

2004/2005

**STATEMENT
OF
ACCOUNTS**

**FOR THE PERIOD
1 APRIL 2004 TO 31 MARCH 2005**

PROVOST'S FOREWORD TO THE ANNUAL REPORT 2004/05

I am pleased to present Aberdeenshire Council's Annual Report for 2004/05. This is the 10th Annual Report of Aberdeenshire Council since it was formed in 1995.

The Annual Report is one of the ways in which the Council accounts for how it has used some £500m of public funds to deliver a wide range of services to the public of Aberdeenshire.

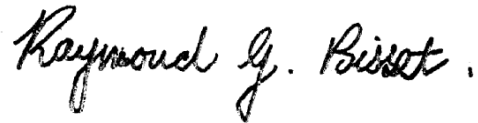
Public accountability is the most important element of governance and the Council continues to maintain the highest possible standards, a fact recognised by the unqualified certificate from the Council's auditors on the annual accounts.

During 2004/05 the Council introduced a new system of Performance Management reporting. While this will take some time to bed in, the system will further enhance the scrutiny and reporting of performance in a wide range of key services. The Council will now review how it communicates this to a wide range of interested stakeholders.

The Annual Report is an extremely complex document due to the requirement to comply with all financial reporting standards as they apply to local government. Increasingly these standards are being developed on an international basis. The Council's Finance Service will therefore continue to produce a summarised version of the accounts that will highlight the relevant points and present a financial overview in a user-friendly style.

I commented last year that the Council would continue to progress its case for a fairer share of government grant, and noted with satisfaction that we had been successful in getting this issue onto the agenda of the Local Government Finance Review Committee. Aberdeenshire Council gave evidence to the enquiry in the late summer 2005 and we await the results of the review with interest and cautious optimism.

While the Council faces many new and difficult challenges I am confident that we can build on the successes of 2004/05 and will continue to provide high quality services to the residents of Aberdeenshire.



Provost Raymond G Bisset O.B.E.
Aberdeenshire Council

STATEMENT OF ACCOUNTS 2004/2005

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EXPLANATORY FORWARD 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 2005.

FINANCIAL STATEMENTS

1. Consolidated Revenue Account

The Consolidated Revenue Account provides a summary of expenditure and income for the year ended 31 March 2005 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 Consolidated Revenue Account excludes Trust Funds and Common Good Funds which are disclosed elsewhere in the Statement of Accounts.

2. Housing Revenue Account (HRA)

The HRA 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.

3. 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.

4. Consolidated Balance Sheet

This statement brings together all the assets and liabilities in the Council's accounts at 31 March 2005 with the exception of Trust Funds and Common Good Funds, which are disclosed separately.

5. Statement of Total Movements in Reserves

This Statement brings together all the recognised gains and losses of the Authority during the period and defines those which have and have not been recognised in the Consolidated Revenue Account.

6. Cash Flow Statement

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

7. Notes to the Accounts

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

8. 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.

9. 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.

FINANCIAL OUT-TURN 2004/2005

1. Revenue Expenditure

In 2004/2005 Aberdeenshire Council approved a revenue budget of £384,825,000, which was financed by Revenue Support Grant of £202,808,000, Council Tax and Business Rate income of £177,850,000, £274,000 from earmarked grants and £3,893,000 from balances. In order to meet this expenditure, the Council set a Council Tax of £1,014 at Band D.

For all services, expenditure was £8,000,000 less than budget. This was accompanied by an increase in income of £1,718,000. As a result, the Council did not require to use the amount approved from balances, but instead increased the working balance by £5,825,000.

The underspend has arisen through a number of one-off savings, including a surplus on trading activities, higher than anticipated income from Building Control, lower than anticipated take up of the Concessionary Travel Scheme and the transfer of Devolved Education Management balances to fund the cost of teachers.

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 2005/06.

2. Housing Revenue Account (HRA)

The revised HRA budget for 2004/2005 had approved expenditure of £32,411,000 and income of £35,690,000, giving a net operating surplus of £3,279,000. Actual operating expenditure totalled £31,754,000 with income of £35,948,000, giving a net operating surplus of £4,194,000. A contribution of £649,000 was made from the HRA to the Capital Financing Account to meet capital expenditure. A contribution of £254,000 was also required from the Pension Reserve to offset the costs associated with FRS 17. The balance of £3,799,000 was transferred to the HRA balance.

EXPLANATORY FORWARD BY THE DIRECTOR OF FINANCE

The increased HRA balance is in line with the 30 Year "Retention Plus" business plan agreed by the Council for the HRA. This 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.

The Council agreed to establish trading accounts for three services – Housing Repairs (formerly Building Maintenance), Catering and Roads Operations. These activities returned a net surplus of £1,718,000 in 2004/05. All three services broke even in 2004/05 and are expected to achieve their statutory requirement to break even over the three year period 2003/04 to 2005/06. Further details of the significant trading operations are set out in note 1.4 to the accounts on pages 14-15.

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 has been replaced by a new Prudential Regime for capital finance from 2004/05. Aberdeenshire Council is now allowed to determine its own limits for borrowing and capital expenditure. Expenditure plans must be affordable, sustainable and prudent.

Total capital expenditure in 2004/2005 was £31,327,000, which was spent on Infrastructure improvements of £11,916,000, £7,316,000 on Education programmes and £6,401,000 on HRA Housing. The remaining balance of £5,694,000 was spent on various other capital projects and on services such as Social Work, Environmental Health, Planning and Economic Development.

Of the total capital expenditure of £31,327,000, £11,971,000 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 2005 has total borrowings of £408,116,000, the majority of which is borrowed from the Public Works Loan Board (PWLb).

Capital expenditure includes, for the first time, the purchase of intangible assets, such as software. A new accounting policy has been developed for intangible assets, and this is shown on page 4.

5. Pension Liability

The Statement of Accounts include the future pension liability of the Council resulting from the full implementation of FRS 17. Accounting Policy 13 on page 5 sets out the Council's policy on pension costs and notes 1.11 and 1.12 on page 16, 5.11 and 5.12 on pages 31-32 and 6.6 on page 35 give more details of the pension liabilities.

The Council's share of the net Fund deficit has increased significantly during 2004/05 by £70,410,000.

This is due mainly to a change in the discount rate used to assess the liabilities. This is explained more fully in Accounting Policy 13 on page 5.

Substantial actuarial losses on the fund over previous years were considered as part of the triennial revaluation of the Pension Fund as at 31 March 2002. As a result the Council's employer's contributions were increased in 2004/05 and will increase again next year to address the current Fund deficit position.

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
30 June 2005

STATEMENT OF ACCOUNTING POLICIES

The Accounts are prepared using the Historic 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 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 Consolidated Balance Sheet, the Fixed Asset Restatement Account and the Capital Financing Account. The Fixed Asset Restatement Account relates to the valuation of assets. The Capital Financing Account reflects the amounts set aside from revenue and capital receipts applied to finance capital expenditure together with amounts repaid to the loans fund. 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 2005.

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 2004/2005 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.

2. Intangible Fixed Assets

Purchased intangible fixed assets represent the sum capitalised at cost by Aberdeenshire Council on computer software and licenses. Intangible assets are amortised on a systematic basis over their useful lives. In line with the treatment of depreciation of tangible fixed assets, intangible fixed assets are amortised from the mid-point in the year of acquisition using the straight line method.

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. Service Revenue accounts 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 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 Revenue Accounts are charged with an amount equal to the depreciation charge plus a notional interest charge of 3.5% on the asset value for all assets with the exception of items which are valued at historical cost, where the notional interest charge is 4.8%.

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are depreciated from the mid-point of the year;
- depreciation is calculated using the straight line method.

4. Receipts from Sale of Tangible and Intangible Fixed Assets

Receipts from the sale of tangible and intangible fixed assets, and capital grants received/receivable during the year are shown in the Capital Account. Grants and contributions received towards the creation of fixed assets are credited to the Government Grants Deferred Account and released to the Consolidated Revenue Account over the life of 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 2005. 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 2005.

6. Interest Charges

Interest payable on external borrowings and interest income has been reflected on the appropriate account on an accruals basis.

STATEMENT OF ACCOUNTING POLICIES

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 Accounts or financed from capital receipts.

8. Leases, Covenants and Similar Schemes

All material current leases are classified as operating leases as defined by the Statement of Standard Accounting Practice no. 21 (hereafter SSAP) and the annual rentals are charged to the appropriate service revenue account. The risks and rewards of ownership remain with the lessors along with the title of the goods. All leases are accounted for on an accruals basis.

9. PFI and Other Long Term Contracts

Assets created under PFI arrangements are not included within the Consolidated Balance Sheet as the Council has transferred the economic benefits and risk associated with such assets to the operator. The contract costs for the use of these assets are recognised in the Consolidated Revenue Account as they are incurred.

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.

12. Overheads

With the exception of costs which have been classified as Corporate and Democratic Core all other central administration expenses are allocated fully over user services.

13. Pension Costs

In 2003/04, the full implementation of Financial Reporting Standard 17 – Retirement Benefits (FRS 17) resulted in a material effect on substantial parts of the statement of accounts.

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 Executive. The pension cost charged to the accounts is the contribution rate set by the Scottish Executive 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 fair 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 2.4% 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 deduced 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

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% in excess of inflation. For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities has been used. The actuary has advised that a rate of 2.4% in excess of inflation is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £84,860,000. This has been adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements in Reserves.

STATEMENT OF ACCOUNTING POLICIES

14. Financial Relationship with Companies

Full disclosure is made of all material relationships with related companies by way of note 5.10 to the accounts. All investments in companies are valued at historic cost.

15. Investments

Quoted investments of the Central Investment Fund operated for the charitable trusts are recorded at market values as at the year end.

16. Group Accounts

The Council has taken advantage of the Transitional Arrangements for Group Accounts, and work has commenced to identify the impact that this will have on the Council's financial statements. Currently, the Council is not required to prepare Group Accounts.

CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account reports the net cost for the year of the Council's services and demonstrates how the cost has been financed from government grants and income from local taxpayers.

It can be seen that the Revenue Support Grant, payable by the Scottish Executive, is the main source of income. This grant covers all services other than those which receive specific grants. Such specific grants are included within the services' net revenue expenditure figures.

Net Expenditure 2003/2004 £'000	Aberdeenshire Services	Gross Expenditure 2004/2005 £'000	Income 2004/2005 £'000	Net Expenditure 2004/2005 £'000	Notes Ref
186,799	Education Services	218,873	(19,393)	199,480	
1,054	Housing Services	12,157	(11,093)	1,064	
(3,429)	HRA	31,657	(35,080)	(3,423)	
16,892	Cultural & Related Services	33,480	(15,562)	17,918	
17,776	Environmental Services	31,769	(13,058)	18,711	
30,807	Roads & Transport Services	62,133	(28,964)	33,169	
3,727	Planning & Development Services	15,645	(10,498)	5,147	
69,132	Social Work	100,839	(24,002)	76,837	
7,883	Central Services	75,147	(69,649)	5,498	1.2
7,258	Fire Services	7,558	-	7,558	1.2
15,006	Police Services	15,470	-	15,470	1.2
5,605	Corporate & Democratic Core	7,581	(1,200)	6,381	
1,403	Non Distributed Costs	3,409	-	3,409	
359,913	NET COST OF SERVICES	615,718	(228,499)	387,219	1.1
5	(Surplus)/Deficit from Trading Operations	34,625	(34,684)	(59)	1.4
4,750	Pensions Interest Cost and Return on Pensions Assets	24,200	(22,530)	1,670	
(2,447)	Interest on Revenue Balances	-	(2,833)	(2,833)	
(5,569)	Transfer from Asset Management Revenue Account	36,401	(41,611)	(5,210)	1.5
356,652	NET OPERATING EXPENDITURE	710,944	(330,157)	380,787	
	Appropriation Account				
1,985	Contribution to/(from) Capital Financing Account			1,833	
(3,190)	Contribution to/ (from) Pension Reserve			(6,200)	
596	Contribution to/(from) Other Reserves			(3,024)	
2,559	Contribution to/(from) HRA Balances			3,799	
358,602	AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS			377,195	
	Sources of Finance				
(192,201)	Revenue Support Grant			(203,192)	
(85,821)	Council Tax (including Community Charges)			(94,161)	1.6
(80,693)	Business Rates			(85,023)	1.7
(358,715)	TOTAL INCOME			(382,376)	
(113)	(SURPLUS)/DEFICIT FOR THE YEAR			(5,181)	
(17,022)	General Fund balance brought forward			(17,135)	
(113)	(Surplus)/Deficit for year			(5,181)	
(17,135)	General Fund balance carried forward			(22,316)	

Other Consolidated Revenue Account notes

1.8 – 1.19

HOUSING REVENUE 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.

2003/2004		2004/2005	
Actual		Actual	Notes
£'000	Income	£'000	Ref
(28,611)	Council House Rents	(29,720)	
(1,219)	Sheltered Housing	(1,287)	
(1,167)	Other Rents	(1,146)	
(265)	Government Grants	(332)	
(477)	Recharges	(930)	
(757)	Interest on Revenue Balances	(869)	
(1,327)	Supporting People Contract Income	(1,337)	
(389)	Other Income	(327)	
<u>(34,212)</u>	Total Income	<u>(35,948)</u>	
	Expenditure		
9,609	Repairs & Maintenance	10,657	
5,179	Supervision & Management	6,255	
9,707	Capital Financing Costs	9,023	
299	Increase in Bad Debt Provision	171	
320	Expenditure Relating to Supporting People	289	
4,797	Other Expenditure	5,285	
115	Deferred Charges	-	
196	Pension Interest Cost and Expected Return on Pensions Assets	74	
<u>30,222</u>	Gross Expenditure	<u>31,754</u>	
<u>(3,990)</u>	Operating Surplus for the Year	<u>(4,194)</u>	
	Appropriations		
1,510	- Transfer to/(from) Capital Financing Account	649	
(79)	- Transfer to/(from) Pension Reserve	(254)	
2,559	- Transfer to/(from) HRA Balance	3,799	
<u>3,990</u>		<u>4,194</u>	
(14,713)	Opening HRA Balance	(17,272)	
(2,559)	Transfer to/(from) HRA Balance	(3,799)	
<u>(17,272)</u>	Closing HRA Balance	<u>(21,071)</u>	

Housing Revenue Account notes

2.1-2.2

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 2004/2005, for Band D properties, the Council Tax was £1,014.00. The Scottish average Council Tax for 2004/2005 was £944.40. This statement also includes any residual Community Charges collected.

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000	Notes Ref
(98,984)	Gross Council Tax Due		(105,662)	
	Less:			
377	Council Tax Benefits (Net of Government Grant)	-		
10,866	Other Discounts and Reductions	11,166		
1,222	Provision for bad and doubtful debts	1,304	12,470	
	Adjustments to Previous Years:			
698	Council Tax & Community Charge		(969)	
<u>(85,821)</u>	Transfer to the Consolidated Revenue Account		<u>(94,161)</u>	

Council Tax Income Account notes

3.1 – 3.2

BUSINESS RATE 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 Executive. The poundage set for the year 2004/2005 was 48.8 pence, for properties with a rateable value up to £25,000 and 49.1 pence for properties with a rateable value over £25,000. Properties with a rateable value of less than £10,000 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.

2003/2004		2004/2005	2004/2005	Notes
£'000		£'000	£'000	Ref
(61,725)	Gross Rates Levied and Contributions in Lieu		(66,920)	
7,174	Reliefs and Other Deductions	7,577		
135	Payment of Interest	3		
3	Provisions for Bad and Doubtful Debt	6	7,586	
<u>(54,413)</u>	Net Business Rate Income	<u> </u>	<u>(59,334)</u>	
(26,280)	Contribution from National Non-Domestic Rate Pool		(25,689)	
<u>(80,693)</u>	Transfer to Consolidated Revenue Account		<u>(85,023)</u>	

Business Rate Income Account notes

4.1 – 4.2

CONSOLIDATED BALANCE SHEET

The Consolidated Balance Sheet summarises the financial position of Aberdeenshire Council as at 31 March 2005. 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 Charitable Trust Funds and Common Good Funds are excluded from the Consolidated Balance Sheet and are accounted for separately.

2003/2004 £'000	As at 31 March 2005	£'000	£'000	£'000	Notes Ref
	FIXED ASSETS				
-	Intangible Fixed Assets			96	5.1
	Tangible Fixed Assets				
	Operational Assets:				
331,159	Council Dwellings	333,466			5.1
349,420	Land & Buildings	309,860			
7,802	Vehicles, Plant & Equipment	9,420			
95,692	Infrastructure	99,423			
4,796	Community Assets	4,845	757,014		
	Non-Operational Assets:				
36,825	Investment Properties	35,731			5.1
1,150	Assets Under Construction	1,602			
548	Surplus Assets, Held for Disposal	595	37,928		
	Other Long -Term Assets:				
18,774	Debt Redemption Premium		21,836		5.2
7,612	Debtors		7,420		5.3
42	Long Term Investments		42		
853,820	TOTAL FIXED ASSETS			824,336	
	CURRENT ASSETS				
2,520	- Stocks & Work in Progress	2,800			
41,241	- Debtors	43,656			
10,631	- Investments	22,613			5.4
231	- Cash and Bank	127			
54,623			69,196		
	Less: CURRENT LIABILITIES				
(20,232)	- Short Term Borrowing	(15,101)			5.4
(53,304)	- Creditors	(64,955)			
(7,647)	- Bank Overdraft	(2,877)	(82,933)		5.4
(26,560)	NET CURRENT LIABILITIES			(13,737)	
	Long -Term Liabilities				
(316,029)	Long Term Borrowing	(325,183)			5.4
(17,820)	Government Grants Deferred	(23,930)			5.5
(61,330)	Liability Related to Defined Benefit Pension Schemes	(131,740)			
(274)	Provisions for Future Losses	(390)	(481,243)	(481,243)	5.6
431,807	TOTAL ASSETS LESS LIABILITIES			329,356	
	FINANCED BY:				
(326,878)	Fixed Asset Restatement Account			(276,944)	6.5
(122,544)	Capital Financing Account			(132,548)	6.5
	Funds & Reserves:				
61,330	Pension Reserve			131,740	5.11,5.12
(9,308)	Statutory Funds			(8,217)	6.4
(17,135)	General Fund Balance			(22,316)	6.2
(17,272)	Housing Revenue Account Balance			(21,071)	6.3
(431,807)				(329,356)	
	Other Consolidated Balance Sheet notes				5.7 - 5.10, 5.13, 5.14

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
30 June 2005

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Council during 2004/05 and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between the Revenue Reserves and Capital Reserves.

2003/2004 £000		2004/2005 £000	2004/2005 £000	Note
	Surplus/(Deficit) for the Year			
2,045	- General Fund	5,825		
2,559	- Housing Revenue Account	3,799		
(1,930)	Add back Movements on Earmarked General Fund Revenue Reserves	(644)		
401	Add back Movements on Statutory Reserve Funds	(1,091)		
(3,190)	Add/(deduct) Appropriation to/(from) Pension Reserve	(6,200)		
44,140	Actuarial Gains and Losses Relating to Pensions	(64,210)		6.6
44,025	Total Increase/(Decrease) in Revenue Resources		(62,521)	6.1- 6.4
	- Increase/(Decrease) in Usable Capital Receipts	-		
	- Increase/(Decrease) in Unapplied Capital Grants and Contribution	-		
	Total Increase/(Decrease) in Realised Capital Resources		-	6.5
7,610	Gains/(Losses) on Revaluation of Fixed Assets	(45,215)		
	- Impairment Losses on Fixed Assets Due to General Changes in Price	-		
7,610	Total Increase/(Decrease) in Unrealised Value of Fixed Assets		(45,215)	6.5
(11,163)	Value of Assets Sold, Disposed of or Decommissioned		(4,719)	6.5
8,024	Capital Receipts Used to Finance Expenditure	6,567		
6,554	Capital Receipts Used to Redeem Outstanding Debt	2,225		
6,975	Capital from Current Revenue	5,686		
(1,404)	Movements on Government Grants Deferred	(695)		
(3,586)	Excess Depreciation	(3,779)		
16,563	Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment		10,004	6.5
57,035	Total Recognised Gains and Losses		(102,451)	

CASH FLOW STATEMENT

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

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000	Notes Ref
	REVENUE ACTIVITIES			
	Cash Outflows			
229,146	Staffing Costs	248,710		
206,696	Operating Costs	279,637		
10,342	Housing Benefit	19,162		
<u>446,184</u>			547,509	
	Cash Inflows			
(73,117)	Council Tax	(86,172)		
(54,043)	Business Rates	(58,337)		
(26,011)	Business Rates Receipts from National Pool	(31,371)		
(192,201)	Revenue Support Grant	(202,417)		
(16,275)	Housing Rents	(16,263)		
(28,722)	Benefit Subsidies	(32,438)		
(24,314)	Government Grants	(32,710)		7.4
(75,797)	Cash Received for Goods & Services	(135,756)		
<u>(490,480)</u>			(595,464)	
(44,296)	Revenue Activities Net Cash Flow		(47,955)	7.2
	SERVICING OF FINANCE			
	Cash Outflows			
20,511	Interest Paid	19,432		
	Cash Inflows			
(974)	Interest Received	(926)		
<u>19,537</u>			18,506	
	CAPITAL ACTIVITIES			
	Cash Outflows			
29,203	Purchase of Fixed Assets	26,376		
2,555	Long Term Assets	3,070		
	Cash Inflows			
(14,615)	Sale of Assets	(7,988)		
(3,557)	Long Term Assets	-		
4,889	Capital Grants	(4,540)		
(268)	Other Capital Income	(94)		
<u>18,207</u>			16,824	
(6,552)	Net Cash (Inflow)/Outflow before Financing		(12,625)	
	FINANCING			
	Cash Outflows			
772,586	Repayments of Amounts Borrowed	801,474		
	Cash Inflows			
(765,125)	New Loans Raised	(793,515)	7,959	
<u>909</u>			<u>(4,666)</u>	
909	(Increase)/Decrease in Cash		(4,666)	7.1
	Other Cash Flow note			7.3

NOTES TO THE ACCOUNTS

CONSOLIDATED REVENUE ACCOUNT

1.1 BVACOP Classification of Expenditure

The Consolidated Revenue 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.

	£'000
Education & Recreation	212,437
Transportation & Infrastructure	61,666
Policy & Resources	4,320
Social Work & Non-HRA Housing	77,985
Joint Board Requisitions (see Note 1.2)	24,444
Housing Revenue Account	(3,423)
Corporate & Democratic Core	6,381
Non-Distributed Costs	3,409
TOTAL	387,219

1.2 Joint Board Payments

Payments to Joint Boards are as follows:

	2003/2004 £'000		2004/2005 £'000
15,006 Grampian Police			15,470
7,258 Grampian Fire Board			7,558
1,180 Grampian Valuation Board			1,416
	23,444		24,444

1.3 Housing Revenue Account (HRA)

The figures for gross expenditure and net expenditure on the HRA shown in the Consolidated Revenue Account differ from the equivalent figures shown on the HRA on page 8 as the Pension Interest Cost and Expected Return on Pension Assets and Interest on Revenue Balances have been removed from the HRA on consolidation.

1.4 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, although this requirement will not become fully effective until the 2005/06 financial year.

The Council has established three 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

	2004/2005 Actual £'000	2004/2005 Target £'000	2003-2006 Target £'000
Turnover	(8,164)		
Expenditure	7,815		
(Surplus)/ Deficit	(349)	0	0
Deficit 2003/2004	116		

Housing Repairs undertakes all types of property maintenance, with the principal client being the Housing Revenue Account, which had a stock of 13,992 houses at 31 March 2005.

The actual financial performance for the current year of £349,000 surplus compared favourably with the financial target for the year which was to break even. Housing Repairs has a cumulative surplus for 2003/2004 and 2004/2005 of £233,000.

The statutory financial target for the three year period is to break even, and this equates to the target set by the Council. The information available to the Council would indicate that the trading operation will achieve that target.

Catering

	2004/2005 Actual £'000	2004/2005 Target £'000	2003-2006 Target £'000
Turnover	(7,920)		
Expenditure	7,900		
(Surplus)/ Deficit	(20)	(12)	(32)
Deficit 2003/04	5		

Catering provides the catering service to Education and Recreation's 179 schools, Social Work meals on wheels and day centres and the Council's headquarters at Woodhill House.

The actual financial performance for the current year of £20,000 surplus compared favourably with the financial target for the year which was £12,000 surplus. Catering has a cumulative surplus for 2003/2004 and 2004/2005 of £15,000.

The statutory financial target for the three year period is to break even, although the Council has set a target of £32,000 surplus, which is in excess of that required. The information available to the Council would indicate that the trading operation will achieve that target.

NOTES TO THE ACCOUNTS

Roads Operations

	2004/2005 Actual £'000	2004/2005 Target £'000	2003-2006 Target £'000
Turnover	(20,259)		
Expenditure	18,910		
(Surplus)/ Deficit	<u>(1,349)</u>	<u>(341)</u>	<u>(936)</u>
(Surplus) 2003/2004	<u>(1,369)</u>		

Roads Operations is principally involved in maintenance work on 3,331 miles of roads and 1,653 bridges, for which the Council has a statutory responsibility. In addition, work is undertaken in respect of the installation and maintenance of 38,000 street lights.

The actual financial performance for the current year of £1,349,000 surplus compared favourably with the financial target for the year which was £341,000 surplus. Roads Operations has a cumulative surplus for 2003/2004 and 2004/2005 of £2,718,000.

The statutory financial target for the three year period is to break even, although the Council has set a target of £936,000 surplus, which is in excess of that required. The information available to the Council would indicate that the trading operation will achieve that target.

Net Surplus/Deficit on Trading Accounts

The net surplus on the statutory trading accounts is £1,718,000. This does not agree with the Surplus from Trading Operations of £59,000 shown on the Consolidated Revenue Account as 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.

1.5 Asset Management Revenue Account

2003/2004 £'000	2004/2005 £'000
23,862 Loans Fund Interest	22,484
123 Loans Fund Expenses	170
12,519 Depreciation	13,747
(40,417) Capital Charges	(40,807)
(1,610) Government Grants Released	(757)
(46) Trading Accounts Stock	(47)
Balance Interest	
(5,569)	(5,210)

1.6 Council Tax & Community Charge

An analysis of Council Tax and Community Charge income is shown at Page 9.

1.7 Business Rates

An analysis of Business Rate income is shown at Page 10.

1.8 Finance & Operating Leases

The Council uses vehicles, plant and equipment which is financed by operating leases. The amount paid under this arrangement in 2004/2005 was £2,698,000 (2003/2004 = £2,625,000). The outstanding obligations under these arrangements are:

2005/06	£2,571,000
2005 onwards	£9,032,000

Authority as Lessor – the authority leases industrial, commercial and other properties accounted for under operating lease arrangements. The rent received in 2004/05 was £5,092,000.

1.9 Local Authorities (Goods & Services) Act 1970

Aberdeenshire Council is empowered to provide goods and services under this Act. The Council received £2,277,000 from these services (2003/2004 £2,807,000), which equates to the costs incurred.

1.10 Community Care and Health (Scotland) Act 2002

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

The agreement is required to fulfil the requirements of the Scottish Executive 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. For 2004/05 the scope of services included within the Agreement was extended to include all services for adults.

During 2004/05 the gross income of the partnership was £139,299,000 and its gross expenditure was £140,121,000. Aberdeenshire's contribution to the partnership was £70,486,000. (2003/2004 £39,654,000).

NOTES TO THE ACCOUNTS

1.11 Pension Costs

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 Executive. 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 1.12.

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 of the Consolidated Revenue Account after Net Operating Expenditure.

The overall amount to be met from Government Grants and local taxation has remained unchanged, but the costs disclosed for individual services are 1.17% higher (2003/04 0.42% lower) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 1.66% higher (2003/04 0.90% higher) than it would otherwise have been.

The following transactions have been made in the Consolidated Revenue Account during the year:

2003/04 £'000	2004/05 £'000
	Net Cost of Services:
12,530	Current Service Cost 18,930
910	Past Service Costs 2,860
	Net Operating Expenditure:
16,490	Interest Cost 24,200
(21,240)	Expected return on assets in the Scheme (22,530)
	Amounts to be met from Government Grants and Local Taxation:
(3,190)	Movement on pensions reserve (6,200)
	Actual amount charged against Council Tax for pensions in the Year:
	Employers' contributions
<u>15,066</u>	<u>16,938</u>
	Payable to scheme

Note 5.11 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 6.1 to the Statement of Total Movements in Reserves details the increase in liabilities that have arisen during the year as a result of revisions to the estimates made in preparing the figures for previous years.

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 Fire 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.

1.12 Defined Contribution Pension Schemes

As stated in Note 1.11 above, teachers employed by the authority are entitled to be members of the Scottish Teachers' Pension Scheme, which is administered by the Scottish Executive. 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 2004/05, the Council paid £10,643,000 to the Scottish Executive in respect of teachers' retirement benefits, representing 12.50% of pensionable pay. The figures for 2003/04 were £8,038,000 and 10.60%.

As from 1 October 2003 a change to the funding arrangements for this scheme has meant that the Council is funding a higher proportion of the costs of the scheme. The increase in 2004/05 reflects the full year effect of this change.

NOTES TO THE ACCOUNTS

1.13 Payments to Councillors

The table below discloses the total Councillors' Allowances paid during 2004/2005

2003/2004 £'000		2004/2005 £'000
444	Basic Allowance	493
186	Special Responsibility Allowance	196
17	Telephone Allowances	17
<u>174</u>	Travel & Subsistence	<u>184</u>
<u>821</u>		<u>890</u>

1.14 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 £40,000.

2003/2004	Salary Band	2004/2005
230	£40,000 - £49,999	296
21	£50,000 - £59,999	14
38	£60,000 - £69,999	39
0	£70,000 - £79,999	2
8	£80,000 - £89,999	6
0	£90,000 - £99,999	-
0	£100,000 - £109,999	-
<u>1</u>	£110,000 - £119,999	<u>1</u>
<u>298</u>		<u>358</u>

The continued effect of McCrone on teachers salary scales results in a significant increase in the number of officers falling within the above pay bracket.

1.15 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.

2003/2004 £'000		2004/2005 £'000
872	Publicity Expenditure	1,654

Expenditure on publicity has increased by £782,000, which is primarily due to grant supported spending on the Waste Awareness campaign (£574,000) and recruitment costs within Education & Recreation (£91,000).

NOTES TO THE ACCOUNTS

1.16 Agency Arrangements

Under various statutory powers, an Authority may agree with other Local Authority and government departments to do work on their behalf. Likewise, certain 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:

2003/2004		2004/2005
£'000		£'000
2,506	Educating Aberdeenshire children in mainstream and special schools outwith Aberdeenshire	2,808
(19)	Income from educating pupils from other Authorities in Aberdeenshire	(22)
16	Local Authorities – Care Management	93
272	Maintenance of Community Alarm System	242
65	Social Work service in hospitals	65
28	Maintenance of Child Protection Register	31
260	Payment for share of Public Analyst Service	299
80	Payment for Library Archiving Services	99
11	Payment for Purchasing Services	22
	Receipts from other bodies for Administrative Services	
(450)	Scottish Water	(471)
(105)	Grampian Joint Fire Board	(97)
(14)	Grampian Joint Valuation Board	(18)
(80)	Grampian Joint Police Board	(88)
(20)	Tullytree (further information contained in Note 5.11)	0
(782)	Provision of Transportation Services for other Authorities	(968)
(435)	Provision of Printing Services to other Authorities	(445)
0	Payment to Grampian Police in Relation to Community Safety Partnership & Community Wardens	129
0	Provision of Property & Estate Management Services to other Authorities	(193)
0	Payment for Publicity Services	653
0	Payment for Provision of Energy Efficiency Advice Service to the Public	66

1.17 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 construct 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

NOTES TO THE ACCOUNTS

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 5.1 (h) 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 2005/06 the Council is committed to making payments estimated at £3,172,000 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 by the Contractor of educational assets, including primary and secondary schools across six different sites. The contract covers the replacement of Kintore, Rosehearty, Longside and Rothienorman Primary Schools and the building of two new schools; Portlethen Academy and a new Primary School at Banchory.

The anticipated completion dates for schools under this contract are:

Longside Primary	3 October 2005
Rosehearty Primary	3 October 2005
Hill of Banchory Primary	12 December 2005
Kintore Primary	12 December 2005
Rothienorman Primary	12 December 2005
Portlethen Academy	12 June 2006

The contract will run for 25 years from effective date of the first tranche of facilities becoming available.

In order to facilitate this project Aberdeenshire Council has purchased land per the following:

Location	Amount (£)	Date of Purchase
Kintore	966,000	25/09/03
Rothienorman	10,000	28/11/03
Longside	40,000	17/02/04
Rosehearty	8,000	20/05/04

Aberdeenshire Council is committed to paying £5,693,000 in a full financial year under the contract and for 2005/06 is committed to paying £1,232,000.

1.18 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:

2003/2004		2004/2005	
£'000		Expenditure £'000	Income £'000
	Government Grants		
(23,983)	- Other Government Grants		(32,699)
(4,111)	Capital Grants	45	(4,033)
23,104	Pension Fund Contributions	27,580	
	Subsidised Bus Fares		
4,486	- Subsidy for Bus routes in Aberdeenshire	4,387	
	Health Board Resource Transfer		
(7,334)	- Total Resource transfer from Grampian Health Board		(9,748)
	Housing Partnerships		
747	- Paid to Aberdeenshire Housing Partnership	8	
124	- Paid to other Housing Associations	295	

NOTES TO THE ACCOUNTS

1.19 Audit Costs

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

2003/2004		2004/2005
£'000		£'000
321	Fees payable to Audit Scotland with regard to services carried out by appointed auditor	375
3	Fees payable in respect of other services carried out by the appointed auditor	0

NOTES TO THE ACCOUNTS

HOUSING REVENUE ACCOUNT

2.1 Statistics

2003/2004		2004/2005
14,314	Housing Stock as at 31 March	13,992
	Types of dwellings:	
1,532	- Sheltered Housing	1,380
36	- 1 apartment	9
3,698	- 2 apartment	3,877
5,934	- 3 apartment	5,714
2,969	- 4 apartment	2,849
145	- 5 + apartment	163
<u>14,314</u>		<u>13,992</u>
£'000		£'000
	Rent Arrears	
666	- Current Tenants	738
833	- Former Tenants	927
1,162	Provision for Bad Debts (Housing Rents)	1,294
£38.13	Average Weekly Rent	£40.14

2.2 Defined Benefit Pension Schemes

The Housing Revenue 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 0.80% higher (2003/04 0.26% higher) after the replacement of employer's contributions by current service costs.

NOTES TO THE ACCOUNTS

COUNCIL TAX ACCOUNT

3.1 Analysis of Properties by Bandings (based on valuation list at September 2004)

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 equivalent figures.

BAND	A	B	C	D	E	F	G	H	TOTAL
Properties	20,840	15,540	13,133	15,360	17,587	11,327	7,132	438	101,357
<i>Less:</i>									
Exemptions	1,042	425	370	282	174	94	45	13	2,445
Discount – 25%	2,640	1,493	1,040	976	808	383	181	9	7,530
Discount – 50%	528	310	244	239	194	129	84	16	1,744
Disabled Reduction Adjustment	(83)	4	(7)	(27)	29	42	41	1	0
Effective Properties	16,713	13,308	11,486	13,890	16,382	10,679	6,781	399	89,638
Ratio	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	0
Band D Equivalents	11,142	10,351	10,210	13,890	20,022	15,425	11,302	798	93,140
Contributions in lieu of Council Tax by HM Government									108
COUNCIL TAX BASE									93,248
									2004/2005
									2003/2004
									91,253

3.2 Valuation Banding Table

Band	Property Value	Proportion of Band D	2004/2005 Council Tax	2003/2004 Council Tax
A	Up to £27,000	6/9	£676.00	£644.00
B	£27,001 – £35,000	7/9	£788.67	£751.33
C	£35,001 – £45,000	8/9	£901.33	£858.67
D	£45,001 - £58,000	9/9	£1,014.00	£966.00
E	£58,001 - £80,000	11/9	£1,239.33	£1,180.67
F	£80,001 - £106,000	13/9	£1,464.67	£1,395.33
G	£106,001 - £212,000	15/9	£1,690.00	£1,610.00
H	Above £212,000	18/9	£2,028.00	£1,932.00

NOTES TO THE ACCOUNTS

BUSINESS RATE INCOME ACCOUNT

4.1 Rateable Values and Numbers of Premises at 1 April 2004

2003/2004 Number of Subjects	2003/2004 Rateable Value £'000		2004/2005 Number of Subjects	2004/2005 Rateable Value £'000
323	27,977	Industrial & Freight	314	26,589
10	28,146	Public Utilities	10	27,445
1,845	14,271	-Commercial Shops, including Restaurants	1,834	14,369
739	7,864	- Offices	778	8,158
530	6,418	- Hotels, Boarding Houses, Etc	529	6,405
4,572	40,260	- Other	4,553	40,635
1,971	11,522	Miscellaneous	1,965	10,905

- 4.2 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 Executive. For 2004/2005, the Business Rate for properties with a rateable value up to £25,000 was 48.8 pence (2003/2004 = 47.8 pence) unless the property had a rateable value of less than £10,000 and was not in transition, when small business rate relief is available. For 2004/05, the Business Rate for properties with a rateable value in excess of £25,000 was 49.1 pence (2003/2004 = 48.4 pence)

NOTES TO THE ACCOUNTS

CONSOLIDATED BALANCE SHEET

5.1 These notes indicate the level of capital expenditure incurred on acquisition, creation or maintenance of capital assets during the year. Details are also provided of the written down value of capital expenditure at 31 March 2005 together with a note of how expenditure in 2004/2005 was financed. Capital expenditure is not directly charged against the revenue account in the year in which it is incurred, but normally over the number of years in which the benefit would accrue to the Council.

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

	£'000	£,000
Loan Fund outstanding 1 April 2004		366,205
Expenditure during year	31,327	
Less: Receipts, Grants & Accruals	(13,670)	
Revenue Financing	(5,686)	
Net New Borrowings		11,971
Debt Repayments		(12,203)
Loans Funding Outstanding 31 March 2005		365,973

5.1(b) Analysis of Capital Expenditure and Financing Arrangements are as follows:

2003/2004		2004/2005
£'000	Capital Expenditure During Year	£'000
1,345	Site & Building Acquisition	2,109
18,532	Building Works	14,456
3,063	Furniture & Equipment	4,868
7,297	Works – Roads	7,514
2,259	Fees	2,380
32,496		31,327
Financed as follows:		
(11,928)	Capital Receipts, Grants & Contributions	(12,066)
(13,593)	Advances from Loans Fund & Capital Accruals	(13,575)
(6,975)	Revenue Financing	(5,686)
(32,496)		(31,327)

5.1(c) Movement in Intangible Assets

	Balance at 1/04/04 £'000	Expenditure During Year £,000	Written Off to Revenue During Year £'000	Balance at 31/03/05 £'000
Intangible Assets	0	107	11	96

NOTES TO THE ACCOUNTS

5.1(d) Movement of Fixed Assets

Operating 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 2004	332,645	373,302	18,607	122,422	5,393	852,369
Revaluations and restatements	(77)	(63,004)	(2,306)	(231)	(14)	(65,632)
Additions	6,401	11,060	4,149	7,741	8	29,359
Disposals	(3,660)	(90)	(489)	0	0	(4,239)
Gross Book Value at 31 March 2005	<u>335,309</u>	<u>321,268</u>	<u>19,961</u>	<u>129,932</u>	<u>5,387</u>	<u>811,857</u>
Depreciation at 1 April 2004	(1,436)	(24,223)	(10,806)	(26,670)	(511)	(63,646)
Depreciation charge for the year	(407)	(6,414)	(2,672)	(4,109)	(71)	(13,673)
Depreciation on assets on assets revalued/sold	0	19,229	2,937	270	40	22,476
Depreciation at 31 March 2005	<u>(1,843)</u>	<u>(11,408)</u>	<u>(10,541)</u>	<u>(30,509)</u>	<u>(542)</u>	<u>(54,843)</u>
Net Book Value at 31 March 2005	<u>333,466</u>	<u>309,860</u>	<u>9,420</u>	<u>99,423</u>	<u>4,845</u>	<u>757,014</u>

Non Operating Assets

	Investment Properties £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Gross Book Value at 1 April 2004	36,868	710	1,143	38,721
Revaluations and restatements	(2,054)	(9)	(41)	(2,104)
Additions	1,302	0	559	1,861
Disposals	(383)	(97)	0	(480)
Gross Book Value at 31 March 2005	<u>35,733</u>	<u>604</u>	<u>1,661</u>	<u>37,998</u>
Depreciation at 1 April 2004	(31)	(22)	0	(53)
Depreciation charge for the year	0	(4)	(59)	(63)
Depreciation on assets on assets revalued/sold	29	17	0	46
Depreciation at 31 March 2005	<u>(2)</u>	<u>(9)</u>	<u>(59)</u>	<u>(70)</u>
Net Book Value at 31 March 2005	<u>35,731</u>	<u>595</u>	<u>1,602</u>	<u>37,928</u>

NOTES TO THE ACCOUNTS

5.1(e) Assets Employed

The net assets employed can be broken down as follows:

2003/04		2004/05
£'000		£'000
223,398	Assets employed by the General Fund	121,201
206,462	Assets employed by the Housing Revenue Account	212,879
1,947	Assets employed by Trading Service	(4,724)
431,807		329,356

5.1(f) Reconciliation of Fixed and Intangible Asset Additions to Total Capital Expenditure

	General Fund £'000	HRA £'000	Total £'000
Fixed Asset Additions	24,819	6,401	31,220
Intangible Assets Additions	107	0	107
Total Capital Expenditure	24,926	6,401	31,327

5.1 (g) Finance and Operating Leases

The authority was committed at 31 March 2005 to making payments of £2,571,000 under operating leases in 2005/06, comprising of the following elements:

	<u>Vehicle, Plant & Equipment</u>
Lease Expiring in 2005/06	£84,000
Lease Expiring between 2006/07 and 2010/11	£885,000
Lease expiring after 2010/11	£1,602,000

Authority as Lessor – with regards to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £42,877,000 and subject to £682,000 depreciation to 31 March 2005.

	Land & Building £'000	Council Dwellings £'000	Investment Property £'000
Gross Book Value	22,555	730	19,593
Accumulated Depreciation	(679)	0	(3)
Net Book Value at 31/03/05	21,876	730	19,590

5.1(h) Valuation of Assets

Aberdeenshire Council's assets 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 were valued as follows:

- a) The Council's housing stock was valued as at 1 April 2001 on the basis of Existing Use Value (EUV) - £588,638,000. This value is adjusted for discounts 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 - £221,470,600.
- d) Non-Operational Industrial assets valued as at 1 April 2002, on the basis of Open Market Value (OMV) - £27,896,000.
- e) Non-Operational Commercial assets valued as at 1 April 2002, on the basis of OMV - £8,958,000.
- f) Social Work assets valued as at 1 April 2000, on the basis of OMV, EUV, and DRC - £26,365,000.

NOTES TO THE ACCOUNTS

- g) Transportation and Infrastructure assets valued as at 1 April 2000, on the basis of OMV, EUV, or DRC - £12,575,000.
- h) Planning and Environmental Services' assets valued as at 1 April 2000, on the basis of OMV, EUV, or DRC - £6,884,000.
- i) Recreation assets valued as at 1 April 2000, on the basis of OMV or DRC - £28,959,000.

Aberdeenshire Council are not aware of any material change in the underwriting of 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 2004/2005 are as follows:
George Morrison, MRICS; Lewis Anderson, MRICS; Graeme Robbie, MRICS; Elaine McCarron, MRICS.

5.1(i) Commitments on Capital Projects

The Council had entered into 2 significant capital projects on 31 March 2005:

Tanglandford Bridge	£426,000
Johnshaven Harbour Wall Refacing	£225,000

5.2 Debt Redemption Premium

During 2004/2005 an exercise was undertaken to reschedule PWLB loan debt totalling £86,611,000. Premiums of £4,052,000 were incurred as a consequence in accordance with existing accounting standards. These along with premiums and discounts already held are released to the Consolidated Revenue Account over the period of the replacement loans. Movements during the year were as follows:

	Balance at 01/04/2004	Incurred During Year	Released to Consolidated Revenue Account	Balance at 31/3/2005
	£'000	£'000	£'000	£'000
Discounts	(89)	(575)	582	(82)
Premia	<u>18,863</u>	<u>4,052</u>	<u>(997)</u>	<u>21,918</u>
	<u>18,774</u>	<u>3,477</u>	<u>(415)</u>	<u>21,836</u>

5.3 Long-Term Debtors

2003/2004		2004/2005
£'000		£'000
2,413	PFI Deferred Consideration	2,307
0	Enterprise North-East Trust	100
357	Portlethen Golf Club	353
74	Aberdeen & Grampian Tourist Board	65
11	Ellon and District Sports Development Trust	9
3,736	Aberdeenshire Housing Partnership	3,744
<u>1,021</u>	House Loans	<u>842</u>
<u>7,612</u>		<u>7,420</u>

NOTES TO THE ACCOUNTS

5.4(a) 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 revenue over the period of replacement loans.

All interest and management expenses incurred through external borrowing are initially paid by the Loans Fund and then recharged to the Asset Management Revenue Account, with the exception of bank charges which have been charged direct to Corporate & Democratic Core in 2004/2005 to comply with accounting guidance. For 2004/2005 the average interest rate for capital advances was 6.04 % (2003/2004= 6.39%); and expenses on raising loans 0.05% (2003/2004 = 0.03%).

REVENUE ACCOUNT

2003/2004		2004/2005
£'000		£'000
	EXPENDITURE	
24,854	Interest paid to Lenders	23,427
123	Expenses and Commission of Raising Loans	170
<u>24,977</u>		<u>23,597</u>
	INCOME	
(23,985)	- Aberdeenshire Council	(22,653)
(6)	- Other Authorities and Bodies	(5)
(986)	- Temporary Investments	(939)
<u>(24,977)</u>		<u>(23,597)</u>

BALANCE SHEET AS AT 31 MARCH

2003/2004		2004/2005
£'000		£'000
	ASSETS	
	<i>Advances to</i>	
366,131	- Aberdeenshire Council for Capital Expenditure	365,908
74	- Other Authorities and Bodies	65
81	- Debtors	27
18,774	- Debt Redemption Premium	21,836
10,631	- Temporary Investments	22,613
176	- Petty Cash	73
<u>395,867</u>		<u>410,522</u>
	Less: CURRENT LIABILITIES	
(48,116)	Temporary Advances from Services	(63,820)
(3,843)	Sundry Creditors	(3,541)
(20,232)	Temporary Loans	(15,101)
(7,647)	Bank Overdraft	(2,877)
<u>(79,838)</u>		<u>(85,339)</u>
<u>316,029</u>	NET ASSETS	<u>325,183</u>
	FINANCED BY:	
(299,602)	PWLB	(256,180)
(16,000)	Bonds and Mortgages	(68,600)
(427)	Other	(403)
<u>(316,029)</u>		<u>(325,183)</u>

NOTES TO THE ACCOUNTS

5.4(b) Long Term Borrowing

Included within the Council's debt at 31 March 2005 are the following categories:

31 March 2004 £'000	Source of Loan	Range of Interest Rates	Outstanding as at 31 March 2005 £'000
299,602	Public Works Loans Board (PWLB)	2.5% to 11.75%	256,180
16,000	Bonds & Mortgages	2.95% to 11.00%	68,600
427	Other	5% to 5.75%	403
<u>316,029</u>			<u>325,183</u>

Number of Years	PWLB £'000	Bonds & Mortgages £'000	Other £'000	Total £'000
1-2	12,580			12,580
2-5	5,420			5,420
5-10	64,624			64,624
Over 10	<u>173,556</u>	<u>68,600</u>	<u>403</u>	<u>242,559</u>
	<u>256,180</u>	<u>68,600</u>	<u>403</u>	<u>325,183</u>

5.5 Government Grants Deferred

Government Grants deferred represent grants which relate to expenditure on the creation of fixed assets and are therefore capitalised and written off over the life of the asset.

	Balance at 1 April 2004 £'000	Received During Year £'000	Written Off £'000	Balance at 31 March 2005 £'000
Education & Recreation	(9,900)	(3,998)	445	(13,453)
Housing Revenue Account	(198)	(620)	12	(806)
Infrastructure	(7,468)	(2,251)	300	(9,419)
Social Work & Housing	(254)	-	2	(252)
Total	<u>(17,820)</u>	<u>(6,869)</u>	<u>759</u>	<u>(23,930)</u>

5.6 Provisions

Provisions for Future Losses

A provision has been created to provide for future losses on the Roads Operations Trading Account (formerly Highways DLO) in respect of current contracts. At 31 March 2005 the balance on the provision is £390,000. (2003/2004 = £274,000).

TOTAL PROVISIONS £390,000 (2003/2004 = £274,000)

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. At 31 March 2005 the balance on the provision is £2,624,000. (2003/2004 = £2,902,000)

Revenues

Provides for possible losses on the collection of Community Charge, Council Tax and Business Rates. At 31 March 2005 the balance on the provision is £13,885,000. (2003/2004 = £13,578,000)

NOTES TO THE ACCOUNTS

Housing Rents

Provides for possible losses on housing rents. The tenants' rent arrears amount to £1,665,000 as at 31 March 2005. At 31 March 2005 the balance on the provision is £1,294,000 (2003/2004 = £1,162,000)

TOTAL DEBTORS PROVISIONS £17,803,000 (2003/2004 = £17,642,000)

5.7 Insurance Fund

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

It will meet where appropriate excess 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 on loan to Aberdeenshire Council may also be met from the Fund where the loss would place an exceptional burden on a particular Service's budget.

The fund has a balance at 31 March 2005 of £2,134,000 (31 March 2004 £2,108,000), payments from the fund being met from service contributions in respect of uninsured losses and interest for the year. Recorded outstanding liabilities as at 31 March 2005 amount to £462,000.

5.8 Devolved Education Management

The General Fund Balance includes an amount of £3,244,000 (31 March 2004 £5,768,000) which is held by schools under Devolved Education Management. These balances are committed to be spent on the Education Service.

5.9 Guarantees

Aberdeenshire Council, at 31 March 2005, has the undernoted guarantees in place. In the case of the Lawsondale Playing Field Trust, the relevant liability has been reflected in the Consolidated Balance Sheet.

Lawsondale Playing Fields Trust

The former Gordon District Council agreed to guarantee a loan of £550,000 for the construction of a pavilion and playing fields. These assets have been incorporated within Aberdeenshire Council's Balance Sheet at a nominal valuation of £1. The nominal valuation reflects the fact that the Pavilion and playing fields are in the control of a Trust and cannot be disposed of by the Council. The reducing balance of the loan outstanding, £403,000 (2003/2004 - £427,000) has been included in the long term borrowing figure.

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.

5.10 Related Companies

During 2002/03 Aberdeenshire Council, in conjunction with Scottish Enterprise Grampian, established a company called Tullytree Ltd, for the purpose of letting property. Aberdeenshire Council held 100% of the shares in this company and had a full commitment to meet all losses incurred by the Company.

At 31 March 2004 Tullytree Ltd had a profit on ordinary activities for the year of £53,000 and net assets of £3,000. Aberdeenshire Council has underwritten a loan of £1,800,000 from the Clydesdale Bank to Tullytree Ltd. At 31 March 2004 funds had been drawn down by the Company totalling £1,094,000.

The business activities formerly undertaken by Tullytree Ltd and transferred to Aberdeenshire Council on 1 April 2004 have now been disposed of, with the principal asset being sold at book value and the underwritten loans repaid in full, therefore concluding the involvement of Aberdeenshire Council.

NOTES TO THE ACCOUNTS

5.11 Pension Assets and Liabilities

Note 1.11 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme, administered by Aberdeen City Council. The underlying assets and liabilities for retirement benefits to the Council at 31 March are as follows:

31 March 2004	31 March 2005
£'000	£'000
(348,600) Estimated funded liabilities in scheme	(461,970)
(24,280) Estimated unfunded liabilities in scheme	(26,490)
<u>311,550</u> Estimated assets in scheme	<u>356,720</u>
<u>(61,330)</u> Net asset/(liability)	<u>(131,740)</u>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net liability of £131,740,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing this by 28.57% (2003/04 12.44%). 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 255% of members' contributions. The contribution rate certified for Aberdeenshire Council at the 31 March 2002 valuation for 2005/06 is 265% of members' contributions.

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

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 Hewitt, Bacon & Woodrow, an independent firm of actuaries, estimates for this fund being based on the latest full valuation of the scheme as at 31 March 2002.

The main assumptions used in their calculations have been:

2003/04	2004/05
2.9% Rate of inflation	2.9%
6.4% Discount rate	5.3%
4.4% Rate of increase in salaries	4.4%
2.9% Rate of increase in pensions in payment	2.9%
2.9% Rate of increase in deferred pensions	2.9%

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

2003/04	2004/05
7.7% Equities (including private equity)	7.7%
4.7% Bonds	4.7%
6.7% Property	6.7%
4.2% Other assets	4.8%
7.1% Average long term expected rate of return	7.2%

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 2004	31 March 2005
%	%
76 Equities (including private equity)	83
13 Bonds	10
6 Property	3
5 Other assets	4
<u>100</u>	<u>100</u>

NOTES TO THE ACCOUNTS

5.12 Defined Contribution Pension Schemes

With regard to the Scottish Teachers' Pension Scheme, contributions of £1,305,000 remained payable at the year end.

As explained in note 1.12, the Scheme is a defined benefit scheme, administered by the Scottish Executive. Although the scheme is unfunded, the Scottish Executive 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 5.11.

5.13 Euro Costs

To date, Aberdeenshire Council has incurred minimal expenditure in preparation for the single european currency. With the continued uncertainty over membership of the single currency, it cannot be established with any certainty what costs will be incurred or the timescale over which these costs will be incurred. However, it is recognised that if a decision is taken to join the Euro, significant costs will be incurred in preparation and implementation.

5.14 Single Status

The Council is currently carrying 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 Council intends to implement the agreement by 1 April 2006.

At this stage in negotiations it is not possible to quantify the full financial implications.

NOTES TO THE ACCOUNTS

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

6.1 Movements in Revenue Reserves

	General Fund £'000	HRA £'000	Statutory Funds £'000	Pensions Reserve £'000	Total £'000
Balance at 1 April 2004	(17,135)	(17,272)	(9,308)	61,330	17,615
Movement for Year	(5,181)	(3,799)	1,091	-	(7,889)
Appropriations to/from Revenue	-	-	-	6,200	6,200
Actuarial Gains and Losses Relating to Pensions	-	-	-	64,210	64,210
Balance at 31 March 2005	<u>(22,316)</u>	<u>(21,071)</u>	<u>(8,217)</u>	<u>131,740</u>	<u>80,136</u>

Further details relating to the General Fund, HRA and Statutory Funds are shown in notes 6.2, 6.3 and 6.4 respectively. Surpluses and deficits on the Pension Fund (see notes 1.11 and 5.11) are shown through the Pension Reserve. As the Pension Reserve relates to the valuation of the Pension Fund, it does not represent funds available for use.

6.2 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 5.8. 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.
- 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.
- Earmarked Grants – RSG funding received for a particular purpose, but not spent by the balance sheet date. These funds are ring-fenced and are carried forward to offset additional expenditure incurred in delivering services for which the grant funding was originally intended.
- 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	BCCI £'000	Earmarked Grants £'000	Others £'000	Total £'000
Balance at 1 April 2004	(9,329)	(5,768)	(90)	(1,234)	(274)	(440)	(17,135)
Movement for the Year	(5,825)	2,524	(1,480)	325	(310)	(415)	(5,181)
Balance at 31 March 2005	<u>(15,154)</u>	<u>(3,244)</u>	<u>(1,570)</u>	<u>(909)</u>	<u>(584)</u>	<u>(855)</u>	<u>(22,316)</u>

NOTES TO THE ACCOUNTS

6.3 Housing Revenue Account

The Housing Revenue Account Working Balance is a cumulative reserve used to:

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

6.4 Statutory Funds

	Balance as at 31/03/2004 £'000	Add Contributions £'000	Add Interest £'000	Deduct Expenditure £'000	Balance as at 31/03/2005 £'000
FUNDS					
Repairs & Renewals (i)	0	(3,952)	(40)	3,992	-
Coastal Protection Emergency (i)	(59)	-	(2)	-	(61)
Road Maintenance (i)	(3,399)	(13,776)	(220)	15,647	(1,748)
Winter Maintenance (i)	(310)	(5,616)	(102)	5,295	(733)
Amenity Areas (ii)	(42)	(145)	(5)	192	-
Insurance Fund (iii)	(2,108)	(98)	(95)	167	(2,134)
Vehicle Replacement (iv)	(3,390)	-	(151)	-	(3,541)
	<u>(9,308)</u>	<u>(23,587)</u>	<u>(615)</u>	<u>25,293</u>	<u>(8,217)</u>

- (i) These reserves 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 and to meet all planned expenditure from these funds.

- (ii) These funds are 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, and to transfer the net funds to the General Fund balance for the wider corporate benefit of the Council.
- (iii) 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.

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

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

NOTES TO THE ACCOUNTS

6.5 Capital Reserves

The system of capital accounting requires the establishment of a Fixed Asset Restatement Account (FARA) and a Capital Financing Account (CFA). The FARA 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 CFA 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 FARA and the CFA 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	Capital Financing Account	Usable Capital Receipts Reserve
	£'000	£'000	£'000
Opening Balance at 1 April 2004	(326,878)	(122,544)	-
CFCR		(5,686)	
Disposals to Book Value:			
- HRA	3,660		
- Other	1,059		
Disposals at Cash Value:			
- HRA			7,977
- Other			7,040
Revaluations & Restatements	45,215		
Transfer to Appropriation Account			
- Applied Sales Receipts		(6,567)	
- Applied Sales and Grants Receipts			(15,017)
- Debt Redeemed from Set Aside		(2,225)	
- Deferred Charges and Government Grants Deferred		695	
- Excess of Depreciation over Loans Fund Principal		3,779	
Closing Balance at 31 March 2005	(276,944)	(132,548)	-

6.6 Pension Reserve

The actuarial gains identified as movements on the Pension reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	2003/04		2004/05	
	£'000	%	£'000	%
Actual return less expected return on assets	43,630	14.0	13,310	3.7
Experience gains and losses on pension liabilities	(280)	0.1	7,340	1.5
Changes in assumptions underlying the present value of pension liabilities	790	0.2	(84,860)	17.4
Total	44,140		(64,210)	

NOTES TO THE ACCOUNTS

CASH FLOW STATEMENT

7.1 Increase/(Decrease) in Cash and Cash Equivalents

2003/2004 £'000	2004/2005 £'000
(974) Bank Overdraft	4,770
65 Cash	(104)
(909)	4,666

7.2 Reconciliation of Surplus to Net Cashflow

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000
(113)	(Surplus)/Deficit for Year		(5,181)
	Non Cash Transactions		
49	(Increase)/Decrease in Provisions set aside in Year	(116)	
(2,962)	Contributions (to)/from Funds and Reserves	(2,708)	
(2,913)			(2,824)
	Items on an Accruals Basis		
(163)	Increase/(Decrease) in Stock	280	
(3,432)	(Increase)/Decrease in Debtors	7,426	
(8,332)	Increase/(Decrease) in Creditors	(16,380)	
(11,927)			(8,674)
(29,343)	Adjust Capital Financing		(31,276)
(44,296)	Net Cash Flow from Revenue Activities		(47,955)

7.3 Reconciliation of Movement in Cash to the Movement of Net Debt

2003/2004 £'000		2004/2005 £'000
(909)	Increase/(Decrease) in Cash	4,666
7,461	Increase/(Decrease) in Debt	7,959
6,552	Movement in Net Debt	12,625
(339,598)	Net Debt as at 1 April	(333,046)
(333,046)	Net Debt as at 31 March	(320,421)

Analysis of Movement in Net Debt

	As at 01/04/04 £'000	Cash Flows £'000	As at 31/03/05 £'000
Cash in Hand	231	(104)	127
Bank Overdraft	(7,647)	4,770	(2,877)
	(7,416)	4,666	(2,750)
Long Term Borrowing	(316,029)	(9,154)	(325,183)
Temporary Borrowing	(20,232)	5,131	(15,101)
	(336,261)	(4,023)	(340,284)
Current Asset Investments	10,631	11,982	22,613
Total	(333,046)	12,625	(320,421)

NOTES TO THE ACCOUNTS

7.4 Analysis of Government Grants - Revenue Activities

2003/2004		2004/2005	2004/2005
£'000		£'000	£'000
	Education & Recreation		
(4,805)	- National Priorities Action Fund	(5,592)	
(488)	- Discipline Task Group	(488)	
(934)	- New Community Schools	(1,113)	
(676)	- Continuing Professional Development	(663)	
(334)	- In-Service Training	(334)	
(2,474)	- Education & Recreation Other	(4,209)	
(9,711)			(12,399)
	Social Work & Housing		
(1,395)	- Criminal Justice Service Grant	(1,445)	
(1,726)	- Children's Services Development Fund	(2,516)	
(587)	- Mental Illness	(578)	
(646)	- Housing (Scot) Act 2001 Implementation	(597)	
(317)	- Grampian Health Board Support	(572)	
(9,204)	- Social Work & Housing Other	(11,452)	
(13,875)			(17,160)
	Transportation & Roads		
(475)	- Rural Transport Initiative	(508)	
(253)	- Waste Strategy	(2,643)	
(728)			(3,151)
(24,314)			(32,710)

TRUSTS AND ENDOWMENTS

The Council administers various Charitable Trusts mainly of an Educational and Social Work nature. This section gives summary details of the income and disbursements relating to these Trusts, a summary of the balances of the Trusts at 31 March 2005 and details of how these balances were invested at that date.

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, Finance and Administration act as Educational Adviser, Treasurer and Clerk respectively; this arrangement was approved by 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 2005 and the resultant gain on revaluation has been credited to the various Trusts in proportion to their holding in the Central Fund.

MOVEMENT IN FUNDS	Balance as at 1 April 2004 £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2005 £'000
Education Trusts					
- Aberdeenshire	(1,914)	(178)	(82)	53	(2,121)
- Kincardineshire	(106)	(10)	(4)	4	(116)
Other Trusts	(1,207)	(3)	(59)	31	(1,238)
Endowment Funds					
- Educational	(276)	(25)	(22)	6	(317)
- Social Work	(250)	(23)	(10)	20	(263)
	<u>(3,753)</u>	<u>(239)</u>	<u>(177)</u>	<u>114</u>	<u>(4,055)</u>

INVESTMENT OF FUNDS AT 31 MARCH

2004 £'000		2005 £'000
2,024	Equities & Securities	2,206
(2)	Other Investments	(12)
<u>1,731</u>	Aberdeenshire Council Loans Fund	<u>1,861</u>
<u>3,753</u>		<u>4,055</u>

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
30 June 2005

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.

	Balance as at 1 April 2004 £'000	Revaluation Of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2005 £'000
MOVEMENT IN FUNDS	(1,461)	(2)	(70)	23	(1,510)

INVESTMENT OF FUNDS AT 31 MARCH

2004 £'000		2005 £'000
19	Equities & Securities	21
257	Other Investments	257
<u>1,185</u>	Aberdeenshire Council Loans Fund	<u>1,232</u>
<u><u>1,461</u></u>		<u><u>1,510</u></u>

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
30 June 2005

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. Administration Costs:**
Includes telephone, printing, stationery, advertising and postage.
- 3. Allocations and Charges to Other Accounts:**
For services provided by one service to another.
- 4. AMRA:**
The Asset Management Revenue Account matches the provision for depreciation and external interest payable with the capital charges made to services.
- 5. Appropriation Accounts:**
These are used to effect all transfers to, and from, capital and revenue reserves.
- 6. Business Rates:**
A charge levied on commercial properties and collected by the Council. The rate is set by the Scottish Executive. It is also known as Non-Domestic Rates.
- 7. Capital Charges:**
A charge to service revenue accounts to reflect the cost of financing assets owned or controlled by Aberdeenshire Council. This charge comprises interest charges and depreciation.
- 8. Capital Expenditure:**
This is expenditure incurred in creating or acquiring an intangible 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. Capital Financed from Current Revenue (CFCR):**
The cost of capital expenditure financed at the Council's discretion from within the Council's Revenue Budget.
- 10. Charges to Other Authorities:**
Includes payments to other Local Authorities in return for providing a service on behalf of Aberdeenshire Council.
- 11. 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.
- 12. Consistency:**
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 13. Corporate & Democratic Core & Non Distributable 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 Distributable 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.
- 14. 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.
- 15. Fees and charges:**
Income received for services provided.
- 16. 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.

GLOSSARY OF TERMS

17. **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.

18. **Infrastructure Assets:**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

19. **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.

20. **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.

21. **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.

22. **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.

23. **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.

24. **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.

25. **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.

26. **Payments to Agencies and Others:**

Includes grants to individuals and various organisations as well as payments to other organisations in return for providing a service on behalf of Aberdeenshire Council.

27. **Premises Costs:**

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

28. **Public Works Loans Board (PWLB):**

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

29. **Revenue Expenditure:**

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

30. **Revenue Support Grant:**

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

31. **Staff Costs:**

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

32. **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.

GLOSSARY OF TERMS

33. 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.

34. 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 which 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 which will be implemented over the coming period. The Council has carried out extensive consultations with the local community. This has identified improvements which require to be taken forward in 2005, and this will include clear channels of communication with all sections of the community and other stakeholders. The Council has set standards and targets for performance in the delivery of services and has developed a system of performance management to be implemented from 1 April 2005. It will take time before the benefits of this system are seen. Clearly documented procedures have been put in place to govern the relationships between Councillors and Officers, and these are reviewed regularly with a number of amendments having been approved during 2004/05.

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 2005, with the following three exceptions:

- The issue of contingency and business continuity planning continues to cause concern. During 2004/05, plans have been documented in relation to the main financial systems, but these have not all been tested to ensure that they will be effective in the event of having to be implemented.
- During 2004/05, Internal Audit undertook a review of the Council's Risk Management Strategy. The findings of this review show that progress has been slow with regard to demonstrating that appropriate action has been taken to implement the Council's Policy and that the Policy requirements have not all been implemented.
- Stock control procedures across the Council are a concern and require to be addressed as a matter of urgency, as there are significant numbers and values of adjustments being required to reconcile physical stock to the accounting records.

We are satisfied that the actions detailed above will address the need for improvements.

Signed:

Councillor Audrey M Findlay, Leader of the Council
Alan G Campbell, Chief Executive
On behalf of the Councillors and Officers of Aberdeenshire Council

Dated 30 June 2005

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 terms of the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom ("the Code"), the Director is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

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";
- ◆ 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 2005.

Charles Armstrong, BA, CPFA, FCCA
Director of Finance
30 June 2005

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 on pages 4 to 39 under the Local Government (Scotland) Act 1973. The financial statements have been prepared in accordance with the accounting policies set out on pages 4 to 6.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Director of Finance and Auditor

As described on page 44 the Director of Finance of the Council is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). My responsibilities, as independent auditor, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements present fairly the financial position of the Council at 31 March 2005 and its income and expenditure for the year. I also report if, in my opinion, the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement of Assurance on page 43 complies with the requirements of the SORP. I report if, in my opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

I read the other information published with the financial statements and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An 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 appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly the financial position of the Council as at 31 March 2005 and its income and expenditure for the year then ended.

Fiona Kordiak CPFA, Assistant Director
Audit Scotland – Audit Services
Osborne House, 1/5 Osborne Terrace
Edinburgh EH12 5HG

28 September 2005

PERFORMANCE INDICATORS 2004/2005

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

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

The attached are the figures for Aberdeenshire Council for April 2004 – March 2005. Figures for 2003/04 are also included where they are available.

If you have any comments or questions about this performance information, please contact David Hughes, Chief Internal Auditor, Woodhill House, Westburn Road, Aberdeen, AB16 5GB Tel. 01224 664184. Fax 01224 664022. E-mail: david.hughes@aberdeenshire.gov.uk

PERFORMANCE INDICATORS 2004/2005

ADULT SOCIAL WORK

COMMUNITY CARE ASSESSMENTS	2003/04	2004/05
1A Community Care Assessments		
Persons assessed or reviewed per 1,000 population		
a) Elderly people aged 65+	200.9	203.5
b) Elderly people aged 65+ with dementia	20.5	18.4
c) People aged 18-64 with mental health problems/dementia	2.5	2.5
d) People aged 18-64 with physical disability		
e) People aged 18-64 with learning disability	11.5	12.3
f) People aged 18-64 with HIV/AIDS	2.6	3.1
g) People aged 18-64 with drug/alcohol abuse problems	Under 10 2.7	Under 10 3.3
1B Community Care Assessments		
Persons receiving a service per 1,000 population		
a) Elderly people aged 65+	210.9	207.7
b) Elderly people aged 65+ with dementia	29.2	30.5
c) People aged 18-64 with mental health problems/dementia	4.9	5.0
d) People aged 18-64 with physical disability	12.9	13.3
e) People aged 18-64 with learning disability	5.5	5.4
f) People aged 18-64 with HIV/AIDS	Under 10	Under 10
g) People aged 18-64 with drug/alcohol abuse problems	1.4	1.6
RESIDENTIAL ACCOMMODATION: STAFF QUALIFICATION		
2 Care staff in Local Authority residential homes, who have appropriate qualifications:		
a) Elderly People	31.07%	41.4%
b) Others adults	27.59%	52.6%
c) Overall	31.00%	43.1%
RESIDENTIAL ACCOMMODATION: PRIVACY		
3 The percentage of all residential care places that are single rooms for the following groups for the following providers		
a) i Elderly people – Council		
ii Elderly people – voluntary sector	98.6%	100.0%
iii Elderly people – private sector	93.9%	99.1%
b) i Other adults – Council	92.7%	93.7%
ii Other adults – voluntary sector	100.0%	100.0%
iii Other adults – private sector	94.4%	96.2%
	83.1%	90.9%
Rooms with en-suite facilities		
a) i Elderly people – Council	26.9%	30.4%
ii Elderly people – voluntary sector	68.4%	66.7%
iii Elderly people – private sector	76.0%	84.4%
b) i Other adults – Council	0.0%	0.0%
ii Other adults – voluntary sector	6.8%	10.3%
iii Other adults – private sector	49.2%	60.6%
HOME CARE/HOME HELPS		
4 Total number of homecare hours per 1,000 population aged 65+		
Percentage of homecare clients aged 65+ receiving:		
a) personal care	306.83	291.9
b) a service during evening / overnight	76.74%	83.2%
c) a service at weekends	25.00%	28.2%
	55.48%	53.2%

PERFORMANCE INDICATORS 2004/2005

ADULT SOCIAL WORK (continued)

RESPITE CARE	2003/04	2004/05
5 a) Number of nights residential respite care provided per 1,000 population aged:		
i 65+	461.38	425.4
ii 18 – 64	71.48	66.8
b) Number of hours respite care provided at home per 1,000 population aged:		
i 65+	1,995.25	2,224.9
ii 18 – 64	128.06	153.7
c) Number of hours other respite care per 1,000 population aged 65+	-	958
d) Number of nights other respite care per 1,000 population aged 65+	-	94
 CRIMINAL JUSTICE		
6 a) Number of Social Enquiry Reports submitted to courts during the year per 1,000 population aged 16+	4.0	4.0
b) Proportion of Social Enquiry Reports requested by the courts allocated to social work staff within 2 working days of receipt	93.0%	95.3%
c) Proportion of reports submitted to courts by due date	93.6%	99.5%
7 a) Number of new probation orders issued during the year per 1,000 population aged 16+	1.05%	1.1%
b) Number and proportion of new probationers seen by a supervising officer within one week	149 / 88.17%	112 / 58.9%
c) Proportion of people subject to a probation order who were reported to the court for breach of probation during the year	11.69%	15.5%
8 Average number of hours per week to complete community orders	3.4	3.5

BENEFITS ADMINISTRATION

BENEFITS ADMINISTRATION	2003/04	2004/05
1 Gross administration cost per case	£62.93	£66.08
2 Average time to process:-		
(i) new claims	49.0 days	53.6 days
(ii) change of circumstances	6.8 days	6.9 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	94.6%	93.4%
4 Percentage of recoverable overpayments (excluding Council Tax Benefit) that were recovered in the year.	-	-

PERFORMANCE INDICATORS 2004/2005

CHILDREN'S SERVICES

PRIMARY SCHOOLS

	2003/04	2004/05
1 Primary classes in which the number of pupils falls within the following bands:		
i) single year classes with 33 or fewer	54.3%	53.4%
ii) composite year classes with 25 or fewer	45.4%	46.4%
iii) primary classes with P1 to P3 pupils in which the number of pupils is 30 or less	100.0%	100.0%
2 The percentage of schools with occupancy of:		
a) 40% or less	5.2%	7.1%
b) 41 – 60%	21.9%	23.2%
c) 61 – 80%	29.0%	26.5%
d) 81 – 100%	25.8%	25.2%
e) 101% or more	18.1%	18.1%

SECONDARY SCHOOLS

3 The percentage of schools with occupancy of:		
a) 40% or less	0.0%	0.0%
b) 41 – 60%	5.9%	0.0%
c) 61 – 80%	0.0%	5.9%
d) 81 – 100%	52.9%	47.05%
e) 101% or more	41.2%	47.05%

SPECIAL EDUCATIONAL NEEDS

4 The percentage of special educational needs assessments completed in:		
i) up to 18 weeks	17.1%	56.3%
ii) 19 to 26 weeks	28.0%	10.9%
iii) 27 to 39 weeks	25.6%	15.6%
iv) 40 to 52 weeks	17.1%	6.3%
v) more than 1 year	12.2%	10.9%

EQUAL OPPORTUNITIES POLICY

5 The percentage of teachers in each of the following staff bands who are women:		
a) Head and Deputy Head Teachers		
i) Secondary	25.6%	44.1%
ii) Primary	81.5%	87.6%
iii) Special	81.8%	75.0%
iv) Total	66.9%	80.5%
b) All teachers including Head and Deputy Head Teachers		
i) Secondary		
ii) Primary	68.6%	66.0%
iii) Special	94.4%	94.1%
iv) Total	88.5%	91.2%
	80.6%	80.7%

CHILD PROTECTION

6. Percentage of children on the register in the year who had previously been on the register	7.5%	18.0%
Number of children on the register at 31 March per 1,000 population, aged 0 - 15 inclusive	2.2	2.3%
Percentage of children on the register at 31 March who had been on the register for:-		
i) less than 6 months		
ii) 6 months but under one year	43.3%	37.0%
iii) one year but under 2 years	16.3%	20.4%
iv) two years or more	20.2%	25.9%
	20.2%	16.7%

PERFORMANCE INDICATORS 2004/2005

CHILDREN'S SERVICES (continued)

LOOKED AFTER CHILDREN – ACADEMIC ATTAINMENT	2003/04	2004/05
7 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)	-	80%
ii at least level 3 in English and Maths	-	60%
iii at least one Standard Grade	-	80%
iv Standard Grade English and Maths	-	60%
 CHILD CARE PLACEMENTS		
8 Percentage of children aged 0 – 17 incl. in care / under supervision		
a) At home	49.7%	40.0%
As a rate per 1,000 population	3.4	2.4
b) In other community placements	38.1%	47.6%
As a rate per 1,000 population	2.6	2.8
c) In residential accommodation	12.2%	12.4%
As a rate per 1,000 population .	0.8	0.7
d) Total number as a rate per 1,000 population	6.8	5.9
e) Number of children aged under 12 in residential accommodation being looked after	2.2%	2.5%
f) Number of children receiving respite excluded from above per 1,000 population aged 0 – 17 incl.	1.1	0.6
g) Total children looked after including respite per 1,000 population aged 0 – 17 incl.	7.9	6.6
 RESIDENTIAL ACCOMODATION STAFF QUALIFICATION		
9 Care staff in Local Authority residential homes, who have appropriate qualifications	41.0%	55.0%
 RESIDENTIAL ACCOMODATION PRIVACY		
10 The percentage of rooms of all residential care places for children that are single rooms (by sector):		
i) Council	100.0%	100.0%
ii) Voluntary	100.0%	93.3%
iii) Private	-	92.3%
 The percentage of rooms of all residential care places for children that have en-suite facilities (by sector):		
i) Council	6.7%	7.1%
ii) Voluntary	27.6%	20.0%
iii) Private	-	0.0%
 RESPITE CARE		
11 Per 1,000 population aged 0 – 17:		
a) Number of nights residential respite care	42.8	10.2
b) Number of hours respite care provided at home	213.9	227.6
c) Number of hours of day service respite care	106.4	184.8
d) Number of nights respite care	-	29.8
 SOCIAL BACKGROUND REPORTS		
! Percentage of reports requested by the reporter during the year that were submitted within 20 days.	39.7%	40.0%
 SUPERVISION		
13 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%	98.6%

PERFORMANCE INDICATORS 2004/2005

CORPORATE MANAGEMENT

SICKNESS ABSENCE	2003/04	2004/05
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	-	4.5%
ii Craft employees	-	3.0%
iii Teachers	3.3%	3.6%

LITIGATION CLAIMS

2 a) The number of civil liability claims incurred by the council in the year per 10,000 population.	17.3	21.1
2 b) Claims as a percentage of the revenue budget	0.1%	0.1%

EQUAL OPPORTUNITIES

3 a) The percentage of women employees in the top 2% of earners among council employees.	26.2%	31.8%
b) The percentage of women employees in the top 5% of earners among council employees.	44.5%	42.5%

PUBLIC ACCESS

4 The percentage of buildings from which the council delivers services that are suitable for, and accessible to, disabled people.	-	28.3%
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COUNCIL TAX COLLECTION

5 Cost of collecting council tax per chargeable dwelling	£14.40	£10.82
6 a) Income due from council tax for the year excluding relief and rebates	£81.4m	£86.9m
b) The percentage of income due from council tax for the year that is received by the end of the year	94.0%	95.3%

NON-DOMESTIC RATES COLLECTION

7 The percentage of income due from non-domestic rates that was received by the end of the year.	98.0%	96.9%
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PAYMENT OF INVOICES

8 The percentage of invoices paid within 30 days of receipt	88.0%	87.8%
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CULTURAL AND COMMUNITY SERVICES

SPORT AND LEISURE MANAGEMENT

	2003/04	2004/05
1 Number of attendances per 1,000 population for all pools	3,678	3,708
2 Number of attendances per 1,000 population for indoor sport and leisure facilities excluding pools in a combined complex	587	542

MUSEUMS

3 a) Number of museums operated by or financially supported by the Council	17	17
b) The percentage of museums registered under the museums and Galleries Commission (MGC) registration scheme	88.2%	88.2%

PERFORMANCE INDICATORS 2004/2005

CULTURAL AND COMMUNITY SERVICES (continued)

LIBRARY BOOK REQUESTS	2003/04	2004/05
4 Average time taken to satisfy library book requests	20 Days	20 days

LIBRARY STOCK TURNOVER

5 a) Changes in adult library lending stock		
i Additions per 1,000 population	114	104
ii Closing stock items per 1,000 population	2,317	2,095
5 b) Changes in children's and teenage library lending stock		
i Additions per 1,000 population	67	75
ii Closing stock items per 1,000 population	709	732
6 a) The percentage of the resident population that are borrowers from public libraries	22.7%	22.3%
b) Average number of issues per library borrower	26.3	25.0

LEARNING CENTRE AND LEARNING ACCESS POINT USERS

7 a) Users as a percentage of the population	3.6%	6.1%
b) Number of occasions that terminals are accessed per 1,000 population	277.9	427.0

DEVELOPMENT SERVICES

BUILDING WARRANTS AND COMPLETION CERTIFICATES

	2003/04	2004/05
1 a) The percentage of requests for a building warrant responded to within 15 days	52.3%	53.2%
b) The average time taken to respond to a request for a completion certificate	5 days	6 days
c) The percentage of building warrants issued (or an application otherwise determined) within 6 days.	74.5%	78.8%
d) The percentage of completion certificates issued within 3 days.:	65.7%	73.0%

PROCESSING TIME – PLANNING APPLICATIONS

2 Percentage of applications dealt with within two months		
a) Householder	77.6%	84.6%
b) Non-householder	40.4%	46.9%
c) Total	58.8%	65.5%

APPEALS

3 a) Successful appeals as a percentage of	0.4%	0.5%
b) Successful appeals as a percentage of determinations that went to appeal	34.9%	28.6%

DEVELOPMENT PLANS

4 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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PERFORMANCE INDICATORS 2004/2005

HOUSING

	2003/04	2004/05
RESPONSE REPAIRS		
1 The percentage of repairs completed within the following targets:		
a) Call-outs – target 2 hours	-	90.3%
b) Emergency repairs – target 24 hours	88.1%	83.0%
c) Urgent repairs – target 5 working days	78.9%	75.9%
d) Standard 1 repairs – target 10 working days	83.6%	77.1%
e) Standard 2 repairs – target 20 working days	64.4%	82.0%
f) Planned – target 40 days	93.2%	89.6%
MANAGING TENANCY CHANGES		
2 The percentage of rent due in the year that was lost due to voids	1.90%	1.80%
3 The percentage of all houses re-let that took		
a) Less than 2 weeks	14.2%	9.4%
b) 2 to 4 weeks	33.6%	34.9%
c) More than 4 weeks	52.2%	55.7%
Average time to re-let houses	68 days	67 days
RENT ARREARS		
4 a) Current tenants' arrears as a percentage of net rent due	3.8%	4.2%
b) The percentage of current tenants owing more than 13 weeks rent at the year end excluding those owing less than £250	3.1%	3.7%
COUNCIL HOUSE SALES		
5 a) The percentage of house sales completed within	48.1%	68.0%
b) Average time taken to sell houses	30 weeks	25 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	7.1 weeks	13.5 weeks
b) Percentage of cases reassessed as homeless or potentially homeless within 12 months of previous case being completed.	12.7%	12.6%
PROTECTIVE SERVICES		
	2003/04	2004/05
FOOD SAFETY: HYGIENE INSPECTIONS		
1. Percentage of establishments actually inspected within time:		
a) Inspections required every 6 months	87.6%	98.7%
b) Inspections required every 12 months	92.1%	96.3%
c) Inspections required greater than 12 months	83.2%	83.4%
WORKPLACE SAFETY INSPECTIONS		
2. Percentage of premises liable to workplace safety inspections inspected within target time of:-		
a) 12 months	97.6%	97.3%
b) 24 months	91.3%	91.3%
c) 36 months	90.3%	85.4%
d) 48 months	79.7%	75.8%
e) 60 months	78.8%	60.9%
NOISE COMPLAINTS		
3 a) Percentage of noise complaints settled at first contact with complainant on day of receipt	100.0%	81.5%
b) Percentage of complaints requiring further action that were completed within 14 days.	99.0%	96.5%

PERFORMANCE INDICATORS 2004/2005

PROTECTIVE SERVICES (continued)

	2003/04	2004/05
TRADING STANDARDS – ENQUIRIES, COMPLAINTS AND ADVICE		
4 a) Percentage of consumer enquiries dealt with on	87.1%	86.1%
b) Percentage of consumer complaints dealt with within 14 days of receipt	80.1%	74.3%
c) Percentage of business advise requests dealt with within 14 days of receipt	92.8%	91.6%

INSPECTION OF TRADING PREMISES

5 Premises liable to inspection in the following categories where inspections were undertaken within time		
a) High Risk (12 months)	-	72.5%
b) Medium Risk (2 years)	-	52.0%
c) Low Risk (5 years)	-	61.6%

ROADS AND LIGHTING

	2003/04	2004/05
CARRIAGEWAY CONDITION		
1 Percentage of road network that should be considered for maintenance treatment:		
i) A class roads	25.9%	27.0%
ii) B class roads	33.4%	36.8%
iii) C class roads	25.7%	22.4%
iv) Unclassified roads	41.7%	35.8%
v) Overall	33.8%	31.0%

TRAFFIC LIGHT REPAIRS

2 Percentage of traffic light failures repaired within 48 hours	88.2%	96.1%
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STREET LIGHT REPAIRS

3 Percentage of street light failures repaired within 7 days	91.8%	93.9%
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STREET LIGHTING COLUMNS

4. The proportion of street lighting columns that are over 30 years old	-	23.5%
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BRIDGES – ROAD NETWORK RESTRICTIONS

5. (a) The number and percentage of bridges failing European standards:		
i) Council	-	93 / 8.8%
ii) Private	-	7 / 22.6%
iii) Total	-	100 / 9.2%
5. (b) The number and percentage of bridges with a weight or width restriction:		
i) Council	-	6 / 0.6%
ii) Private	-	1 / 3.2%
iii) Total	-	7 / 0.6%

PERFORMANCE INDICATORS 2004/2005

WASTE MANAGEMENT

	2003/04	2004/05
REFUSE COLLECTION		
1 a) Net cost of refuse collection per premise	-	£28.89
b) Net cost of refuse disposal per premise	-	£68.89
2 Percentage of special uplifts completed within 5 working days	95.4%	96.4%
3 The number of complaints per 1,000 households	32.6	0.1
REFUSE RECYCLING		
4 a) The amount of household waste collected by the Council that was disposed of by the following methods:-		
i Used for recovery of heat, power and other energy sources	0.0%	0.0%
ii Ash from incineration which is recycled	0.0%	0.0%
iii Composted by the authority	6.3%	4.0%
iv Other recycling or recovery methods	6.5%	6.6%
v Landfill	87.0%	89.4%
vi Other methods	0.2%	0.0%
b) The amount of commercial and industrial waste collected by the Council that was disposed of by the following methods:-		
i Used for recovery of heat, power and other energy sources	0.0%	0.0%
ii Ash from incineration which is recycled	0.0%	0.0%
iii Composted by the authority	0.0%	0.0%
iv Other recycling or recovery methods	11.3%	27.1%
v Landfill	86.8%	71.6%
vi Other methods	1.9%	1.4%
CLEANLINESS		
5. The cleanliness index achieved following inspection of a sample of streets and other land	-	72