			
(14,306)	Sale of Fixed Assets	(16,998)		
(2,023)	Sale of Long Term Investments	-		
(11,559)	Capital Grants Received	(17,687)		
(168)	Other Capital Income	(195)		
28,850			22,453	
-	Equity Dividends Paid	-	-	
-	Acquisitions and Disposals	-	-	
(5,040)	Net Cash (Inflow)/Outflow before Financing		(17,103)	
	MANAGEMENT OF LIQUID RESOURCES			
(40,044)	Net Increase/(Decrease) in short term deposits		55,389	
	FINANCING			
	Cash Outflows			
286,292	Repayments of Amounts Borrowed	2,315		
460	Capital Element of Finance Lease Rental Payments	696		
	Cash Inflows			
(243,691)	New Loans Raised	(37,542)	(34,531)	
(2,023)	Net (Increase)/Decrease in Cash		3,755	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 2008.

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

Grampian Venture Capital Fund Limited

During the year the council had an interest in another entity, Grampian Venture Capital Fund Limited. The company has been excluded from the Group Accounts on the basis that 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 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

Prior to the introduction of the group accounts the council undertook a review of all organisations for which it may have an interest. The council identified that it had an interest in the sporting trusts listed below:

Balmedie Sports Trust
Bennachie Sports Trust
Denman Park Pavillion
Ellon & District Trust
Garioch Sports Trust
Lawsondale Playing Fields
Westdyke Leisure Centre
Huntly Leisure Trust

A decision was taken not to include the sporting trusts on the basis that their inclusion would not have a material impact on the accounts.

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 £232,427,000, (2006/07 £210,372,000) representing the Council's share in these companies.

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

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.

6. Group Cash Flow Statement

The impact of the incorporation of the subsidiary organisations is to increase the cash and cash equivalents of the council by £27,000. The Group Cash Flow Statement shows a net decrease in cash attributable to the group of £3,755,000. This can be reconciled as follows:

Increase/(Decrease) In Cash and Cash Equivalents

2006/2007	2007/2008
£'000	£'000
1,484 Bank Overdraft	(3,854)
539 Cash	99
2,023	(3,755)
2,023	(3,755)

The Income & Expenditure Account can be reconciled to the net cash flow from revenue activities as follows:

Restated	2007/2008	2007/2008
2006/2007	£'000	£'000
£'000		
(69) (Surplus)/Deficit for the Year		24,608
Non Cash Transactions		
59 (Increase)/Decrease in Provisions set aside in year	(1,608)	
(14,463) Contributions (to)/from Funds & Reserves	(21,096)	
(14,404)		(22,704)
Items on an Accruals Basis		
(46) Increase/(Decrease) in Stock	97	
(1,312) Increase/(Decrease) in Debtors	(9,389)	
683 (Increase)/Decrease in Creditors	1,902	
(675)		(7,390)
(33,311) Adjust Capital Financing		(49,856)
(48,459)	Net Cash Flow from Revenue Activities	(55,342)
(48,459)		(55,342)

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.

		Published Balance as at 31/03/07 £'000	Restated Balance as at 31/03/07 £'000	Opening Balance Restatements £'000	Net (Surplus) Deficit for Year £'000	Balance as at 31/03/08 £'000
Capital Adjustment Account	a	-	(611,237)	(251)	27,918	(583,570)
Financial Instruments Adjustment Account	b	-	-	20,283	(880)	19,403
Revaluation Reserve	c	-	-	-	(15,617)	(15,617)
Capital Receipts Reserve	d	(761)	(761)	-	(242)	(1,003)
Pension Reserve	e	333,959	333,959	-	100,840	434,799
Funds & Reserves	f	(5,815)	(5,815)	(3,118)	(1,009)	(9,942)
Charities Ring-Fenced Reserve	g	-	-	(3,046)	99	(2,947)
General Fund Balance	h	(19,339)	(19,339)	-	(3,329)	(22,668)
Housing Revenue Account Balance		(22,406)	(22,406)	-	(6,959)	(29,365)
Revaluation reserve of group entities and reporting authorities share of revaluation reserve of associates	i	(8,024)	(8,024)	4,473	(1,935)	(5,486)
Income & Expenditure Reserve		(1,942)	(1,942)	1,942	-	-
Fixed Asset Restatement Account		(433,248)	-	-	-	-
Capital Financing Account		(177,989)	-	-	-	-
		(335,565)	(335,565)	20,283	98,886	(216,396)

Note 7a Capital Adjustment Account

	Group 2007/08 £'000	Associates 2007/08 £'000	Total 2007/08 £'000
Opening Balance	-	-	-
Closing Balance Restatements:			
Transfer from Fixed Asset Restatement Reserves	(419,158)	(14,090)	(433,248)
Transfer from Capital Financing Account	(171,856)	(6,133)	(177,989)
Restated Balance at 31 March 2007	(591,014)	(20,223)	(611,237)
Opening Balance Restatements	(251)	-	(251)
Amortisation of Intangible Fixed Assets	348	-	348
CFCR	(4,392)	(180)	(4,572)
Loans Fund Repayments	(10,435)	(503)	(10,938)
Disposal of Fixed Assets	42	310	352
Depreciation and Impairment of assets	42,601	2,085	44,686
PFI/PPP Deferred Considerations	147	-	147
Finance Leased Assets	(696)	-	(696)
Applied Sales Receipts	-	(106)	(106)
Government Grants Deferred Received	1,902	-	1,902
Grants Deferred Amortised	(2,154)	(979)	(3,133)
Capital Expenditure from Reserves	-	(72)	(72)
Closing Balance	(563,902)	(19,668)	(583,570)

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

Note 7b Financial instruments Adjustment Account

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	-	-	-
Opening Balance Restatements	20,283	-	20,283
Surplus & Deficit for Year	(880)	-	(880)
Closing Balance	19,403	-	19,403

Note 7c Revaluation Reserve

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	-	-	-
Revaluation & Restatement of Assets	(15,617)	-	(15,617)
Closing Balance	(15,617)	-	(15,617)

Note 7d Capital Receipts Reserve

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	-	(761)	(761)
Financing of Assets	16,822	106	16,928
Effects of Disposal of Fixed Assets	(16,822)	(348)	(17,170)
Closing Balance	-	(1,003)	(1,003)

Note 7e Pension Reserve

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	90,435	243,524	333,959
Surplus/Deficit	77,057	23,783	100,840
Closing Balance	167,492	267,307	434,799

Note 7f Funds & Reserves

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	(5,327)	(488)	(5,815)
Opening Balance Restatements	(3,118)	-	(3,118)
Transfer from/to Other Reserves	-	72	72
Surplus/Deficit	(1,054)	(27)	(1,081)
Closing Balance	(9,499)	(443)	(9,942)

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

Note 7g Charities Ring-Fenced Reserve

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	-	-	-
Opening Balance Restatements	(3,046)	-	(3,046)
Transfer from/to Other Reserves	-	-	-
Surplus/Deficit	99	-	99
Closing Balance	(2,947)	-	(2,947)

Note 7h General Fund Balance

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	(17,625)	(1,714)	(19,339)
Surplus/Deficit	(3,181)	(148)	(3,329)
Closing Balance	(20,806)	(1,862)	(22,668)

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

	Group	Associates	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Opening Balance	(8,024)	-	(8,024)
Closing Balance Restatements	4,473	-	4,473
Revaluation & Restatement of Assets	-	(1,935)	(1,935)
Closing Balance	(3,551)	(1,935)	(5,486)

8. Opening Balance Restatements

Previously, a Revaluation Reserve had been included in the Group Balance Sheet holding balances from the subsidiaries. Following a recent change to the SORP there is now a requirement for the Council and Associates to hold a Revaluation Reserve from 1 April 2007. Therefore, the previous Revaluation Reserve held in the group accounts has been renamed 'Revaluation Reserve of Group Entities and Reporting Authorities Share of Revaluation Reserve of Associates'.

The opening balances on the Revaluation Reserve of Group Entities and the Income & Expenditure Reserves have been adjusted, as there is now a requirement to have a separate reserve for those subject to charitable trust.

The remaining balance of £251,000 relates to land and buildings held by the Common Good Funds which has been transferred to the Capital Adjustment Account.

	£'000	£'000
Opening Balance Adjustments		
Revaluation Reserve of Group Entities	4,473	
Income & Expenditure Reserve	1,942	
	<u>6,415</u>	
Allocated as follows:		
Charities Ring-Fenced Reserve	(3,046)	
Funds & Reserves	(3,118)	
Capital Adjustment Account	(251)	
	<u>(6,415)</u>	

GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

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 17 to the Core Financial Statements.

	Group Land and Buildings £'000	Group Vehicles, Plant & Equipment £'000	Group Community Assets £'000
Gross Book Value at 1 April 2007	368,440	31,080	7,703
Reclassifications	6,621	546	-
Revaluations and restatements	605	15	1
Additions	16,216	5,823	107
Disposals	(725)	(370)	-
Gross Book Value at 31 March 2008	<u>391,157</u>	<u>37,094</u>	<u>7,811</u>
Depreciation at 1 April 2007	(16,907)	(10,904)	(1,256)
Depreciation charge for the year	(13,341)	(4,722)	(642)
Depreciation on assets reclassified	(77)	(13)	-
Depreciation on assets revalued/sold	137	314	3
Depreciation at 31 March 2008	<u>(30,188)</u>	<u>(15,325)</u>	<u>(1,895)</u>
Net Book Value at 31 March 2008	<u>360,969</u>	<u>21,769</u>	<u>5,916</u>
Net Book Value at 31 March 2007	<u>351,533</u>	<u>20,176</u>	<u>6,447</u>

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 61-62, Note 2 for further details)

Following a change in the SORP 2007 the balance and the net income and expenditure for these charities must now be posted to the charities ring-fenced reserve. Therefore, some of the balances from the Revaluation of Group Entities and Income & Expenditure Reserves have been transferred to the charities ring fenced reserve. The purpose of the new Charities Ring-Fenced Reserve is to highlight that these assets are not the property of the local authority and are subject to charitable trusts.

Charities Ring-Fenced Reserve	£'000	£'000
Opening Balance Adjustments		
Archaeolink	99	
Scotland's Lighthouse Museum	(42)	
Trust Funds	<u>(3,103)</u>	(3,046)
Surplus/Deficit		
Archaeolink	(5)	
Scotland's Lighthouse Museum	(16)	
Trust Funds	<u>120</u>	<u>99</u>
		<u>(2,947)</u>

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.

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.

GLOSSARY OF TERMS

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. An action plan has been developed to assist with this task.

During the year, Aberdeenshire Council continued to develop appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice.

With regard to risk management, a full risk analysis has been undertaken across the Council and an action plan has been developed. This plan however needs to be reviewed and updated to demonstrate that progress has been made. A Risk Management Advisor has recently been appointed and is developing and co-ordinating this work.

The Council launched its new Strategic Priorities in November 2007. This sets out the Council's key priorities over the next four years. Work is underway to update all corporate, community and service plans to reflect these priorities.

The Audit of Best Value and Community Planning was undertaken by Audit Scotland in 2007/08 and the final report was issued by them on 20 June 2008. This determined a range of action points for the Council to further develop its performance and build on an already high level of attainment.

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 2008, with the following two exceptions:

- The issue of contingency and business continuity planning continues to cause concern. During 2004/05 and 2005/06, plans have been documented in relation to the main financial systems, but these have not all been fully tested to ensure that they will be effective in the event of having to be implemented. However during May a major system restore had to be carried out due to a problem with the database. This demonstrated that systems were in place to manage the loss of data and reinstate systems. However procedures and documentation has been updated and enhanced as a result. Further work remains to be done on business continuity to ensure that the Service can handle a major loss of hardware and has systems in place to manage services until hardware can be reinstalled. The procedures are currently being reviewed by the Service Management Team and an action plan to address these issues will be completed by 30th September 2008. In addition evaluation is being undertaken to purchase additional hardware so that we can have a backup server available.

STATEMENT OF ASSURANCE

- During 2004/05 and 2005/06, Internal Audit reported that insufficient progress had been made with regard to the Council's Risk Management Strategy. Although progress has been made in terms of Risk Registers and Risk Action Plans further elements of the Risk Management Strategy have not yet been implemented. The Council has now appointed a Risk Management Adviser and he is currently tasked with reviewing where the Council currently is, and making recommendations for driving forward Risk Management. The first stage is a revised Risk Register process and the formation of an Emergency Management Team. In addition documentation has now been drafted in terms of:-

Emergency Planning Policy & Procedures
Business Continuity Policy & Procedures
Pandemic Flu Plan

It is clear that the appointment of a dedicated resource has made a significant improvement to progress in a number of areas.

The Council has also experienced difficulty with bank and payroll reconciliations. The problems have arisen through staff turnover and delays in filling key posts due to a Modernisation Review. The implementation of Single Status has also created significant work pressures in the Payroll Section.

A number of differences had not been fully investigated by 31 March 2008 although all differences had been identified and balances reconciled.

These issues are now being addressed and a new team has been formed to focus on all reconciliations. This will create long-term efficiencies once initial difficulties are overcome.

This statement covers the Group. There are no material issues in relation to the subsidiaries and associates.

Councillor Anne Robertson, Leader of the Council

Alan G Campbell, Chief Executive

On behalf of the Councillors and Officers of Aberdeenshire Council
Dated 24 June 2008

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 present fairly the financial position of the Authority at the accounting date, and its income and expenditure for year ended 31 March 2008.

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
24 June 2008

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 2008 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 HRA Balance, the Council Tax Income Account, the Business Rate Income Account, the Trust 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 councillors 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 2007 - A Statement of Recommended Practice (the 2007 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 present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority 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 local authority 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 local authority'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 the local authority's and its group 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

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of Aberdeenshire Council and its group as at 31 March 2008 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 2008

STATUTORY PERFORMANCE INDICATORS

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 following figures for Aberdeenshire Council are for April 2007 to March 2008. Figures for 2006/07 are also included where they are available.

If you have any comments or questions about this performance information, please contact the Director of Finance, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

Unreliable Indicators

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

ASW 1: Community care services

CCS 3: Museum services

CCS 4: Library stock turnover

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

STATUTORY PERFORMANCE INDICATORS

ADULT SOCIAL WORK

COMMUNITY CARE ASSESSMENTS	2006/07	2007/08
1 Average taken to provide Community Care Services from first identification of need to first service provision	36 days	44 days*
RESIDENTIAL ACCOMMODATION: STAFF QUALIFICATION		
2 Care staff in Local Authority residential homes, who have appropriate qualifications:		
a) Older People	46.8%	49.0%
b) Others adults	54.9%	52.2%
c) Overall	48.4%	49.6%
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	99.1%	86.5%
ii Elderly people – voluntary sector	99.1%	99.2%
iii Elderly people – private sector	91.0%	96.2%
b) i Other adults – Council	100.0%	100.0%
ii Other adults – voluntary sector	96.7%	97.9%
iii Other adults – private sector	91.3%	97.6%
Rooms with en-suite facilities		
a) i Elderly people – Council	30.8%	27.9%
ii Elderly people – voluntary sector	65.2%	60.3%
iii Elderly people – private sector	74.5%	79.4%
b) i Other adults – Council	7.7%	7.7%
ii Other adults – voluntary sector	15.2%	14.4%
iii Other adults – private sector	55.0%	63.4%
HOME CARE/HOME HELPS		
4 Total number of homecare hours per 1,000 population aged 65+	314.5	299.1
Percentage of homecare clients aged 65+ receiving:		
a) personal care	93.8%	97.3%
b) a service during evening / overnight	32.2%	36.3%
c) a service at weekends	58.2%	62.6%
RESPIRE CARE		
5 a) Total overnight respite nights provided per 1000 population aged:		
i 65+	385.3	423.7
ii 18 – 64	47.6	27.6
b) Percentage of respite nights not in a care home per 1,000 population aged:		
i 65+	4.5%	4.2%
ii 18 – 64	28.4%	41.2%
c) Total daytime respite hours provided per 1,000 population aged		
i 65+	1,418.3	1,403.8
ii 18 – 64	129.1	122.3
d) Percentage of daytime respite not in a care home per 1,000 population aged:		
i 65+	98.7%	99.6%
ii 18 – 64	99.5%	100.0%

STATUTORY PERFORMANCE INDICATORS

CRIMINAL JUSTICE

6	Proportion of reports submitted to courts by due date	99.1%	99.2%
7	Proportion of new probationers seen by a supervising officer within one week	64.3%	61.5%
8	Average number of hours per week to complete community orders	2.4	2.4

BENEFITS ADMINISTRATION

BENEFITS ADMINISTRATION		2006/07	2007/08
1	Gross administration cost per case	£56.34	£62.13
2	Average time to process:-		
	(i) new claims	33.8 days	29.6 days
	(ii) change of circumstances	17.5 days	20.5 days
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	96.8%	96.4%
4	Housing benefits recovered as a percentage of housing benefit overpayments identified.	65.4%	76.7%
5	Housing benefits recovered as a percentage of total overpayments debt at the start of the year plus the in-year overpayments.	25.0%	32.3%
6	Percentage of housing benefits overpayments written off.	2.6%	0.4%

CORPORATE MANAGEMENT

SICKNESS ABSENCE		2006/07	2007/08
1 a)	Number of days lost through sickness absence, expressed as a percentage of total working days available, for the following groups of staff:-		
	i Chief officers and local government employees	5.2%	5.3%
	ii Craft employees	6.0%	6.6%
	iii Teachers	3.9%	4.2%

LITIGATION CLAIMS

2 a)	The number of civil liability claims incurred by the council in the year per 10,000 population.	18.5	16.7
2 b)	Claims as a percentage of the revenue budget.	0.1	0.1
2 c) i)	The number of civil liability claims incurred by the council, updated for 2005/06, per 10,000 population.	21.3	19.6
2 c) ii)	2005/06 claims (updated) as a percentage of the revenue budget.	0.1	0.1

STATUTORY PERFORMANCE INDICATORS

EQUAL OPPORTUNITIES			
3 a)	The percentage of women employees in the top 2% of earners among council employees.	32.3%	38.7%
b)	The percentage of women employees in the top 5% of earners among council employees.	47.0%	57.9%
PUBLIC ACCESS			
4	The percentage of buildings from which the council delivers services that are suitable for, and accessible to, disabled people.	48.0%	63.6%
COUNCIL TAX COLLECTION			
5	Cost of collecting council tax per chargeable dwelling.	<i>£11.68</i>	£13.17
6 a)	Income due from council tax for the year excluding relief and rebates.	<i>£100.6m</i>	£105.4m
5 b)	The percentage of income due from council tax for the that is received by the end of the year.	95.9%	96.1%
PAYMENT OF INVOICES			
7	The percentage of invoices paid within 30 days of receipt	88.3%	86.9%
ASSET MANAGEMENT			
8 a)	Proportion of gross internal floor area that is in satisfactory condition.	34.0%	38.4%
b)	Percentage of operational buildings that are suitable for their current use.	40.3%	47.1%
CULTURAL AND COMMUNITY SERVICES			
SPORT AND LEISURE MANAGEMENT		<i>2006/07</i>	2007/08
1	Number of attendances per 1,000 population for all pools	<i>3,172</i>	3,248
2	Number of attendances per 1,000 population for indoor sport leisure facilities excluding pools in a combined complex	<i>799</i>	873
MUSEUMS			
3 a)	Number of visits to / usages of council funded or part funded museums per 1,000 population	<i>537</i>	468*
b)	Number of visits in part a) that were in person per 1,000 population	<i>537</i>	468*

STATUTORY PERFORMANCE INDICATORS

LIBRARY STOCK TURNOVER

4 a)	Changes in adult library lending stock		
i	Additions per 1,000 population	252	150
ii	Closing stock items per 1,000 population	1,937	1,849
4 b)	Changes in children's and teenage library lending stock		
i	Additions per 1,000 population	170*	123*
ii	Closing stock items per 1,000 population	1,136*	1,142*
5 a)	Number of visits to libraries per 1,000 population	5,256	4,991
b)	The percentage of the resident population that are borrowers from public libraries	20.2%	18.9%

LEARNING CENTRE AND LEARNING ACCESS POINT USERS

6 a)	Users as a percentage of the population.	11.0%	12.4%
b)	Number of occasions that terminals are accessed per 1,000 population.	391.5	338.7

DEVELOPMENT SERVICES

PROCESSING TIME – PLANNING APPLICATIONS

	2006/07	2007/08
1	Percentage of applications dealt with within two months	
a)	Householder	71.3%
b)	Non-householder	33.9%
c)	Total	51.7%

APPEALS

2 a)	Successful appeals as a percentage of determinations.	0.7%	0.8%
b)	Successful appeals as a percentage of determinations that went to appeal.	50.9%	43.4%

DEVELOPMENT PLANS

3	Percentage of population covered by a Local Plan which has been adopted or finalised within the last five years.	100.0%	100.0%
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EDUCATION AND CHILDREN'S SERVICES

PRIMARY SCHOOLS

	2006/07	2007/08
1	The percentage of schools with occupancy of:	
a)	40% or less	7.2%
b)	41 – 60%	21.6%
c)	61 – 80%	34.6%
d)	81 – 100%	20.9%
e)	101% or more	15.7%

STATUTORY PERFORMANCE INDICATORS

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%	5.9%	11.8%
d)	81 – 100%	35.3%	41.2%
e)	101% or more	58.8%	47.1%

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	32.5%	32.1%
ii	Primary	87.6%	83.6%
iii	Special	87.5%	85.7%
iv	Total	73.1%	69.9%
b)	All teachers including Head and Deputy Head Teachers		
i	Secondary	66.3%	66.9%
ii	Primary	94.3%	93.9%
iii	Special	89.8%	92.3%
iv	Total	80.9%	80.8%

CHILDREN'S REPORTER LIAISON

4	The percentage of Children's Hearing reports requested by the Reporter which were submitted within the target time	44.9%	45.7%
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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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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	90.9%	80.0%
b)	away from home	52.9%	28.6%
ii	at least level 3 in English and Maths		
a)	at home	45.5%	50.0%
b)	away from home	47.1%	28.6%

RESIDENTIAL ACCOMMODATION STAFF QUALIFICATION

7	Care staff in Local Authority residential children's homes, who have appropriate qualifications for the level of post held.	62.5%	72.0%
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RESPIRE CARE

8	Per 1,000 population aged 0 – 17:		
a)	Number of overnight respite nights provided.	21.3	21.1
b)	Percentage of respite nights not in a care home	9.2%	18.8%
c)	Number of hours daytime respite provided	440.3	1,273.8
d)	Percentage of daytime respite hours not in a day care centre	78.4%	74.3%

STATUTORY PERFORMANCE INDICATORS

HOUSING

RESPONSE REPAIRS	<i>2006/07</i>	2007/08
1 The percentage of repairs completed within the following targets:		
a) Call-outs – target 2 hours	<i>94.0%</i>	95.8%
b) Emergency repairs – target 24 hours	<i>91.3%</i>	91.9%
c) Urgent repairs – target 5 working days	<i>80.9%</i>	94.6%
d) Standard 1 repairs – target 10 working days	<i>79.7%</i>	95.9%
e) Standard 2 repairs – target 20 working days	<i>82.5%</i>	95.6%
f) Planned – target 40 days	<i>86.3%</i>	97.2%

MANAGING TENANCY CHANGES		
2 The percentage of rent due in the year that was lost due to voids	<i>2.40%</i>	1.7%
3 Average time to re-let dwelling that are:		
a) not low demand	<i>49 days</i>	48 days
b) low demand	<i>107 days</i>	159 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>389 days</i>	432 days

RENT ARREARS		
4 a) Current tenants' arrears as a percentage of net rent due	<i>3.8%</i>	2.8%
b) The percentage of current tenants owing more than 13 weeks rent at the year end excluding those owing less than £250	<i>3.0%</i>	2.5%
c) The percentage of tenants giving up their tenancy during the year that were in rent arrears	<i>38.2%</i>	37.4%
d) The average debt for those at c) above expressed as a percentage of average weekly rent	<i>876.4%</i>	779.7%
e) The percentage of former tenants arrears written off or collected during the year	<i>25.1%</i>	30.8%

COUNCIL HOUSE SALES		
5 a) The percentage of house sales completed within 26 weeks.	<i>85.6%</i>	87.8%
b) Average time taken to sell houses.	<i>22 weeks</i>	21 weeks

HOMELESSNESS		
6 a) The average time per case between presentation and completion of duty by the council for those cases assessed as homeless or potentially homeless	<i>17.6 weeks</i>	18.6 weeks
b) Percentage of cases reassessed as homeless or potentially homeless within 12 months of previous case being	<i>2.8%</i>	2.8%

PROTECTIVE SERVICES

FOOD SAFETY: HYGIENE INSPECTIONS	<i>2006/07</i>	2007/08
1 Percentage of establishments actually inspected within time:		
a) Approved premises	<i>88.5%</i>	79.8%
b) Inspections required every 6 months	<i>98.9%</i>	97.0%
c) Inspections required every 12 months	<i>98.9%</i>	96.5%
d) Inspections required greater than 12 months	<i>71.5%</i>	67.5%

STATUTORY PERFORMANCE INDICATORS

DOMESTIC NOISE COMPLAINTS		
2 For those complaints requiring attendance on site, the average time between the time of complaint and attendance.	<i>34 hours</i>	56 hours
NON-DOMESTIC NOISE COMPLAINTS		
3 For those complaints requiring formal action, the average time to institute formal action.	<i>101 days</i>	N/A days
TRADING STANDARDS – COMPLAINTS AND ADVICE		
4 a) Percentage of consumer complaints dealt with	<i>60.8%</i>	68.7%
b) Percentage of business advise requests dealt with within 14 days of receipt	<i>92.1%</i>	94.8%
INSPECTION OF TRADING PREMISES		
4 Premises liable to inspection in the following categories where inspections were undertaken within time:		
a) High Risk (12 months)	<i>89.9%</i>	90.3%
b) Medium Risk (2 years)	<i>74.2%</i>	83.7%
ROADS AND LIGHTING		
CARRIAGEWAY CONDITION	<i>2006/07</i>	2007/08
1 Percentage of road network that should be considered for maintenance treatment:		
i) A class roads	<i>28.9%</i>	20.5%
ii) B class roads	<i>40.9%</i>	21.1%
iii) C class roads	<i>25.3%</i>	19.3%
iv) Unclassified roads	<i>50.6%</i>	35.6%
v) Overall	<i>39.1%</i>	26.8%
TRAFFIC LIGHT REPAIRS		
2 Percentage of traffic light failures repaired within 48 hours.	<i>87.2%</i>	89.5%
STREET LIGHT REPAIRS		
3 Percentage of street light failures repaired within 7 days.	<i>94.9%</i>	94.4%
STREET LIGHTING COLUMNS		
4 The proportion of street lighting columns that are over 30 years old.	<i>20.7%</i>	20.6%
BRIDGES – ROAD NETWORK RESTRICTIONS		
5 (a) The number and percentage of bridges failing European standards:		
i) Council	<i>85 / 7.8%</i>	72 / 6.5%
ii) Private	<i>4 / 12.1%</i>	11 / 25.0%
iii) Total	<i>89 / 7.9%</i>	83 / 7.3%
5 (b) The number and percentage of bridges with a weight or width restriction:		
i) Council	<i>2 / 0.2%</i>	1 / 0.1%
ii) Private	<i>0 / 0.0%</i>	0 / 0.0%
iii) Total	<i>2 / 0.2%</i>	1 / 0.1%

STATUTORY PERFORMANCE INDICATORS

WASTE MANAGEMENT		
REFUSE COLLECTION	2006/07	2007/08
1 a) Net cost of refuse collection per premise	£52.25	£53.85
b) Net cost of refuse disposal per premise	£115.12	£103.70
2 The number of complaints per 1,000 households	27.8	34.3
REFUSE RECYCLING		
3 The amount of municipal waste collected by the Council that was disposed of by the following methods:-		
i Landfilled	78.8%	69.7%
ii Composted	0.0%	0.0%
iii Recycled	21.2%	30.3%
iv Other recovery including energy from waste	0.0%	0.0%
v Percentage of waste that was landfilled that was biodegradable	47.7%	63.0%
CLEANLINESS		
4 The cleanliness index achieved following inspection of a sample of streets and other land.	-	73
ABANDONED VEHICLES		
5 The proportion of abandoned vehicles removed within 14 days	85.1%	78.2%