

**2005/2006  
STATEMENT  
OF  
ACCOUNTS**

**FOR THE PERIOD  
1 APRIL 2005 TO 31 MARCH 2006**



## **PROVOST'S FOREWORD TO THE ANNUAL REPORT 2005/06**

I am delighted to present Aberdeenshire Council's Annual Report for 2005/06. This is the 11<sup>th</sup> Annual Report of Aberdeenshire Council since it was formed in 1995.

This report is one of the ways in which the Council demonstrates how it has utilised some £500m of public funds to deliver a wide range of services to the people of Aberdeenshire.

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

The Annual Report is a lengthy and detailed document due to the requirement to comply with all financial reporting standards as they apply to local government. Increasingly these standards are being developed on an international basis, the result being that the Annual Report becomes more complex year on year. 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 an user-friendly style.

Communication is a key element of the Council's strategy, and the Council has now undertaken a review of how it communicates with a wide range of interested stakeholders. This has led to the development of a new communications strategy.

The new system of Performance Management reporting has been under review since its launch in 2004/05. This system of reporting key performance indicators has enhanced the scrutiny of performance across a wide range of key services.

The Council undertook a Peer Review in 2005 which produced a range of positive comments about the Council. The Council is now reviewing these, along with some constructive criticisms, as a guide to enhancing the strong relationships it has with local communities. The Council is now looking forward to the forthcoming Best Value Audit, which will be a test of how well we have responded to the outcome of that review.

The Council continues to face new and difficult challenges. However I am confident that we will meet these constructively and positively, and continue to provide high quality services to the people of Aberdeenshire.

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

## STATEMENT OF ACCOUNTS 2005/2006

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# EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

## INTRODUCTION

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

This foreword provides an explanation of the Statement of Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the year ended 31 March 2006.

The Statement of Accounts, for the first time, includes a full set of Group Accounts with comparative figures for 2004/05. This is a new requirement of the Code of Practice. Reference is made to the Group Accounts at appropriate points throughout this document.

## FINANCIAL STATEMENTS

### 1. Consolidated Revenue Account

The Consolidated Revenue Account provides a summary of expenditure and income for the year ended 31 March 2006 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 2006 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 Council during the year to 31 March 2006 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. Group Income and Expenditure Account

The Group Income and Expenditure Account provides a summary of expenditure and income for the year ended 31 March 2006 on the services provided by the Council, its subsidiaries and associates and demonstrates how the net cost has been financed from central government grants and from local taxpayers.

### 10. Group Balance Sheet

This statement brings together all the assets and liabilities of the Council, its subsidiaries and associates at 31 March 2006.

### 11. Group Statement of Total Movements in Reserves

This statement brings together all the recognised gains and losses of the Council, its subsidiaries and associates during the year to 31 March 2006 and defines those which have and have not been recognised in the Group Income and Expenditure Account.

### 12. Group Cash Flow Statement

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

### 13. Group Notes to the Accounts

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

### 14. Statement of Assurance

This statement sets out the Council's framework for corporate governance. If appropriate, it also includes significant identified weaknesses and remedial actions taken or planned. While the Statement relates to the reported financial year it also incorporates any significant events that may have occurred between the balance sheet date and the date that the accounts are formally signed off. The statement also includes reference to the Group Accounts, but acknowledges that time requires to be taken to ensure that all members of the Group satisfy best practice in terms of Corporate Governance.

# EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

## FINANCIAL OUT-TURN 2005/2006

### 1. Revenue Expenditure

In 2005/06, the Council budgeted to spend £383,439,000 on the provision of Services. Actual expenditure was £377,754,000, or £5,685,000 lower than anticipated. Expenditure on other items such as Capital Financing Costs, Trading Accounts and transfers to and from various Council balances was budgeted at £20,748,000. Actual expenditure was £19,186,000, or £1,562,000 lower than anticipated.

A budgeted provision of £7,683,000 was made for the costs of single status and equal pay claims. The actual provision that had to be made in the accounts for 2005/06 was £20,605,000 or £12,922,000 higher than budgeted. Since the full estimated cost of equal pay compensation has now been calculated, and offers made to staff, this full liability has to be charged to the accounts in 2005/06 to recognise the Council's commitment. Funding to meet this cost has been identified over the two financial years 2005/06 and 2006/07. More details of the background to this provision can be found at section 6 on page 4.

Income from Revenue Support Grant was budgeted at £216,380,000, income from Business Rates was budgeted at £86,024,000 and income from Council Tax was budgeted at £99,792,000. Actual income in total from these sources was £401,587,000 or £609,000 less than anticipated.

Taking all of the above into account gives net expenditure for the year which is £6,284,000 higher than anticipated.

The Council had planned to use £681,000 from Earmarked Grants and £9,090,000 from the working balance to balance its budget in 2005/06. In the event, and taking into account the provision for equal pay compensation, the Council has actually used £15,374,000 from the working balance in addition to the £681,000 from Earmarked Grants.

Underspends have arisen through a number of one-off savings including the use of Probationer teachers to cover vacant posts; higher than anticipated income in Building Standards and Development Control; work on the Asset Management Plan and schemes under the Modernising Government Fund progressing more slowly than anticipated; and savings on Capital Financing Charges, whereas Housing and Social Work have overspent due mainly to the increased demand for services. These have all been detailed in monitoring reports to the Council as issues arose throughout the financial year.

Under the scheme for end year flexibility which was introduced in 2004/05, Services will be able to carry forward a proportion of this underspend to help defray expenses in 2006/07.

### 2. Housing Revenue Account (HRA)

The revised HRA budget for 2005/2006 had approved expenditure of £34,193,000 and income of £37,481,000, giving a net operating surplus of £3,288,000. Actual operating expenditure totalled £31,878,000 with income of £36,879,000, giving a net operating surplus of £5,001,000. A contribution of £3,872,000 was made from the HRA to the Capital Financing Account to meet capital expenditure. A contribution of £167,000 was also required from the Pension Reserve to offset the costs associated with FRS 17. The balance of £1,296,000 was transferred to the HRA balance.

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 £1,671,000 in 2005/06. Housing Repairs and Roads Operations both achieved their statutory break-even target over the three year period 2003/04 to 2005/06. However, Catering did not achieve its statutory break-even target. This is entirely due to the provision for equal pay, as the element which relates to the three year period must be taken into account when determining whether the account has achieved its statutory break-even target. If this element is excluded, Catering would have achieved a cumulative surplus over the three year period. Catering is also likely to return a cumulative deficit over the next two years for the same reason. The cost of equal pay is exceptional and does not impact on the underlying trading position. Further details of the significant trading operations are set out in note 1.4 to the accounts on pages 15-16.

### 4. Capital Expenditure

The Local Government in Scotland Act 2003 abolished the system of capital consent, whereby the Scottish Executive set down annual limits on local authorities for capital expenditure. This was replaced by a 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.

## EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

Total capital expenditure in 2005/2006 was £46,499,000, which was spent on Infrastructure improvements of £21,636,000, £9,553,000 on Education programmes and £8,367,000 on HRA Housing. The remaining balance of £6,943,000 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 £46,499,000, £20,390,000 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 2006 has total borrowings of £469,408,000, the majority of which is borrowed from the Public Works Loan Board (PWLb).

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

### 5. Private Finance Initiative (PFI)

The Council is committed to two PFI contracts. The first contract is with Robertson Education (Aberdeenshire) Ltd to provide Education Services on four sites in Aberdeenshire until 17 February 2007. In 2005/06, the Council made payments of £3,137,000 under this contract, and in 2006/07 is committed to making payments of £3,240,000, subject to performance.

The second contract is with Robertson Education (Aberdeenshire 2) Ltd to provide Education services on six sites in Aberdeenshire until 2 October 2030. In 2005/06, the Council made payments of £930,000 under this contract, and in 2006/07 is committed to making payments of £5,371,000, subject to performance.

Further details of the PFI schemes can be found in note 1.17 on pages 19-20.

### 6. 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 6 sets out the Council's policy on pension costs and notes 1.11 and 1.12 on pages 17-18, 5.12 and 5.13 on pages 33-34 and 6.6 on page 37 give more details of the pension liabilities.

The Council participates in the Local Government Pension Scheme which is administered by Aberdeen City Council. This Fund is in deficit due to a substantial fall in the value of world stock markets in previous years. The Council's share of the net Fund deficit has decreased during 2005/06 by £7,322,000 due to gains on valuation of equities, both UK and overseas, reflecting the general upward trend compared with previous years.

The deficit position on the Fund was considered as part of the triennial revaluation of the Pension Fund as at 31 March 2005. As a result, a funding plan has been determined with the aim of recovering the deficit over a

period of up to 20 years. This will necessitate an increase in the employers' contribution rate which will be phased in over the next three years.

### 7. Equal Pay Costs

In common with most other Scottish local authorities the Council is seeking to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these are predominantly female groups of manual worker employees whose jobs do not attract bonus payments and who are able to identify a manual worker job which does attract bonus, is graded at a comparable level and which is undertaken predominantly by males. The estimated liability under this scheme is £20,605,000 and this is shown as an Exceptional Item in the Consolidated Revenue Account.

## ACKNOWLEDGEMENTS

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

Charles Armstrong BA, CPFA, FCCA  
Director of Finance  
20 June 2006

## 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 2006.

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 2005/2006 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 4.95%.

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 credited to the Capital Account in the first instance. During the year, sales receipts totalling £1,657,000 were transferred to revenue to help fund Building Repairs and Maintenance projects and Asbestos Surveys. 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 2006. 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 2006.



## STATEMENT OF ACCOUNTING POLICIES

### 6. Interest Charges

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

### 7. Redemption of Debt

A Loans Fund is maintained under powers contained in the Local Government (Scotland) Act 1975. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue 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 or Non Distributed Costs 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 2.0% 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
- losses arising from curtailments not allowed for in the actuarial assumptions are measured at the date on which the Council became demonstrably committed to the transaction and are reflected in the Net Cost of Services at that date.

### 14. Value Added Tax

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

### 15. Investments

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

## STATEMENT OF ACCOUNTING POLICIES

### 16. Interests in Companies and Other Entities

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

<b>Net Expenditure</b>		<b>Gross Expenditure</b>	<b>Income</b>	<b>Net Expenditure</b>	<b>Notes</b>
<b>2004/2005</b>	<b>Aberdeenshire Services</b>	<b>2005/2006</b>	<b>2005/2006</b>	<b>2005/2006</b>	<b>Ref</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
199,480	Education Services	228,344	(21,193)	207,151	
1,064	Housing Services	13,559	(12,336)	1,223	
(3,423)	HRA	31,829	(36,011)	(4,182)	
17,918	Cultural & Related Services	35,363	(16,636)	18,727	
18,711	Environmental Services	33,615	(12,627)	20,988	
33,169	Roads & Transport Services	61,101	(29,190)	31,911	
5,147	Planning & Development Services	15,017	(9,810)	5,207	
76,837	Social Work	107,540	(26,379)	81,161	
5,498	Central Services	46,384	(39,421)	6,963	1.2
7,558	Fire Services	8,104	-	8,104	1.2
15,470	Police Services	16,192	-	16,192	1.2
6,381	Corporate & Democratic Core	6,364	-	6,364	
3,409	Non Distributed Costs	1,615	(7)	1,608	
-	Exceptional Item	20,605	-	20,605	1.20
<b>387,219</b>	<b>NET COST OF SERVICES</b>	<b>625,632</b>	<b>(203,610)</b>	<b>422,022</b>	<b>1.1</b>
(59)	(Surplus)/Deficit from Trading Operations	36,899	(36,972)	(73)	1.4
(5,210)	Transfer from Asset Management Revenue Account	36,296	(42,875)	(6,579)	1.5
(2,833)	Interest on Revenue Balances	-	(2,645)	(2,645)	
1,670	Pensions Interest Cost and Return on Pensions Assets	26,534	(25,940)	594	
<b>380,787</b>	<b>NET OPERATING EXPENDITURE</b>	<b>725,361</b>	<b>(312,042)</b>	<b>413,319</b>	
	Appropriation Account				
1,833	Contribution to/(from) Capital Financing Account			8,763	
(6,200)	Contribution to/(from) Pension Reserve			(2,710)	
(3,024)	Contribution to/(from) Other Reserves			(6,022)	
3,799	Contribution to/(from) HRA Balances			1,296	
	<b>AMOUNT TO BE MET FROM GOVERNMENT</b>				
<b>377,195</b>	<b>GRANTS &amp; LOCAL TAXPAYERS</b>			<b>414,646</b>	
	<b>Sources of Finance</b>				
(203,192)	Revenue Support Grant			(216,379)	
(94,161)	Council Tax (including Community Charges)			(99,573)	1.6
(85,023)	Business Rates			(85,635)	1.7
<b>(382,376)</b>	<b>TOTAL INCOME</b>			<b>(401,587)</b>	
<b>(5,181)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>13,059</b>	
(17,135)	General Fund balance brought forward			(22,316)	
(5,181)	(Surplus)/Deficit for year			13,059	
<b>(22,316)</b>	<b>General Fund balance carried forward</b>			<b>(9,257)</b>	

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.

2004/2005		2005/2006	
Actual		Actual	Notes
£'000	Income	£'000	Ref
(29,720)	Council House Rents	(30,777)	
(1,287)	Sheltered Housing	(1,350)	
(1,146)	Other Rents	(1,159)	
(332)	Government Grants	(60)	
(930)	Recharges	(829)	
(869)	Interest on Revenue Balances	(868)	
(1,337)	Supporting People Contract Income	(1,364)	
(327)	Other Income	(472)	
<b>(35,948)</b>	<b>Total Income</b>	<b>(36,879)</b>	
	<b>Expenditure</b>		
10,657	Repairs & Maintenance	10,784	
6,255	Supervision & Management	6,596	
9,023	Capital Financing Costs	8,344	
171	Increase in Bad Debt Provision	103	
289	Expenditure Relating to Supporting People	257	
5,285	Other Expenditure	5,745	
74	Pension Interest Cost and Expected Return on Pensions Assets	49	
<b>31,754</b>	<b>Gross Expenditure</b>	<b>31,878</b>	
<b>(4,194)</b>	<b>Operating Surplus for the Year</b>	<b>(5,001)</b>	
	<b>Appropriations</b>		
649	- Transfer to/(from) Capital Financing Account	3,872	
(254)	- Transfer to/(from) Pension Reserve	(167)	
3,799	- Transfer to/(from) HRA Balance	1,296	
<b>4,194</b>		<b>5,001</b>	
(17,272)	Opening HRA Balance	(21,071)	
(3,799)	Transfer to/(from) HRA Balance	(1,296)	
<b>(21,071)</b>	Closing HRA Balance	<b>(22,367)</b>	

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 2005/2006, for Band D properties, the Council Tax was £1,065.00. The Scottish average Council Tax for 2005/2006 was £1,027.00. This statement also includes any residual Community Charges collected.

<b>2004/2005</b>		<b>2005/2006</b>	<b>2005/2006</b>	<b>Notes</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>Ref</b>
(105,662)	<b>Gross Council Tax Due</b>		(112,990)	
	Less:			
-	Council Tax Benefits (Net of Government Grant)	-		
11,166	Other Discounts and Reductions	11,814		
1,304	Provision for bad and doubtful debts	1,398	13,212	
	Adjustments to Previous Years:			
(969)	Council Tax & Community Charge		205	
<b><u>(94,161)</u></b>	<b>Transfer to the Consolidated Revenue Account</b>		<b><u>(99,573)</u></b>	

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 2005/2006 was 46.1 pence, for properties with a rateable value up to £29,000 and 46.55 pence for properties with a rateable value over £29,000. 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.

<b>2004/2005</b>		<b>2005/2006</b>	<b>2005/2006</b>	<b>Notes</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>Ref</b>
(66,920)	Gross Rates Levied and Contributions in Lieu		(59,449)	
7,577	Reliefs and Other Deductions	8,591		
3	Payment of Interest	9		
6	Provisions for Bad and Doubtful Debt	(5)	8,595	
<u>(59,334)</u>	Net Business Rate Income		<u>(50,854)</u>	
(25,689)	Contribution from National Non-Domestic Rate Pool		(34,781)	
<u><b>(85,023)</b></u>	<b>Transfer to Consolidated Revenue Account</b>		<u><b>(85,635)</b></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 2006. 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.

2004/2005 £'000	As at 31 March 2006	£'000	£'000	£'000	£'000	Notes Ref
	<b>FIXED ASSETS</b>					
96	Intangible Fixed Assets			993		5.1
	<b>Tangible Fixed Assets</b>					
	<b>Operational Assets:</b>					
333,466	Council Dwellings	335,999				5.1
309,860	Land & Buildings	331,617				
9,420	Vehicles, Plant & Equipment	15,783				
99,423	Infrastructure	113,192				
4,845	Community Assets	8,192		804,783		
	<b>Non-Operational Assets:</b>					
35,731	Investment Properties	41,148				5.1
1,602	Assets Under Construction	3,479				
595	Surplus Assets, Held for Disposal	1,658		46,285		
	<b>Other Long -Term Assets:</b>					
21,836	Debt Redemption Premium			20,760		5.2
7,420	Debtors			8,204		5.3
42	Long Term Investments			42		
<b>824,336</b>	<b>TOTAL FIXED ASSETS</b>			<b>881,067</b>		
	<b>CURRENT ASSETS</b>					
2,800	- Stocks & Work in Progress	3,427				
43,656	- Debtors	45,616				
22,613	- Investments	66,243				5.4
127	- Cash and Bank	364				
<b>69,196</b>				<b>115,650</b>		
	<b>Less: CURRENT LIABILITIES</b>					
(15,101)	- Short Term Borrowing	(17,940)				5.4
(64,955)	- Creditors	(90,992)				
(2,877)	- Bank Overdraft	(1,484)		(110,416)		5.4
<b>(13,737)</b>	<b>NET CURRENT LIABILITIES</b>					<b>5,234</b>
	<b>Long -Term Liabilities</b>					
(325,183)	Long Term Borrowing	(360,437)				5.4
(23,930)	Government Grants Deferred	(33,795)				5.5
(131,740)	Liability Related to Defined Benefit Pension Schemes	(124,418)				5.12
(390)	Provisions for Future Losses	(487)		(519,137)	(519,137)	5.6
<b>329,356</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>367,164</b>		
	<b>FINANCED BY:</b>					
(276,944)	Fixed Asset Restatement Account			(302,129)		6.5
(132,548)	Capital Financing Account			(153,416)		6.5
	<b>Funds &amp; Reserves:</b>					
131,740	Pension Reserve			124,418		5.12, 5.13
(8,217)	Statutory Funds			(4,413)		6.4
(22,316)	General Fund Balance			(9,257)		6.2
(21,071)	Housing Revenue Account Balance			(22,367)		6.3
<b>(329,356)</b>				<b>(367,164)</b>		
	Other Consolidated Balance Sheet notes					5.7 - 5.11, 5.14 - 5.16

Charles Armstrong, BA, CPFA, FCCA  
Director of Finance  
20 June 2006

## 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 2005/06 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.

2004/2005 £000		2005/2006 £000	2005/2006 £000	Note
	Surplus/(Deficit) for the Year			
5,181	- General Fund	(13,059)		
3,799	- Housing Revenue Account	1,296		
(1,091)	Add back Movements on Statutory Reserve Funds	(3,804)		
(6,200)	Add/(deduct) Appropriation to/(from) Pension Reserve	(2,710)		
(64,210)	Actuarial Gains and Losses Relating to Pensions	10,032		6.6
<b>(62,521)</b>	<b>Total Increase/(Decrease) in Revenue Resources</b>		<b>(8,245)</b>	6.1- 6.4
	- Increase/(Decrease) in Usable Capital Receipts	-		
	- Increase/(Decrease) in Unapplied Capital Grants and Contribution	-		
	<b>Total Increase/(Decrease) in Realised Capital Resources</b>		-	6.5
(45,215)	Gains/(Losses) on Revaluation of Fixed Assets	31,256		
	- Impairment Losses on Fixed Assets Due to General Changes in Price	-		
<b>(45,215)</b>	<b>Total Increase/(Decrease) in Unrealised Value of Fixed Assets</b>		<b>31,256</b>	6.5
<b>(4,719)</b>	<b>Value of Assets Sold, Disposed of or Decommissioned</b>		<b>(6,071)</b>	6.5
6,567	Capital Receipts Used to Finance Expenditure	25		
2,225	Capital Receipts Used to Redeem Outstanding Debt	10,188		
5,686	Capital from Current Revenue	17,587		
(695)	Movements on Deferred Considerations and Government Grants Deferred	(2,689)		
(3,779)	Excess Depreciation	(4,243)		
<b>10,004</b>	<b>Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment</b>		<b>20,868</b>	6.5
<b>(102,451)</b>	<b>Total Recognised Gains and Losses</b>		<b>37,808</b>	



## CASH FLOW STATEMENT

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

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000	Notes Ref
<b>REVENUE ACTIVITIES</b>				
<b>Cash Outflows</b>				
248,710	Cash Paid to and on Behalf of Employees	261,409		
279,637	Other Operating Cash Payments	308,967		
19,162	Housing Benefit Paid Out	20,098		
<u>547,509</u>			590,474	
<b>Cash Inflows</b>				
(86,172)	Council Tax Receipts	(94,167)		
(58,337)	Business Rates Receipts	(49,099)		
(31,371)	Business Rates Receipts from National Pool	(34,781)		
(202,417)	Revenue Support Grant	(217,154)		
(16,263)	Housing Rents (After Rebates)	(16,092)		
(32,438)	DWP Grants for Benefits	(33,934)		
(32,710)	Other Government Grants	(33,086)		7.4
(135,756)	Cash Received for Goods & Services	(149,209)		
<u>(595,464)</u>			(627,522)	
<b>(47,955)</b>	<b>Revenue Activities Net Cash Flow</b>		<b>(37,048)</b>	7.2
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
<b>Cash Outflows</b>				
19,432	Interest Paid	18,794		
<b>Cash Inflows</b>				
(926)	Interest Received	(2,395)		
<u>18,506</u>			16,399	
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows</b>				
26,376	Purchase of Fixed Assets	40,513		
3,070	Purchase of Long Term Investments	-		
<b>Cash Inflows</b>				
(7,988)	Sale of Fixed Assets	(11,784)		
-	Sale of Long Term Investments	(1,076)		
(4,540)	Capital Grants Received	(14,045)		
(94)	Other Capital Cash Receipts	(126)		
<u>16,824</u>			13,482	
<b>(12,625)</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>(7,167)</b>	
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
11,982	Net Increase/Decrease in short term deposits		43,630	
<b>FINANCING</b>				
<b>Cash Outflows</b>				
124,084	Repayments of Amounts Borrowed	122,356		
<b>Cash Inflows</b>				
(128,107)	New Loans Raised	(160,449)		
<u>(4,023)</u>			<u>(38,093)</u>	
<b>(4,666)</b>			<b>(1,630)</b>	
<b>(4,666)</b>	<b>(Increase)/Decrease in Cash</b>		<b>(1,630)</b>	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.

	<b>£'000</b>
Education & Recreation	219,990
Transportation & Infrastructure	64,081
Policy & Resources	5,549
Social Work & Non-HRA Housing	82,309
Joint Board Requisitions (see Note 1.2)	25,698
Housing Revenue Account	(4,182)
Corporate & Democratic Core	6,364
Non-Distributed Costs	1,608
Exceptional Item	20,605
<b>TOTAL</b>	<b>422,022</b>

#### 1.2 Joint Board Payments

Payments to Joint Boards are as follows:

		<b>2005/2006 £'000</b>
	<b>2004/2005 £'000</b>	
15,470	Grampian Police	16,192
7,558	Grampian Fire Board	8,104
1,416	Grampian Valuation Board	1,402
<b>24,444</b>		<b>25,698</b>

#### 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 9 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, and the 2005/06 financial year is the first year in which this becomes effective.

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

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

	<b>2005/2006 Turnover</b>	<b>2005/2006 Expenditure</b>	<b>2005/2006 (Surplus)/ Deficit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Target	(7,878)	7,776	(102)
Actual	(9,041)	8,484	(557)

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

	<b>Target</b>	<b>(Surplus)/ Deficit</b>
	<b>£'000</b>	<b>£'000</b>
2003/2004	0	116
2004/2005	0	(349)
2005/2006	(102)	(557)
<b>Cumulative</b>	<b>(102)</b>	<b>(790)</b>

Housing Repairs undertakes all types of property maintenance, with the principal client being the Housing Revenue Account, which had a stock of 13,660 houses at 31 March 2006.

The actual financial performance for the current year of £557,000 surplus compared favourably with the financial target for the year which was a £102,000 surplus.

The statutory financial target for the three year period is to break even although the Council has set a target of £102,000, which is in excess of that required. Housing Repairs has a cumulative surplus for 2003-2006 of £790,000 and has therefore achieved its statutory break-even target for 2003-2006.

### Catering

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

	<b>2005/2006 Turnover</b>	<b>2005/2006 Expenditure</b>	<b>2005/2006 (Surplus)/ Deficit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Target	(7,871)	7,833	(38)
Actual	(8,531)	8,513	(18)

In addition to the above, a provision for equal pay costs covering the period 2003-2006 and totalling £1,739,000 requires to be taken into account in calculating the performance of catering over the three year period.

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

## NOTES TO THE ACCOUNTS

	Target £'000	(Surplus)/ Deficit £'000
2003/2004	(5)	5
2004/2005	(12)	(20)
2005/2006	(38)	(18)
Equal Pay	-	1,739
Cumulative	<u>(55)</u>	<u>1,706</u>

Catering provides the catering service to Education and Recreation's 174 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 £18,000 surplus compared unfavourably with the financial target for the year which was £38,000 surplus.

The statutory financial target for the three year period is to break even, although the Council has set a target of £55,000 surplus, which is in excess of that required. Catering has achieved a cumulative deficit for 2003-2006 of £1,706,000 and has therefore failed to achieve its statutory break-even target for 2003-2006. This is entirely due to the provision for equal pay. If this element is excluded, Catering would have achieved a cumulative surplus of £33,000 over the three year period 2003-2006. The elements of the provision for equal pay relating to financial years 2004/05 and 2005/06 will require to be taken into account in calculating the cumulative position over the period 2004-2007 and the element relating to 2005/06 will require to be taken into account in calculating the cumulative position over the period 2005-2008. Hence it is likely that Catering will also return a cumulative deficit for the next two years.

### Roads Operations

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

	2005/2006 Turnover £'000	2005/2006 Expenditure £'000	2005/2006 (Surplus)/ Deficit £'000
Target	(17,578)	17,259	(319)
Actual	(20,998)	19,902	(1,096)

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

	Target £'000	(Surplus)/ Deficit £'000
2003/2004	(263)	(1,369)
2004/2005	(341)	(1,349)
2005/2006	(319)	(1,096)
Cumulative	<u>(923)</u>	<u>(3,814)</u>

Roads Operations is principally involved in maintenance work on 5,432 kilometres 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 38,650 street lights.

The actual financial performance for the current year of £1,096,000 surplus compared favourably with the financial target for the year which was £319,000 surplus.

The statutory financial target for the three year period is to break even, although the Council has set a target of £923,000 surplus, which is in excess of that required. Roads Operations has a cumulative surplus for 2003-2006 of £3,814,000 and has therefore achieved its statutory break-even target for 2003-2006.

### Net Surplus/Deficit on Trading Accounts

The net surplus on the statutory trading accounts is £1,671,000. This does not agree with the Surplus from Trading Operations of £73,000 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

2004/2005 £'000		2005/2006 £'000
22,484	Loans Fund Interest	21,489
170	Loans Fund Expenses	146
13,747	Depreciation	14,661
(40,807)	Capital Charges	(41,604)
(757)	Government Grants Released	(1,225)
(47)	Trading Accounts Stock	(46)
	Balance Interest	
<u>(5,210)</u>		<u>(6,579)</u>

### 1.6 Council Tax & Community Charge

An analysis of Council Tax and Community Charge income is shown at Page 10.

### 1.7 Business Rates

An analysis of Business Rate income is shown at Page 11.

### 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 2005/2006 was £2,879,000 (2004/2005 = £2,698,000). The outstanding obligations under these arrangements are:

2006/07	£2,546,000
2007 onwards	£8,123,000

Authority as Lessor – the authority leases industrial, commercial and other properties accounted for under operating lease arrangements. The rent received in 2005/06 was £4,657,000.

## NOTES TO THE ACCOUNTS

### **1.9 Local Authorities (Goods & Services) Act 1970**

Aberdeenshire Council is empowered to provide goods and services under this Act. The Council received £2,427,000 from these services (2004/2005 £2,387,000), 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 2005/06 the gross income of the partnership was £157,662,000 (2004/2005 £139,299,000) and its gross expenditure was £159,919,000 (2004/2005 £140,121,000). Aberdeenshire's contribution to the partnership was £76,719,000. (2004/2005 £70,486,000).

### **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 0.50% higher (2004/05 1.17% higher) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.65% higher (2004/05 1.66% higher) than it would otherwise have been.

## NOTES TO THE ACCOUNTS

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

<b>2004/05</b>		<b>2005/06</b>
<b>£'000</b>		<b>£'000</b>
	Net Cost of Services:	
18,930	Current Service Cost	19,726
2,860	Past Service Costs	1,034
-	Curtailements	25
	Net Operating Expenditure:	
24,200	Interest Cost	26,534
(22,530)	Expected return on assets in the Scheme	(25,940)
	Amounts to be met from Government Grants and Local Taxation:	
<u>(6,200)</u>	Movement on pensions reserve	<u>(2,710)</u>
	Actual amount charged against Council Tax for pensions in the Year:	
	Employers' contributions	
<u>16,938</u>	Payable to scheme	<u>18,526</u>

Note 5.12 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 2005/06, the Council paid £11,077,000 to the Scottish Executive in respect of teachers' retirement benefits, representing 12.50% of pensionable pay. The figures for 2004/05 were £10,643,000 and 12.50%.

### **1.13 Payments to Councillors**

The table below discloses the total Councillors' Allowances paid during 2005/2006

<b>2004/2005</b>		<b>2005/2006</b>
<b>£'000</b>		<b>£'000</b>
493	Basic Allowance	496
196	Special Responsibility Allowance	196
17	Telephone Allowances	17
<u>184</u>	Travel & Subsistence	<u>174</u>
<u><b>890</b></u>		<u><b>883</b></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.

<b>2004/2005</b>	<b>Salary Band</b>	<b>2005/2006</b>
296	£40,000 - £49,999	385
14	£50,000 - £59,999	15
39	£60,000 - £69,999	41
2	£70,000 - £79,999	4
6	£80,000 - £89,999	6
-	£90,000 - £99,999	0
-	£100,000 - £109,999	0
1	£110,000 - £119,999	0
-	£120,000 - £129,999	1
<u>358</u>		<u>452</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.

<b>2004/2005</b>		<b>2005/2006</b>
<b>£'000</b>		<b>£'000</b>
1,654	Publicity Expenditure	1,655

## 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:

2004/2005 £'000		2005/2006 £'000
2,808	Educating Aberdeenshire children in mainstream and special schools outwith Aberdeenshire	2,922
(22)	Income from educating pupils from other Authorities in Aberdeenshire	(31)
93	Local Authorities – Care Management	224
242	Maintenance of Community Alarm System	220
65	Social Work service in hospitals	65
31	Maintenance of Child Protection Register	67
-	Payment to Grampian Police in Relation to Youth Justice Initiative	27
299	Payment for share of Public Analyst Service	304
99	Payment for Library Archiving Services	80
22	Payment for Purchasing Services	24
	Receipts from other bodies for Administrative Services	
(471)	Scottish Water	(486)
(97)	Grampian Joint Fire Board	(105)
(18)	Grampian Joint Valuation Board	(16)
(88)	Grampian Joint Police Board	(45)
(968)	Provision of Transportation Services for other Authorities	(1,237)
(445)	Provision of Printing Services to other Authorities	(415)
129	Payment to Grampian Police in Relation to Community Safety Partnership & Community Wardens	206
(193)	Provision of Property & Estate Management Services to other Authorities	(76)
653	Payment for Publicity Services	814
66	Payment for Provision of Energy Efficiency Advice Service to the Public	66
-	Provision of Services to NESTRANS	(17)
-	Provision of Archaeology Service to Angus & Moray Council	(23)
(82)	Provision of Rangers Service to Scottish Natural Heritage	(87)

### 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 2006/07 the Council is committed to making payments estimated at £3,240,000 under the contract. The actual level of payments will depend on REAL's performance in providing services.

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

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

The anticipated completion dates for Portlethen Academy under this contract is 3 July 2006.

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

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

Assets	Date of Contribution	NBV at Date of Contribution	Economic Benefit
Longside Site	6 October 2005	£40,000	£40,000
Rosehearty Site	6 October 2005	£8,000	£8,000
Rothienorman Site	12 December 2005	£10,000	£10,000
Kintore Site	23 January 2006	£966,000	£966,000

These assets have been leased to Robertson Education (Aberdeenshire 2) Ltd from the date of contribution until 2 October 2030 at a nominal rent. The economic benefit to be derived from these leases over the period of the contract has been assessed by a qualified valuer (see note 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.

Aberdeenshire Council is committed to paying £6,016,000 in a full financial year under the contract and for 2006/07 is committed to paying £5,371,000.

### **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:

2004/2005		2005/2006	
£'000		Expenditure £'000	Income £'000
	<b>Government Grants</b>		
(32,699)	- Other Government Grants		(38,112)
(3,988)	<b>Capital Grants</b>	342	(9,936)
27,580	<b>Pension Fund Contributions</b>	29,603	
	<b>Subsidised Bus Fares</b>		
4,387	- Subsidy for Bus routes in Aberdeenshire	5,495	
	<b>Health Board Resource Transfer</b>		
(9,748)	- Total Resource transfer from Grampian Health Board		(9,951)
	<b>Housing Partnerships</b>		
8	- Paid to Aberdeenshire Housing Partnership	-	
295	- Paid to other Housing Associations	540	

## NOTES TO THE ACCOUNTS

### 1.19 Audit Costs

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

<b>2004/2005</b>		<b>2005/2006</b>
<b>£'000</b>		<b>£'000</b>
375	Fees payable to Audit Scotland with regard to services carried out by appointed auditor	396
0	Fees payable in respect of other services carried out by the appointed auditor	0

### 1.20 Exceptional Item

In common with most other Scottish local authorities the Council is seeking to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these are predominantly female groups of manual worker employees whose jobs do not attract bonus payments and who are able to identify a manual worker job which does attract bonus, is graded at a comparable level and which is undertaken predominantly by males. The estimated liability under this scheme is £20,605,000.



## NOTES TO THE ACCOUNTS

### HOUSING REVENUE ACCOUNT

#### 2.1 Statistics

2004/2005		2005/2006
13,992	Housing Stock as at 31 March	13,660
	Types of dwellings:	
1,380	- Sheltered Housing	1,559
9	- 1 apartment	8
3,877	- 2 apartment	3,666
5,714	- 3 apartment	5,537
2,849	- 4 apartment	2,735
163	- 5 + apartment	155
<b><u>13,992</u></b>		<b><u>13,660</u></b>
<b>£'000</b>		<b>£'000</b>
	Rent Arrears	
738	- Current Tenants	854
927	- Former Tenants	914
1,294	Provision for Bad Debts (Housing Rents)	1,338
£40.14	Average Weekly Rent	£42.38

#### 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 0.53% higher (2004/05 0.80% 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 2005)

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.

<b><u>BAND</u></b>	<b><u>A</u></b>	<b><u>B</u></b>	<b><u>C</u></b>	<b><u>D</u></b>	<b><u>E</u></b>	<b><u>F</u></b>	<b><u>G</u></b>	<b><u>H</u></b>	<b><u>TOTAL</u></b>
Properties	20,768	15,533	13,170	15,509	18,099	11,932	7,404	449	<b>102,864</b>
<i>Less:</i>									
Exemptions	1,022	449	387	295	192	113	54	14	<b>2,526</b>
Discount – 25%	2,662	1,502	1,047	993	837	400	193	9	<b>7,643</b>
Discount – 50%	430	244	220	217	188	123	76	17	<b>1,515</b>
Disabled Reduction Adjustment	(84)	8	(15)	(33)	39	43	41	1	<b>0</b>
Effective Properties	16,738	13,330	11,531	14,037	16,843	11,253	7,040	408	<b>91,180</b>
Ratio	6/9*	7/9	8/9	1	11/9	13/9	15/9	18/9	<b>0</b>
Band D Equivalents	11,155	10,368	10,250	14,037	20,856	16,254	11,733	816	<b>95,199</b>
Contributions in lieu of Council Tax by HM Government									<b>38</b>
<b>COUNCIL TAX BASE</b>									<b>95,237</b>
									<b>2005/2006</b>
									<b>2004/2005</b>
									<b>93,248</b>

\* Of the 16,738 Band A properties, 35 receive a discount in the ratio 5/9 relating to disabled relief.

#### 3.2 Valuation Banding Table

<b>Band</b>	<b>Property Value</b>	<b>Proportion of Band D</b>	<b>2005/2006 Council Tax</b>	<b>2004/2005 Council Tax</b>
<b>A</b>	Up to £27,000	6/9	£710.00	£676.00
<b>B</b>	£27,001 – £35,000	7/9	£828.33	£788.67
<b>C</b>	£35,001 – £45,000	8/9	£946.67	£901.33
<b>D</b>	£45,001 - £58,000	9/9	£1,065.00	£1,014.00
<b>E</b>	£58,001 - £80,000	11/9	£1,301.67	£1,239.33
<b>F</b>	£80,001 - £106,000	13/9	£1,538.33	£1,464.67
<b>G</b>	£106,001 - £212,000	15/9	£1,775.00	£1,690.00
<b>H</b>	Above £212,000	18/9	£2,130.00	£2,028.00

## NOTES TO THE ACCOUNTS

### BUSINESS RATE INCOME ACCOUNT

#### 4.1 Rateable Values and Numbers of Premises at 1 April 2005

2004/2005 Number of Subjects	2004/2005 Rateable Value £'000		2005/2006 Number of Subjects	2005/2006 Rateable Value £'000
1,832	14,368	Shops	1,831	19,365
123	1,665	Public Houses	118	1,761
879	9,062	Offices (including banks)	993	11,753
233	4,526	Hotel, Boarding Houses, Etc	238	5,162
377	20,348	Industrial & Freight Transport Subjects	367	23,151
317	1,798	Leisure, Entertainment Caravans and Holiday Sites	448	2,670
493	2,145	Garages and petrol stations	476	2,280
51	321	Cultural	52	383
382	2,623	Sporting Subjects	379	2,847
266	9,851	Education and Training	274	11,194
156	1,012	Public Service Subjects	154	1,154
70	1,442	Communication (Non Formula)	66	1,688
207	699	Quarries, Mines etc	207	863
17	7,667	Petrochemical	16	8,575
239	592	Religious	240	973
121	2,190	Health and Medical	120	2,249
4,048	23,873	Other	4,127	29,295
127	2,321	Care Facilities	123	2,728
15	18	Advertising	17	22
<u>30</u>	<u>27,983</u>	Undertaking	<u>25</u>	<u>3,666</u>
<u>9,983</u>	<u>134,504</u>	Total	<u>10,271</u>	<u>131,779</u>

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 2005/2006, the Business Rate for properties with a rateable value up to £29,000 was 46.1 pence (2004/2005 = 48.8 pence for properties with a rateable value of up to £25,000) unless the property had a rateable value of less than £11,500 (2004/05 = £10,000) and was not in transition, when small business rate relief is available. For 2005/06, the Business Rate for properties with a rateable value in excess of £29,000 was 46.55 pence (2004/2005 = 49.1 pence for properties with a rateable value in excess of £25,000.)

## 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 2006 together with a note of how expenditure in 2005/2006 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.

	<b>£'000</b>	<b>£,000</b>
Loan Fund outstanding 1 April 2005		365,973
Expenditure during year	46,499	
Less: Receipts, Grants & Accruals	(8,522)	
Revenue Financing	<u>(17,587)</u>	
Net New Borrowings		20,390
Debt Repayments		<u>(20,615)</u>
Loans Funding Outstanding 31 March 2006		<u>365,748</u>

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

<b>2004/2005</b>		<b>2005/2006</b>
<b>£'000</b>	<b>Capital Expenditure During Year</b>	<b>£'000</b>
2,109	Site & Building Acquisition	1,916
14,456	Building Works	20,471
4,868	Furniture & Equipment	9,436
7,514	Works – Roads	10,740
2,380	Fees	3,936
<u>31,327</u>		<u>46,499</u>
<b>Financed as follows:</b>		
(12,066)	Capital Receipts, Grants & Contributions	(6,266)
(13,575)	Advances from Loans Fund & Capital Accruals	(22,646)
<u>(5,686)</u>	Revenue Financing	<u>(17,587)</u>
<u>(31,327)</u>		<u>(46,499)</u>

**5.1(c)** Movement in Intangible Assets

	<b>Balance at 1/04/04 £'000</b>	<b>Expenditure During Year £'000</b>	<b>Written Off to Revenue During Year £'000</b>	<b>Balance at 31/03/06 £'000</b>
Intangible Assets	96	1,020	(123)	993

## NOTES TO THE ACCOUNTS

### 5.1(d) Movement of Fixed Assets

#### Operational Assets

	<b>Council Dwellings £'000</b>	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, etc. £'000</b>	<b>Infra- Structure £'000</b>	<b>Community Assets £'000</b>	<b>Total £'000</b>
Gross Book Value at 1 April 2005	335,309	321,268	19,961	129,932	5,387	811,857
Reclassifications	(75)	(4,620)	-	69	1,036	(3,590)
Revaluations and restatements	6	12,767	(2,060)	6,842	1,858	19,413
Additions	8,082	10,993	9,409	11,063	685	40,232
Disposals	(5,061)	(69)	(397)	-	-	(5,527)
Gross Book Value at 31 March 2006	<u>338,261</u>	<u>340,339</u>	<u>26,913</u>	<u>147,906</u>	<u>8,966</u>	<u>862,385</u>
Depreciation at 1 April 2005	(1,843)	(11,408)	(10,541)	(30,509)	(542)	(54,843)
Depreciation charge for the year	(452)	(6,256)	(3,023)	(4,447)	(297)	(14,475)
Depreciation on assets reclassified	-	411	-	(9)	(106)	296
Depreciation on assets revalued/sold	33	8,531	2,434	251	171	11,420
Depreciation at 31 March 2006	<u>(2,262)</u>	<u>(8,722)</u>	<u>(11,130)</u>	<u>(34,714)</u>	<u>(774)</u>	<u>(57,602)</u>
Net Book Value at 31 March 2006	<u><u>335,999</u></u>	<u><u>331,617</u></u>	<u><u>15,783</u></u>	<u><u>113,192</u></u>	<u><u>8,192</u></u>	<u><u>804,783</u></u>

#### Non Operational Assets

	<b>Investment Properties £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Gross Book Value at 1 April 2005	35,733	604	1,661	37,998
Reclassifications	3,525	702	(637)	3,590
Revaluations and restatements	1,095	514	(1,024)	585
Additions	1,730	-	3,517	5,247
Disposals	(935)	(128)	-	(1,063)
Gross Book Value at 31 March 2006	<u>41,148</u>	<u>1,692</u>	<u>3,517</u>	<u>46,357</u>
Depreciation at 1 April 2005	(2)	(9)	(59)	(70)
Depreciation charge for the year	-	(25)	(38)	(63)
Depreciation on assets reclassified	(341)	(14)	59	(296)
Depreciation on assets revalued/sold	343	14	-	357
Depreciation at 31 March 2006	<u>-</u>	<u>(34)</u>	<u>(38)</u>	<u>(72)</u>
Net Book Value at 31 March 2006	<u><u>41,148</u></u>	<u><u>1,658</u></u>	<u><u>3,479</u></u>	<u><u>46,285</u></u>

## NOTES TO THE ACCOUNTS

### 5.1(e) Net Assets Employed

The net assets employed can be broken down as follows:

2004/05 £'000		2005/06 £'000
121,201	Assets employed by the General Fund	150,565
212,879	Assets employed by the Housing Revenue Account	221,817
(4,724)	Assets employed by Trading Service	(5,218)
<b>329,356</b>		<b>367,164</b>

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

	General Fund £'000	HRA £'000	Total £'000
Fixed Asset Additions	37,397	8,082	45,479
Intangible Assets Additions	735	285	1,020
Total Capital Expenditure	<b>38,132</b>	<b>8,367</b>	<b>46,499</b>

### 5.1 (g) Finance and Operating Leases

The authority was committed at 31 March 2006 to making payments of £2,546,000 under operating leases in 2006/07, comprising of the following elements:

	<u>Vehicle, Plant &amp; Equipment</u>
Lease Expiring in 2006/07	£396,000
Lease Expiring between 2007/08 and 2011/12	£1,805,000
Lease expiring after 2011/12	£345,000

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 £51,920,000 and subject to £460,000 depreciation to 31 March 2006.

	Land & Building £'000	Council Dwellings £'000	Investment Property £'000
Gross Book Value	25,087	754	26,079
Accumulated Depreciation	(457)	-	(3)
Net Book Value at 31/03/06	<b>24,630</b>	<b>754</b>	<b>26,076</b>

### 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 - £221,471,000.
- d) Non-Operational Industrial assets valued as at 1 April 2002, on the basis of 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 2005, on the basis of Market Value (MV), EUV, and DRC - £38,740,000.
- g) Transportation and Infrastructure assets valued as at 1 April 2005, on the basis of MV, EUV, or DRC - £22,190,000.

## NOTES TO THE ACCOUNTS

- h) Planning and Environmental Services' assets valued as at 1 April 2005, on the basis of MV, EUV, or DRC - £6,965,000.
- i) Recreation assets valued as at 1 April 2005, on the basis of MV or DRC - £34,530,000.

Aberdeenshire Council are not aware of any material change in the 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 2005/2006 are as follows:  
George Morrison, MRICS; Elaine McCarron, MRICS.

### 5.1(i) Commitments on Capital Projects

The Council had entered into 11 significant capital projects on 31 March 2006:

Lairhillock Primary School	£3,916,000
Civic HQ	£1,283,000
Auchenblae Primary School Extension	£672,000
Methlick Primary School Extension	£505,000
Banff Day Service Extension	£431,000
Kemnay Primary School Extension	£387,000
Banchory Academy Extension	£252,000
Stonehaven Nursery/Community Area	£201,000
School Toilets*	£130,000
Kemnay Academy – Replacement Accommodation	£116,000
Stonehaven Family Centre	£116,000

\* One contract covering Fraserburgh North, Boddam and Macduff Primary Schools

### 5.2 Debt Redemption Premium

During 2005/2006 an exercise was undertaken to reschedule PWLB loan debt totalling £61,000,000. No premiums or discounts 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 01/04/2005	Incurred During Year	Released to Consolidated Revenue Account	Balance at 31/3/2006
	£'000	£'000	£'000	£'000
Discounts	(82)	-	7	(75)
Premia	<u>21,918</u>	<u>-</u>	<u>(1,083)</u>	<u>20,835</u>
	<u>21,836</u>	<u>0</u>	<u>(1,076)</u>	<u>20,760</u>

### 5.3 Long-Term Debtors

2004/2005		2005/2006
£'000		£'000
2,307	PFI/PPP Deferred Consideration	3,217
100	Enterprise North-East Trust	100
353	Portlethen Golf Club	348
65	Visit Scotland	56
9	Ellon and District Sports Development Trust	7
3,744	Aberdeenshire Housing Partnership	3,744
-	Kinellar Community Association	30
-	Cornerstone Community Association	90
842	House Loans	<u>612</u>
<u>7,420</u>		<u>8,204</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 2005/2006 to comply with accounting guidance. For 2005/2006 the average interest rate for capital advances was 5.83 % (2004/2005= 6.04%); and expenses on raising loans 0.04% (2004/2005 = 0.05%).

#### REVENUE ACCOUNT

<b>2004/2005</b>		<b>2005/2006</b>
<b>£'000</b>		<b>£'000</b>
	<b>EXPENDITURE</b>	
23,427	Interest paid to Lenders	24,397
170	Expenses and Commission of Raising Loans	146
<u>23,597</u>		<u>24,543</u>
	<b>INCOME</b>	
(22,653)	- Aberdeenshire Council	(21,635)
(5)	- Other Authorities and Bodies	(4)
(939)	- Temporary Investments	(2,904)
<u>(23,597)</u>		<u>(24,543)</u>

#### BALANCE SHEET AS AT 31 MARCH

<b>2004/2005</b>		<b>2005/2006</b>
<b>£'000</b>		<b>£'000</b>
	<b>ASSETS</b>	
	<i>Advances to</i>	
365,908	- Aberdeenshire Council for Capital Expenditure	365,692
65	- Other Authorities and Bodies	56
27	- Debtors	536
21,836	- Debt Redemption Premium	20,760
22,613	- Temporary Investments	66,243
73	- Cash and Bank	308
<u>410,522</u>		<u>453,595</u>
	<b>Less: CURRENT LIABILITIES</b>	
(63,820)	Temporary Advances from Services	(69,509)
(3,541)	Sundry Creditors	(4,225)
(15,101)	Borrowing Repayable within 12 Months	(17,940)
(2,877)	Bank Overdraft	(1,484)
<u>(85,339)</u>		<u>(93,158)</u>
<u>325,183</u>	<b>NET ASSETS</b>	<u>360,437</u>
	<b>FINANCED BY:</b>	
(256,180)	PWLB	(291,459)
(68,600)	Bonds and Mortgages	(68,600)
(403)	Other	(378)
<u>(325,183)</u>		<u>(360,437)</u>



## NOTES TO THE ACCOUNTS

### 5.4(b) Long Term Borrowing

Included within the Council's debt at 31 March 2006 are the following categories:

31 March 2005 £'000	Source of Loan	Range of Interest Rates	Outstanding as at 31 March 2006 £'000
256,180	Public Works Loans Board (PWLB)	2.5% to 11.75%	291,459
68,600	Bonds & Mortgages	2.52% to 11.00%	68,600
403	Other	5% to 5.75%	378
<u>325,183</u>			<u>360,437</u>

Number of Years	PWLB £'000	Bonds & Mortgages £'000	Other £'000	Total £'000
1-2	1,685			1,685
2-5	13,263			13,263
5-10	44,312			44,312
Over 10	<u>232,199</u>	<u>68,600</u>	<u>378</u>	<u>301,177</u>
	<u>291,459</u>	<u>68,600</u>	<u>378</u>	<u>360,437</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 2005 £'000	Received During Year £'000	Written Off £'000	Balance at 31 March 2006 £'000
Policy & Resources	0	(311)	31	(280)
Education & Recreation	(13,453)	(5,881)	592	(18,742)
Housing Revenue Account	(806)	0	21	(785)
Infrastructure	(9,419)	(4,157)	568	(13,008)
Social Work & Housing	(252)	(741)	13	(980)
Total	<u>(23,930)</u>	<u>(11,090)</u>	<u>1,225</u>	<u>(33,795)</u>

### 5.6 Provisions

#### **Provisions for Future Losses**

A provision has been created to provide for future losses on the Roads Operations Trading Account in respect of current contracts. At 31 March 2006 the balance on the provision is £487,000. (2004/2005 = £390,000).

**TOTAL PROVISIONS £487,000 (2004/2005 = £390,000)**

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 2006 the balance on the provision is £2,992,000. (2004/2005 = £2,624,000)

#### **Revenues**

Provides for possible losses on the collection of Community Charge, Council Tax and Business Rates. At 31 March 2006 the balance on the provision is £15,590,000. (2004/2005 = £13,885,000)

## NOTES TO THE ACCOUNTS

### **Housing Rents**

Provides for possible losses on housing rents. The tenants' rent arrears amount to £1,768,000 as at 31 March 2006. At 31 March 2006 the balance on the provision is £1,338,000 (2004/2005 = £1,294,000)

**TOTAL DEBTORS PROVISIONS £19,920,000 (2004/2005 = £17,803,000)**

### **5.7 Insurance Fund**

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

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

The fund has a balance as at 31 March 2006 of £2,445,000 (31 March 2005 - £2,134,000), payments from the fund being met from Service contributions in respect of uninsured losses and interest for the year.

Recorded outstanding potential liabilities as at 31 March 2006 amount to £781,000 (31 March 2005 - £462,000).

The increase in outstanding potential liabilities is due to increased self insured/excess levels, as from 01 April 2005 and will require contributions to the fund on an annual basis to be maintained at present levels for the foreseeable future.

### **5.8 Authorisation**

The Accounts were authorised for issue on 20 June 2006 by Charles Armstrong, BA, CPFA, FCCA, Director of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973.

### **5.9 Devolved Education Management**

The General Fund Balance includes an amount of £3,971,000 (31 March 2005 £3,244,000) which is held by schools under Devolved Education Management. These balances are committed to be spent on the Education Service.

### **5.10 Guarantees**

Aberdeenshire Council, at 31 March 2006, has the undernoted guarantees in place. In the case of the Lawsonsdale Playing Field Trust, the relevant liability has been reflected in the Consolidated Balance Sheet.

#### **Lawsonsdale 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, £378,000 (2004/2005 - £403,000) 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.

### **5.11 Related Companies and Other Organisations**

The Council has an interest in various subsidiaries and associates.

#### **Subsidiaries**

##### **Archaeolink Trust**

The Archaeolink Trust is a charitable trust which was established to enhance recreational and educational provision in Aberdeenshire. During the year it became apparent that the Trust was having difficulty managing its finances and the Council entered into a management agreement with the Trust to manage the facility including the provision of financial services on a full cost recovery basis. It has two Directors both of whom are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2006, the net profit was £31,000 and the net assets were £2,289,000. The Council supports the net operating costs of the company. These figures are incorporated in the Group Accounts. A copy

## NOTES TO THE ACCOUNTS

of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

### **Scotland's Lighthouse Museum Limited**

This company was formed to advance and promote the education of the general public, and in particular the inhabitants of Scotland, by the establishment and preservation of a museum of the history and operation of lighthouses in Scotland, with the dual aim of aiding and physical preservation of the Kinnaird Head Lighthouse, Fraserburgh. It is limited by guarantee but has no share capital. Two of the eight Directors are appointed by Aberdeenshire Council, and are Councillors. The company is also recognised as a charity. For the year ended 31 March 2006, the net profit was £5,000 and the net assets were £31,000. The Council supports the net operating costs of the company. These figures are incorporated in the Group Accounts. A copy of the accounts can be obtained from the Director of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

### **Trusts and Common Good Funds**

The Council acts as Trustee for 405 Charitable Trusts & Endowments and 17 Common Good Funds. Disbursements from the Trusts range from Educational grants for books and equipment to donations to the elderly. In administering the Common Good Funds the Council has regard to the interests of the inhabitants of the area to which the Common Good Fund formerly related and overall, the funds are used for purposes which are of benefit to the relevant communities. For the year ended 31 March 2006, the net assets were £4.7m for Trusts and £1.5m for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 40-41.

### **Associates**

#### **Grampian Joint Police Board**

Grampian Joint Police Board was created by a statutory instrument and administers the policing provision for the local government areas of Aberdeen City, Aberdeenshire and Moray Councils. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2006, the net deficit was £764,000 and the net liabilities were £523,968,000. The Board is funded by requisitions from the three Councils and 36% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from Grampian Joint Police Board, Grampian Police Headquarters, Queen Street, Aberdeen, AB10 1ZA.

#### **Grampian Fire Board**

Grampian Fire Board was created by a statutory instrument and administers the fire and rescue services for the local government areas of Aberdeen City, Aberdeenshire and Moray Councils. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2006, the net surplus was £888,000 and the net liabilities were £101,419,000. The Board is funded by requisitions from the three Councils and 34% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from Grampian Fire and Rescue Service, 19 North Anderson Drive, Aberdeen, AB15 6DW.

#### **Grampian Valuation Joint Board**

Grampian Valuation Joint Board was created by Aberdeen City, Aberdeenshire and Moray Councils to administer the register of electors and the valuation of land and properties for Council Tax and Business Rate purposes across their local government areas. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2006, the net surplus was £279,000 and the net liabilities were £1,341,000. The Board is funded by requisitions from the three Councils and 44% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX.

## NOTES TO THE ACCOUNTS

### 5.12 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:

<b>31 March 2005</b>	<b>31 March 2006</b>
<b>£'000</b>	<b>£'000</b>
(461,970) Estimated funded liabilities in scheme	(589,132)
(26,490) Estimated unfunded liabilities in scheme	(30,788)
<u>356,720</u> Estimated assets in scheme	<u>495,502</u>
<u>(131,740)</u> Net asset/(liability)	<u>(124,418)</u>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net liability of £124,418,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing this by 25.24% (2004/05 28.57%). 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 265% of members' contributions. The contribution rates certified for Aberdeenshire Council at the 31 March 2005 valuation are as follows:-

April 2006 to March 2007	275% of Members' contributions
April 2007 to March 2008	285% of Members' contributions
April 2008 to March 2009	300% 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 Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates for this fund being based on the latest full valuation of the scheme as at 31 March 2005.

The main assumptions used in their calculations have been:

<b>2004/05</b>		<b>2005/06</b>
2.9%	Rate of inflation	2.9%
5.3%	Discount rate	4.9%
4.4%	Rate of increase in salaries	4.65%
2.9%	Rate of increase in pensions	2.9%

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

<b>2004/05</b>		<b>2005/06</b>
7.7%	Equities	7.0%
4.7%	Government Bonds	4.3%
N/A	Other Bonds	4.9%
6.7%	Property	6.0%
4.8%	Cash/Liquidity	4.5%
7.2%	Other	7.0%

## NOTES TO THE ACCOUNTS

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 2005		31 March 2006	
	%		%
83.0	Equities	73.1	
10.0	Government Bonds (includes all bonds)	5.2	
-	Other Bonds	7.8	
3.0	Property	9.1	
4.0	Cash Liquidity	1.9	
-	Other	2.9	
<u>100.0</u>		<u>100.0</u>	

### 5.13 Defined Contribution Pension Schemes

With regard to the Scottish Teachers' Pension Scheme, contributions of £1,356,000 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 5.12.

### 5.14 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.

### 5.15 Single Status

The Council has carried out a job evaluation exercise as part of the single status agreement. This agreement was signed nationally in 1999 by local government employers and trade unions, and represents a major opportunity to review the Council's current service structures and develop a fair pay and grading mechanism that can be applied consistently to all employees. The Council intends to implement the agreement by 1 January 2007. The cost of implementing this agreement is estimated to be £3,037,000 in 2006/07 and £14,800,000 in 2007/08. In addition, a provision of £500,000 has been made in 2006/07 for the costs incurred as a direct consequence of voluntary severance arrangements.

### 5.16 Contingent Liability –Equal Pay Claims

The Consolidated Revenue Account includes a provision of £20,605,000 in respect of compensation for equal pay claims (see note 1.20). In addition to this figure, a liability may arise as a result of a small number of staff who have not yet signed compromise agreements and who may progress a tribunal claim.

The liability in respect of these potential claims cannot be estimated with accuracy and the outcome is not considered to be sufficiently certain. Accordingly, no provision for these potential claims has been made in the financial statements.

## NOTES TO THE ACCOUNTS

### STATEMENT OF TOTAL MOVEMENTS IN RESERVES

#### 6.1 Movements in Revenue Reserves

	<b>General Fund £'000</b>	<b>HRA £'000</b>	<b>Statutory Funds £'000</b>	<b>Pensions Reserve £'000</b>	<b>Total £'000</b>
Balance at 1 April 2005	(22,316)	(21,071)	(8,217)	131,740	80,136
Movement for Year	13,059	(1,296)	3,804	-	15,567
Appropriations to/from Revenue	-	-	-	2,710	2,710
Actuarial Gains and Losses Relating to Pensions	-	-	-	(10,032)	(10,032)
Balance at 31 March 2006	<u>(9,257)</u>	<u>(22,367)</u>	<u>(4,413)</u>	<u>124,418</u>	<u>88,381</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 5.12) 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 5.9. 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.

	<b>Working Balance £'000</b>	<b>DEM £'000</b>	<b>Invest To Save £'000</b>	<b>BCCI £'000</b>	<b>Earmarked Grants £'000</b>	<b>Others £'000</b>	<b>Total £'000</b>
Balance at 1 April 2005	(15,154)	(3,244)	(1,570)	(909)	(584)	(855)	(22,316)
Movement for the Year	15,374	(727)	(1,516)	63	(97)	(38)	13,059
Balance at 31 March 2006	<u>220</u>	<u>(3,971)</u>	<u>(3,086)</u>	<u>(846)</u>	<u>(681)</u>	<u>(893)</u>	<u>(9,257)</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

The Council operates a Renewal & Repair Fund in terms of Schedule 3, Section 22 (1) of the Local Government (Scotland) Act 1975 and an Insurance Fund in terms of Schedule 3, Section 24 (4) of that Act. Movements for the year are set out below.

	<b>Balance as at 31/03/2005 £'000</b>	<b>Add Contributions £'000</b>	<b>Add Interest £'000</b>	<b>Deduct Expenditure £'000</b>	<b>Balance as at 31/03/2006 £'000</b>
<b>Renewal &amp; Repair Fund</b>					
Building Repairs & Maintenance (i)	-	(5,405)	(41)	5,446	-
Coastal Protection Emergencies (i)	(61)	-	(3)	-	(64)
Road Maintenance (i)	(1,748)	(10,994)	(135)	11,989	(888)
Winter Maintenance (i)	(733)	(5,204)	(115)	5,914	(138)
Amenity Areas (ii)	-	(336)	(7)	5	(338)
Vehicle Replacement (iii)	(3,541)	-	(157)	3,158	(540)
<b>Total Renewal &amp; Repair</b>	<b>(6,083)</b>	<b>(21,939)</b>	<b>(458)</b>	<b>26,512</b>	<b>(1,968)</b>
Insurance Fund (iv)	(2,134)	(1,110)	(102)	901	(2,445)
	<b>(8,217)</b>	<b>(23,049)</b>	<b>(560)</b>	<b>27,413</b>	<b>(4,413)</b>

### **Renewal and Repair Fund**

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

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

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

- (ii) Amenity Areas - This represents contributions paid to the Council by property developers in respect of future maintenance work that the Council will undertake on adoption of the land concerned. The Council's policy is to ensure sufficient funds are available within the revenue budget to meet the annual costs associated with this work.
- (ii) Vehicle Replacement - The purpose of this is to accumulate balances to facilitate the cash purchase of vehicles as an alternative means of procurement to borrowing or leasing.

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

### **Insurance Fund**

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

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

## 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.

	<b>Fixed Asset Restatement Account</b>	<b>Capital Financing Account</b>	<b>Usable Capital Receipts Reserve</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Balance at 1 April 2005	(276,944)	(132,548)	-
CFCR		(17,587)	
Disposals at Net Book Value:			
- HRA	5,061		
- Other	1,010		
Disposals at Cash Value:			
- HRA			10,188
- Other			12,746
PFI/PPP Deferred Considerations		(910)	
Revaluations & Restatements	(31,256)		
Transfer to Appropriation Account			
- Applied Sales Receipts		(25)	
- Applied Sales and Grants Receipts			(22,934)
- Debt Redeemed from Set Aside		(10,188)	
- Government Grants Deferred		3,599	
- Excess of Depreciation over Loans Fund Principal		4,243	
Closing Balance at 31 March 2006	(302,129)	(153,416)	-

### 6.6 Pension Reserve

The actuarial gains identified as movements on the Pension reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	<b>2003/04</b>		<b>2004/05</b>		<b>2005/06</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Actual return less expected return on assets	43,630	14.0	13,310	3.7	66,376	13.4
Experience gains and losses on pension liabilities	(280)	0.1	7,340	1.5	(25,532)	4.2
Changes in assumptions underlying the present value of pension liabilities	790	0.2	(84,860)	17.4	(30,812)	5.0
Total	44,140		(64,210)		10,032	



## NOTES TO THE ACCOUNTS

### CASH FLOW STATEMENT

#### 7.1 Increase/(Decrease) in Cash and Cash Equivalents

2004/2005 £'000		2005/2006 £'000
4,770	Bank Overdraft	1,393
(104)	Cash	237
<b>4,666</b>		<b>1,630</b>

#### 7.2 Reconciliation of Surplus to Net Cash Flow

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000
(5,181)	(Surplus)/Deficit for Year		13,059
	<b>Non Cash Transactions</b>		
(116)	(Increase)/Decrease in Provisions set aside in Year	(97)	
(2,708)	Contributions (to)/from Funds and Reserves	2,508	
(2,824)			2,411
	<b>Items on an Accruals Basis</b>		
280	Increase/(Decrease) in Stock	627	
7,426	(Increase)/Decrease in Debtors	1,960	
(16,380)	Increase/(Decrease) in Creditors	(26,037)	
(8,674)			(23,450)
(31,276)	Adjust Capital Financing		(29,068)
<b>(47,955)</b>	Net Cash Flow from Revenue Activities		<b>(37,048)</b>

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

2004/2005 £'000		2005/2006 £'000
4,666	Increase/(Decrease) in Cash	1,630
7,959	Increase/(Decrease) in Debt	5,537
12,625	Movement in Net Debt	7,167
(333,046)	Net Debt as at 1 April	(320,421)
<b>(320,421)</b>	<b>Net Debt as at 31 March</b>	<b>(313,254)</b>

#### Analysis of Movement in Net Debt

	As at 01/04/05 £'000	Cash Flows £'000	As at 31/03/06 £'000
Cash in Hand	127	237	364
Bank Overdraft	(2,877)	1,393	(1,484)
	(2,750)	1,630	(1,120)
Long Term Borrowing	(325,183)	(35,254)	(360,437)
Temporary Borrowing	(15,101)	(2,839)	(17,940)
	(340,284)	(38,093)	(378,377)
Current Asset Investments	22,613	43,630	66,243
Total	(320,421)	7,167	(313,254)

## NOTES TO THE ACCOUNTS

### 7.4 Analysis of Government Grants - Revenue Activities

2004/2005		2005/2006	2005/2006
£'000		£'000	£'000
	<b>Education &amp; Recreation</b>		
(5,592)	- National Priorities Action Fund	(2,381)	
(488)	- Discipline Task Group	(244)	
(1,113)	- New Community Schools	(696)	
(663)	- Continuing Professional Development	(333)	
(334)	- In-Service Training	(168)	
(4,209)	- Education & Recreation Other	(4,469)	
(12,399)			(8,291)
	<b>Social Work &amp; Housing</b>		
(1,445)	- Criminal Justice Service Grant	(1,558)	
(2,516)	- Childrens' Services Development Fund	(2,758)	
(578)	- Mental Illness	(578)	
(597)	- Housing (Scot) Act 2001 Implementation	(597)	
(572)	- Grampian Health Board Support	(513)	
(11,452)	- Social Work & Housing Other	(11,563)	
(17,160)			(17,567)
	<b>Transportation &amp; Roads</b>		
(508)	- Rural Transport Initiative	(562)	
(2,643)	- Waste Strategy	(3,450)	
-	- Transportation & Infrastructure Other	(1,011)	
(3,151)			(5,023)
	<b>Planning &amp; Environmental</b>		
-	- Eastern Cairngorm Access Project	(194)	
-	- NOLIMP Interreg Project	(121)	
-	- Planning & Environmental Other	(247)	
-			(562)
	<b>Policy &amp; Resources</b>		
-	- Council Tax Grant	(408)	
-	- Benefits Administration	(447)	
-	- Verification Framework Income	(165)	
-	- National Fraud Initiative	(165)	
-	- EDM	(295)	
-	- Community Safety Partnership	(119)	
-	- Policy & Resources Other	(44)	
-			(1,643)
(32,710)			(33,086)

## 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 2006 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 2006 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 2005 £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2006 £'000
<b>Education Trusts</b>					
- Aberdeenshire	(2,121)	(387)	(88)	62	(2,534)
- Kincardineshire	(116)	(23)	(5)	4	(140)
<b>Other Trusts</b>	(1,238)	(37)	(79)	53	(1,301)
<b>Endowment Funds</b>					
- Educational	(317)	(111)	(23)	7	(444)
- Social Work	(263)	(48)	(10)	17	(304)
	<u>(4,055)</u>	<u>(606)</u>	<u>(205)</u>	<u>143</u>	<u>(4,723)</u>

### INVESTMENT OF FUNDS AT 31 MARCH

2005 £'000		2006 £'000
2,206	Equities & Securities	2,815
(12)	Other Investments	(9)
<u>1,861</u>	Aberdeenshire Council Loans Fund	<u>1,917</u>
<u>4,055</u>		<u>4,723</u>

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## 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 2005 £'000	Revaluation Of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2006 £'000
<b>MOVEMENT IN FUNDS</b>	(1,510)	(4)	(69)	43	(1,540)

### INVESTMENT OF FUNDS AT 31 MARCH

2005 £'000		2006 £'000
21	Equities & Securities	25
257	Other Investments	255
<u>1,232</u>	Aberdeenshire Council Loans Fund	<u>1,260</u>
<u><u>1,510</u></u>		<u><u>1,540</u></u>

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## GROUP ACCOUNTS – STATEMENT OF ACCOUNTING POLICIES

### **Basis of Consolidation**

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

### **Accounting Policies**

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 5 to 7, with the following exceptions:

#### **1. Pension Costs**

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

#### **2. Value Added Tax**

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

#### **3. Tangible Fixed Assets**

Increases in valuations of fixed assets held by Archaeolink are accounted for by matching credits to the Revaluation Reserve.

Profits and losses on the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account.

Amounts credited to the Group Income and Expenditure Account from Government Grants Deferred are included in the Net Cost of Services.

#### **4. Charges to Income and Expenditure for Fixed Assets**

Capital charges are not made to service segments in the Net Costs of Services in the Group Income and Expenditure Account. Depreciation is charged directly to services and no amounts are debited for capital financing charges. These adjustments to the Council's financial results make the Asset Management Revenue Account redundant.

There are no transactions between the Group Income and Expenditure Account and the Capital Financing Reserve in relation to charges for fixed assets held by Archaeolink, such that the amounts debited and credited to the Account are initially reflected in the Group Income and Expenditure Reserve. However, a transfer is made between depreciation charged on the current value of fixed assets held by Archaeolink and what would have been the historical cost depreciation for the year.

## GROUP INCOME AND EXPENDITURE ACCOUNT

Net Expenditure 2004/2005 £'000	Gross Expenditure 2005/06 £'000	Income 2005/06 £'000	Net Expenditure 2005/06 £'000	
190,352	Education Services	219,968	(21,276)	198,692
1,064	Housing Services	13,559	(12,336)	1,223
(11,966)	HRA	23,980	(36,011)	(12,031)
16,711	Cultural & Related Services	33,992	(16,817)	17,175
18,397	Environmental Services	32,800	(12,627)	20,173
28,226	Roads & Transport Services	55,869	(29,190)	26,679
3,742	Planning & Development Services	13,446	(9,810)	3,636
75,984	Social Work	106,475	(26,386)	80,089
2,885	Central Services	43,611	(39,421)	4,190
47,809	Share of Operating Results of Associates	55,036	(5,432)	49,604
6,433	Corporate & Democratic Core	6,376	-	6,376
3,409	Non Distributed Costs	1,615	(7)	1,608
(10,298)	Profit/Losses on Disposal of Assets	-	(16,863)	(16,863)
-	Exceptional Item	20,605	-	20,605
<b>372,748</b>	<b>NET COST OF SERVICES</b>	<b>627,332</b>	<b>(226,176)</b>	<b>401,156</b>
(190)	(Surplus)/Deficit from Trading Operations	36,772	(36,972)	(200)
22,484	External Interest Payable	64,364	(42,875)	21,489
605	Associates External Interest Payable	3,315	(2,753)	562
1,670	Pensions Interest Cost and Return on Pensions Assets	26,534	(25,940)	594
	Share of Pensions Interest Cost and Return on Pensions			
11,563	Assets for Associate	12,650	(129)	12,521
(2,983)	Interest on Revenue Balances	-	(2,799)	(2,799)
(242)	Share of Interest on Revenue Balances for Associate	-	(274)	(274)
<b>405,655</b>	<b>NET OPERATING EXPENDITURE</b>	<b>770,967</b>	<b>(337,918)</b>	<b>433,049</b>
	Appropriation Account			
10,446	Reversal of Profits/Losses on Disposal of Assets			16,860
1,854	Contribution to/(from) Capital Financing Account			8,529
(24,940)	Contribution to/(from) Pension Reserve			(21,971)
(2,468)	Contribution to/(from) Other Reserves			(5,489)
3,799	Contribution to/(from) HRA Balances			1,296
70	Contribution to/(from) Income and Expenditure Reserve			83
	<b>AMOUNT TO BE MET FROM GOVERNMENT</b>			
<b>394,416</b>	<b>GRANTS &amp; LOCAL TAXPAYERS</b>			<b>432,357</b>
	<b>Sources of Finance</b>			
(220,470)	Revenue Support Grant Government Grants			(233,881)
(94,161)	Council Tax (including Community Charges)			(99,573)
(85,023)	Business Rates			(85,635)
<b>(399,654)</b>	<b>TOTAL INCOME</b>			<b>(419,089)</b>
<b>(5,238)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>13,268</b>
(19,419)	General Fund balance brought forward			(24,657)
(5,238)	(Surplus)/Deficit for year			13,268
<b>(24,657)</b>	<b>General Fund balance brought forward</b>			<b>(11,389)</b>
	Group Income and Expenditure Account Notes			1-2, 4

## GROUP BALANCE SHEET

2004/2005	As at 31 March 2006				Notes
£' 000		£' 000	£' 000	£' 000	Ref
	<b>FIXED ASSETS</b>				
96	<b>Intangible Fixed assets</b>		993		
	<b>Tangible Fixed Assets</b>				
	<b>Operational Assets:</b>				
333,466	Council Dwellings	335,999			
312,489	Land & Buildings	337,656			
9,432	Vehicles, Plant & Equipment	15,795			
99,423	Infrastructure	113,192			
4,893	Community Assets	<u>8,240</u>	810,882		
	<b>Non-Operational Assets:</b>				
35,731	Investment Properties	41,148			
1,602	Assets Under Construction	3,479			
595	Surplus Assets, Held for disposal	<u>1,658</u>	46,285		
	<b>Other Long-Term Assets:</b>				
21,836	Loans Equalisation Accounts		20,760		
7,420	Long Term Debtors		8,204		
42	Long Term Investments		42		
<u>(218,016)</u>	Share of Net Assets of Associate		<u>(223,729)</u>		
<b>609,009</b>	<b>TOTAL FIXED ASSETS</b>			<b>663,437</b>	
	<b>CURRENT ASSETS</b>				
2,815	-Stocks & Work in Progress	3,439			
43,673	-Debtors	45,634			
24,839	-Investments	69,090			
144	-Cash and Bank	<u>391</u>			
<b>71,471</b>			<b>118,554</b>		
	<b>Less: CURRENT LIABILITIES</b>				
(15,101)	-Short Term Borrowing	(17,940)			
(65,022)	-Creditors	(91,037)			
<u>(2,877)</u>	-Bank overdraft	<u>(1,484)</u>	(110,461)		
<b>(11,529)</b>	<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<b>8,093</b>	
	<b>Long Term Liabilities</b>				
(322,090)	Long Term Borrowing	(357,260)			
(26,457)	Government Grants Deferred	(36,180)			
(131,740)	Pension Liabilities	(124,418)			
(390)	Provisions	<u>(487)</u>	(518,345)	(518,345)	
<b>116,803</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>153,185</b>	
	<b>FINANCED BY:</b>				
(290,121)	Fixed Asset Restatement Account			(315,866)	
(3,655)	Revaluation Reserve			(7,859)	
(138,926)	Capital Financing Account			(159,779)	
(807)	Usable Capital Receipts			(750)	
372,957	Pension Reserve			371,650	
(8,715)	Funds & Reserves			(4,934)	
(24,657)	General Fund Balance			(11,389)	
(21,071)	Housing Revenue Account Balance			(22,367)	
<u>(1,808)</u>	Income & Expenditure Reserve			<u>(1,891)</u>	
<b>(116,803)</b>				<b>(153,185)</b>	3

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## GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2004/2005		2005/2006
£'000		£'000
	<b>Balance Brought Forward 1 April</b>	
(431,807)	Aberdeenshire Council	(329,358)
(5,211)	Trusts	(5,564)
116	Archaeolink	127
(2)	Scotland's Lighthouse Museum	(26)
<b>(436,904)</b>	<b>-Group</b>	<b>(334,821)</b>
(101)	Grampian Valuation Board	868
26,340	Grampian Fire Board	33,105
140,728	Grampian Police Board	184,045
<b>166,967</b>	<b>-Associates &amp; joint ventures</b>	<b>218,018</b>
	<b>Net Surplus/Deficit/Movement for year</b>	
62,521	Aberdeenshire Council	8,244
(111)	Trusts	(87)
10	Archaeolink	(3,583)
(24)	Scotland's Lighthouse Museum	(5)
<b>62,396</b>	<b>-Group</b>	<b>4,569</b>
986	Grampian Valuation Board	(256)
10,394	Grampian Fire Board	1,991
48,948	Grampian Police Board	5,279
<b>60,328</b>	<b>-Associates &amp; joint ventures</b>	<b>7,014</b>
	<b>Unrealised Gains/Losses on Revaluation of fixed assets</b>	
45,214	Aberdeenshire Council	(31,256)
(241)	Trusts	(612)
-	Archaeolink	-
-	Scotland's Lighthouse Museum	-
<b>44,973</b>	<b>-Group</b>	<b>(31,868)</b>
4	Grampian Valuation Board	(19)
(3,612)	Grampian Fire Board	(708)
(5,177)	Grampian Police Board	-
<b>(8,785)</b>	<b>-Associates &amp; joint ventures</b>	<b>(727)</b>
	<b>Impairment Losses arising from Revaluations</b>	
-	Aberdeenshire Council	-
-	Trusts	-
-	Archaeolink	-
-	Scotland's Lighthouse Museum	-
-	<b>-Group</b>	-
-	Grampian Valuation Board	-
-	Grampian Fire Board	-
-	Grampian Police Board	-
-	<b>-Associates &amp; joint ventures</b>	-



## GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2004/2005		2005/2006
£'000		£'000
	<b>Effects of Disposal of Fixed Assets</b>	
19,736	Aberdeenshire Council	21,088
-	- Trusts	-
-	- Archaeolink	-
-	- Scotland's Lighthouse Museum	-
<b>19,736</b>	<b>-Group</b>	<b>21,088</b>
-	- Grampian Valuation Board	-
12	Grampian Fire Board	2
(144)	Grampian Police Board	2
<b>(132)</b>	<b>-Associates &amp; joint ventures</b>	<b>4</b>
	<b>Financing of Fixed Assets</b>	
(25,022)	Aberdeenshire Council	(35,885)
-	- Trusts	-
-	- Archaeolink	-
-	- Scotland's Lighthouse Museum	-
<b>(25,022)</b>	<b>-Group</b>	<b>(35,885)</b>
(21)	Grampian Valuation Board	-
(29)	Grampian Fire Board	93
(310)	Grampian Police Board	(670)
<b>(360)</b>	<b>-Associates &amp; joint ventures</b>	<b>(577)</b>
	<b>Closing Balance 31 March</b>	
(329,358)	Aberdeenshire Council	(367,167)
(5,563)	Trusts	(6,263)
126	Archaeolink	(3,456)
(26)	Scotland's Lighthouse Museum	(31)
<b>(334,821)</b>	<b>-Group</b>	<b>(376,917)</b>
868	Grampian Valuation Board	593
33,105	Grampian Fire Board	34,483
184,045	Grampian Police Board	188,656
<b>218,018</b>	<b>-Associates &amp; joint ventures</b>	<b>223,732</b>
<b>(116,803)</b>		<b>(153,185)</b>

## GROUP CASH FLOW STATEMENT

2004/2005 £'000	REVENUE ACTIVITIES	2005/2006 £'000	2005/2006 £'000	Notes Ref
	<b>Cash Outflows</b>			
248,957	Cash Paid to and on Behalf of Employees	261,696		
279,684	Other Operating Cash Payments	308,962		
<u>19,162</u>	Housing Benefit Paid Out	<u>20,098</u>		
547,803			590,756	
	<b>Cash Inflows</b>			
(86,172)	Council Tax Receipts	(94,167)		
(58,337)	Business Rates Receipts	(49,099)		
(31,371)	Business Rates Receipts from National Pool	(34,781)		
(202,417)	Revenue Support Grant	(217,154)		
(16,263)	Housing Rents (After Rebates)	(16,092)		
(32,438)	DWP Grants for Benefits	(33,934)		
(32,710)	Other Government Grants	(33,086)		
<u>(136,021)</u>	Cash Received for Goods & Services	<u>(149,444)</u>		
(595,729)			(627,757)	
<b>(47,926)</b>	<b>Net Cash Inflow from Revenue Activities</b>		<b>(37,001)</b>	5
-	<b>Dividends from Joint Ventures and Associates</b>		-	
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
19,282	Interest Paid	18,640		
<u>(926)</u>	Interest Received	<u>(2,396)</u>		
18,356			16,244	
-	<b>Taxation</b>		-	
	<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
26,377	Purchase of Fixed Assets	40,523		
3,070	Purchase of Long Term Investments	-		
(7,988)	Sale of Fixed Assets	(11,784)		
-	Sale of Long Term Investments	(1,076)		
(4,540)	Capital Grants Received	(14,045)		
<u>(94)</u>	Other Capital Income	<u>(126)</u>		
16,825			13,492	
-	Equity Dividends Paid		-	
-	Acquisitions and Disposals		-	
<b>(12,745)</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>(7,265)</b>	
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
11,982	Net Increase/Decrease in short term deposits		43,630	
	<b>FINANCING</b>			
124,194	Repayments of Amounts Borrowed	122,356		
<u>(128,107)</u>	New Loans Raised	<u>(160,362)</u>	<u>(38,006)</u>	
<u>(4,676)</u>			<u>(1,641)</u>	
<b>(4,676)</b>	<b>Net (Increase)/Decrease in Cash</b>		<b>(1,641)</b>	

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### 1. **Combining Entities**

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

The organisations that have been consolidated are:

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

The Associates that have been incorporated are:

- Grampian Joint Police Board
- Grampian Joint Valuation Board
- Grampian Fire Board

The accounting period for all entities is 31 March 2006.

### 2. **Nature of Combination**

The Council inherited its interest in these subsidiary and associate organisations following the reorganisation of local government in 1996. It is considered that the combination was based on an acquisition basis. However, as no consideration was given for this interest there is no goodwill involved in these instances.

### 3. **Financial Impact of Consolidation**

The effect of inclusion of the subsidiary and associate entities on the group balance sheet is to decrease both reserves and net assets by £213,979,000, (2004/05 £212,553,000) representing the Council's share in these companies.

### 4. **Reporting Authority Adjustments to Align with UK GAAP**

A number of adjustments are required to enable the details contained within the Council's Consolidated Revenue Account (page 8) to align with the UK GAAP requirements for Group Accounting arrangements.

These can be summarised as follows:

The notional interest rate applied by local authorities to account for the "economic" costs of tying up capital in fixed assets has been removed from the net cost of service analysis. To this end £26,943,000 (2004/05 £27,060,000) has been removed from the capital charges incorporated within service departments' net cost of service with a corresponding removal from the Asset Management Revenue Account.

The profit and loss on the disposal of assets to a net value of £16,863,000 (2004/05 £10,298,000) has now been included within net operating expenditure.

Capital grants amortised to services to the value of £1,224,000 (2004/05 £759,000) have now been included within individual services' net cost of service analysis.

The overall impact on the Asset Management Revenue Account is the removal of all entries except external interest payable which now features on the face of the Group Revenue Account.

All intra – group transactions have been removed from the Group Revenue Account as part of the consolidation process.

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### 5. Group Cash Flow Statement

The impact of the incorporation of the subsidiary organisations within the Group Cash Flow Statement is an increase in cash of £1,641,000. This increase can be reconciled as follows:

Increase/(Decrease) In Cash and Cash Equivalents	
2004/2005 £'000	2005/2006 £'000
4,770 Bank Overdraft	1,393
(94) Cash	248
<b>4,676</b>	<b>1,641</b>

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

2004/2005 £'000	2005/2006 £'000	2005/2006 £'000
(5,238) (Surplus)/Deficit for the Year		13,268
<b>Non Cash Transactions</b>		
(116) (Increase)/Decrease in Provisions set aside in year	(97)	
(2,890) Contributions (to)/from Funds & Reserves	2,180	
(3,006)		2,083
<b>Items on an Accruals Basis</b>		
278 Increase/(Decrease) in Stock	624	
7,431 (Increase)/Decrease in Debtors	1,954	
(16,401) Increase/(Decrease) in Creditors	(26,015)	
(8,692)		(23,437)
(30,990) Adjust Capital Financing		(28,915)
<b>(47,926)</b> Net Cash Flow from Revenue Activities		<b>(37,001)</b>

## GLOSSARY OF TERMS

- 1. Accruals:**  
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
- 2. Acquisition Basis:**  
A method of accounting for acquisitions and subsidiaries and associates in which the values of assets and liabilities of the subsidiary or associate are required to be adjusted to fair value. The difference between the fair value of the assets and liabilities acquired and the consideration paid is recognised as positive or negative goodwill.
- 3. Administration Costs:**  
Includes telephone, printing, stationery, advertising and postage.
- 4. Allocations and Charges to Other Accounts:**  
For services provided by one service to another.
- 5. Amortisation:**  
The writing off of the expenditure on an asset or the income from a grant over a fixed period.
- 6. Appropriation Accounts:**  
These are used to effect all transfers to, and from, capital and revenue reserves.
- 7. Asset Management Revenue Account(AMRA):**  
AMRA matches the provision for depreciation and external interest payable with the capital charges made to services.
- 8. Associate:**  
An organisation other than a subsidiary or a joint venture in which the Council has a participating interest and over whose operating and financial policies the Council able to exercise a significant influence without support from other participants.
- 9. 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.
- 10. 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.
- 11. 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.
- 12. Capital Financed from Current Revenue (CFCR):**  
The cost of capital expenditure financed at the Council's discretion from within the Council's Revenue Budget.
- 13. Charges to Other Authorities:**  
Includes payments to other Local Authorities in return for providing a service on behalf of Aberdeenshire Council.
- 14. 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.
- 15. Consistency:**  
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 16. Corporate & Democratic Core & Non Distributed Costs**  
Corporate & Democratic Core relates to those activities in which Aberdeenshire Council engages, over and above the provision of any single service. This includes, for example, meetings of the Council, members expenses and External Audit fees. Non Distributed Costs are overheads for which no user benefits and are not apportioned to services. For example, excess pension costs and long term unused but unrealisable assets.

## GLOSSARY OF TERMS

**17. 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.

**18. Dominant Influence:**

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

**19. Equity Method:**

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

**20. Exceptional Items:**

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

**21. Fees and charges:**

Income received for services provided.

**22. Goodwill:**

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

**23. 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.

**24. 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.

**25. 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.

**26. Intangible Assets**

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

**27. 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.

**28. Joint Venture:**

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

**29. 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.

**30. 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.

**31. 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.

## GLOSSARY OF TERMS

- 32. 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.
- 33. 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.
- 34. 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.
- 35. Premises Costs:**  
Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, metered water charges, etc.
- 36. Public Works Loans Board (PWLB):**  
A Government Agency which provides long term loans to the Council.
- 37. Revenue Expenditure:**  
This is expenditure incurred in providing services in the current year and which benefits that year only.
- 38. Revenue Support Grant:**  
A block grant received from Government to help finance the cost of the Council's services.
- 39. Significant Influence:**  
The exercise of significant influence occurs when the Council is actively involved and is influential in the direction of an organisation through its participation in policy decisions, covering aspects of policy relevant to the Council including decisions on strategic issues. A holding of 20% or more of the voting rights is presumed to confer significant influence unless the contrary is shown.
- 40. Single Status:**  
The Single Status Agreement is a national agreement which uses a Job Evaluation Scheme to produce a single pay spine for all employees covered by the Agreement. The Agreement also reduced the working week for manual employees from 39 to 37 hours and allows for local negotiation on conditions of service.
- 41. Staff Costs:**  
Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.
- 42. Subsidiary:**  
An organisation in which the Council controls the majority of the share capital or equivalent voting rights or exercises or has the right to exercise dominant influence.
- 43. 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.
- 44. 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.
- 45. Transport and Plant Costs:**  
Includes the cost of providing and maintaining all vehicles and plant including fuel, tyres, repairs, road tax, insurance, etc.

## STATEMENT OF ASSURANCE

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

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

During the year, Aberdeenshire Council continued to develop appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. With regard to risk management, a full risk analysis has been undertaken across the Council and an action plan has been developed. This plan however needs to be reviewed and updated to demonstrate that progress has been made. A revised timetable has been developed for the establishment of a Corporate Risk Register by 30 September 2006.

The Council has carried out extensive consultations with the local community. The main focus during 2005 was a Peer Review undertaken by IDEA. This has identified a range of issues that require to be taken forward in 2006. A key element of this will be a review of the Council's communications strategy. The Council has set standards and targets for performance in the delivery of services and has developed a system of performance management that was implemented on 1 April 2005. It will take time before the benefits of this system are seen.

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 2006, with the following two exceptions:

- The issue of contingency and business continuity planning continues to cause concern. During 2004/05 and 2005/06, plans have been documented in relation to the main financial systems, but these have not all been fully tested to ensure that they will be effective in the event of having to be implemented.
- During 2004/05, Internal Audit undertook a review of the Council's Risk Management Strategy. The findings of this review showed that progress had been slow with regard to demonstrating that appropriate action had been taken to implement the Council's Policy and that the Policy requirements have not all been implemented. As a result further audit work was unable to proceed as planned during 2005/06.

In 2005/06, the Financial Statements have been produced on a Group basis. Time requires to be taken to ensure that all members of the Group satisfy best practice in terms of Corporate Governance. The following weaknesses have been identified:

Scotland's Lighthouse Museum Limited – the company requires to review its scheme of delegation and prepare a risk management strategy.

Archaeolink – financial management has been extremely poor, and the Council has recently assumed responsibility for developing proper accounting practices and internal financial controls. It is expected that this work will be completed by 30 June 2006.

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 20 June 2006



## 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 2006.

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 2006.

Charles Armstrong, BA, CPFA, FCCA  
Director of Finance  
20 June 2006

# INDEPENDENT AUDITOR'S REPORT

## To the Councillors of Aberdeenshire Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Aberdeenshire Council and its group for the year ended 31 March 2006 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Consolidated Revenue Account, the Housing Revenue Account, the Council Tax Income Account, the Business Rate Income Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, Trust and Endowment Funds, Common Good Funds and the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and 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

The Director of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2005 - A Statement of Recommended Practice ('the 2005 SORP') are set out in the Statement of Responsibilities.

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

I report my opinion as to whether the financial statements present fairly the financial position of the local authority in accordance with applicable laws and regulations and the 2005 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Explanatory Foreword by the Director of Finance is not consistent with the financial statements, if the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement of Assurance reflects the authority's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

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

### Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. 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 local authority'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.

## INDEPENDENT AUDITOR'S REPORT

### Opinion

In my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2005 SORP, the financial position of the local authority and its group as at 31 March 2006 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

### Failure to comply with a statutory requirement

It has not been necessary to qualify my opinion in respect of the following matter.

Local authorities have a duty under Section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The Council failed to comply with this statutory requirement for the three year period ending 31 March 2006 in respect of the catering significant trading operation.

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

27 September 2006

## PERFORMANCE INDICATORS

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

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

The attached are the figures for Aberdeenshire Council for April 2005 – March 2006. Figures for 2004/05 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

ADULT SOCIAL WORK		
COMMUNITY CARE ASSESSMENTS	2004/05	2005/06
1 Average taken to provide Community Care Services from first identification of need to first service provision	-	<b>11 days</b>
RESIDENTIAL ACCOMMODATION: STAFF QUALIFICATION		
2 Care staff in Local Authority residential homes, who have appropriate qualifications:		
a) Older People	-	<b>44.8%</b>
b) Others adults	-	<b>52.8%</b>
c) Overall	-	<b>46.0%</b>
RESIDENTIAL ACCOMMODATION: PRIVACY		
3 The percentage of all residential care places that are single rooms for the following groups for the following providers		
a) i Elderly people – Council	<i>100.0%</i>	<b>99.2%</b>
ii Elderly people – voluntary sector	<i>99.1%</i>	<b>100.0%</b>
iii Elderly people – private sector	<i>93.7%</i>	<b>94.6%</b>
b) i Other adults – Council	<i>100.0%</i>	<b>100.0%</b>
ii Other adults – voluntary sector	<i>96.2%</i>	<b>95.0%</b>
iii Other adults – private sector	<i>90.9%</i>	<b>93.5%</b>
Rooms with en-suite facilities		
a) i Elderly people – Council	<i>30.4%</i>	<b>32.3%</b>
ii Elderly people – voluntary sector	<i>66.7%</i>	<b>56.6%</b>
iii Elderly people – private sector	<i>84.4%</i>	<b>74.1%</b>
b) i Other adults – Council	<i>0.0%</i>	<b>0.0%</b>
ii Other adults – voluntary sector	<i>10.3%</i>	<b>12.4%</b>
iii Other adults – private sector	<i>60.6%</i>	<b>56.5%</b>
HOME CARE/HOME HELPS		
4 Total number of homecare hours per 1,000 population aged 65+	<i>294.9</i>	<b>300.1</b>
Percentage of homecare clients aged 65+ receiving:		
a) personal care	<i>82.8%</i>	<b>91.1%</b>
b) a service during evening / overnight	<i>27.1%</i>	<b>29.5%</b>
c) a service at weekends	<i>51.1%</i>	<b>56.0%</b>
RESPIRE CARE		
5 a) Total overnight respite nights provided per 1000 population aged:		
i 65+	-	<b>435.0</b>
ii 18 – 64	-	<b>73.7</b>
b) Percentage of respite nights not in a care home per 1,000 population aged:		
i 65+	-	<b>7.8%</b>
ii 18 – 64	-	<b>41.9%</b>
c) Total daytime respite hours provided per 1,000 population aged		
i 65+	-	<b>1,435.4</b>
ii 18 – 64	-	<b>97.0</b>
d) Percentage of daytime respite not in a care home per 1,000 population aged:		
i 65+	-	<b>99.1%</b>
ii 18 – 64	-	<b>99.8%</b>

## PERFORMANCE INDICATORS

CRIMINAL JUSTICE			
6	Proportion of reports submitted to courts by due date	99.5%	<b>99.4%</b>
7	Proportion of new probationers seen by a supervising officer within one week	58.9%	<b>64.3%</b>
8	Average number of hours per week to complete community orders	3.5	<b>3.0</b>
BENEFITS ADMINISTRATION			
BENEFITS ADMINISTRATION		2004/05	2005/06
1	Gross administration cost per case	£66.08	<b>£70.40</b>
2	Average time to process:-		
	(i) new claims	53.6 days	<b>33.3 days</b>
	(ii) change of circumstances	6.9 days	<b>22.3 days</b>
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	93.4%	<b>95.0%</b>
4	Housing benefits recovered as a percentage of housing benefit overpayments identified.	-	<b>64.0%</b>
5	Housing benefits recovered as a percentage of total overpayments debt at the start of the year plus the in-year overpayments.	-	<b>25.2%</b>
6	Percentage of housing benefits overpayments written off.	-	<b>1.9%</b>
CORPORATE MANAGEMENT			
SICKNESS ABSENCE		2004/05	2005/06
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%	<b>4.6%</b>
	ii Craft employees	3.0%	<b>3.5%</b>
	iii Teachers	3.6%	<b>3.5%</b>
LITIGATION CLAIMS			
2	a) The number of civil liability claims incurred by the council in the year per 10,000 population.	21.1	<b>20.1</b>
2	b) Claims as a percentage of the revenue budget	0.1%	<b>0.1</b>
EQUAL OPPORTUNITIES			
3 a)	The percentage of women employees in the top 2% of earners among council employees.	31.8%	<b>32.2%</b>
b)	The percentage of women employees in the top 5% of earners among council employees.	42.5%	<b>40.8%</b>

## PERFORMANCE INDICATORS

<b>CORPORATE MANAGEMENT (cont.)</b>			
<b>PUBLIC ACCESS</b>			
4	The percentage of buildings from which the council delivers services that are suitable for, and accessible to, disabled people.	28.3%	<b>40.8%</b>
<b>COUNCIL TAX COLLECTION</b>			
5	Cost of collecting council tax per chargeable dwelling	£10.82	<b>£11.24</b>
6	a) Income due from council tax for the year excluding relief and rebates	£86.9m	<b>£94.4m</b>
5	b) The percentage of income due from council tax for the year that is received by the end of the year	95.3%	<b>95.8%</b>
<b>NON-DOMESTIC RATES COLLECTION</b>			
7	The percentage of income due from non-domestic rates that was received by the end of the year.	96.9%	<b>96.7%</b>
<b>PAYMENT OF INVOICES</b>			
8	The percentage of invoices paid within 30 days of receipt	87.8%	<b>87.0%</b>
<b>CULTURAL AND COMMUNITY SERVICES</b>			
<b>SPORT AND LEISURE MANAGEMENT</b>		<i>2004/05</i>	<b>2005/06</b>
1	Number of attendances per 1,000 population for all pools	3,708	<b>3,165</b>
2	Number of attendances per 1,000 population for indoor sport and leisure facilities	542	<b>771</b>
<b>MUSEUMS</b>			
3 a)	Number of museums operated by or financially supported by the Council	17	<b>14</b>
b)	The percentage of museums registered under the museums and Galleries Commission (MGC) registration scheme	88.2%	<b>85.7%</b>
<b>LIBRARY STOCK TURNOVER</b>			
4 a)	Changes in adult library lending stock		
i	Additions per 1,000 population	104	<b>230</b>
ii	Closing stock items per 1,000 population	2,095	<b>1,938</b>
4 b)	Changes in children's and teenage library lending stock		
i	Additions per 1,000 population	75	<b>176</b>
ii	Closing stock items per 1,000 population	732	<b>792</b>
5 a)	The percentage of the resident population that are borrowers from public libraries	22.3%	<b>23.0%</b>
b)	Average number of issues per library borrower	25.0	<b>26.4</b>
<b>LEARNING CENTRE AND LEARNING ACCESS POINT USERS</b>			
6 a)	Users as a percentage of the population	6.1%	<b>8.5%</b>
b)	Number of occasions that terminals are accessed per 1,000 population	427.0	<b>407.2</b>

## PERFORMANCE INDICATORS

<b>DEVELOPMENT SERVICES</b>		
<b>PROCESSING TIME – PLANNING APPLICATIONS</b>	<i>2004/05</i>	<b>2005/06</b>
1 Percentage of applications dealt with within two months		
a) Householder	<i>84.6%</i>	<b>75.6%</b>
b) Non-householder	<i>46.9%</i>	<b>37.9%</b>
c) Total	<i>65.5%</i>	<b>56.2%</b>
<b>APPEALS</b>		
2 a) Successful appeals as a percentage of determinations	<i>0.5%</i>	<b>0.3%</b>
b) Successful appeals as a percentage of determinations that went to appeal	<i>28.6%</i>	<b>20.4%</b>
<b>DEVELOPMENT PLANS</b>		
3 Percentage of population covered by a Local Plan which has been adopted or finalised within the last five years	<i>100.0%</i>	<b>100.0%</b>
<b>EDUCATION AND CHILDREN'S SERVICES</b>		
<b>PRIMARY SCHOOLS</b>	<i>2004/05</i>	<b>2005/06</b>
1 The percentage of schools with occupancy of:		
a) 40% or less	<i>7.1%</i>	<b>6.6%</b>
b) 41 – 60%	<i>23.2%</i>	<b>21.7%</b>
c) 61 – 80%	<i>26.5%</i>	<b>31.6%</b>
d) 81 – 100%	<i>25.2%</i>	<b>22.4%</b>
e) 101% or more	<i>18.1%</i>	<b>17.8%</b>
<b>SECONDARY SCHOOLS</b>		
2 The percentage of schools with occupancy of:		
a) 40% or less	<i>0.0%</i>	<b>0.0%</b>
b) 41 – 60%	<i>0.0%</i>	<b>0.0%</b>
c) 61 – 80%	<i>5.9%</i>	<b>0.0%</b>
d) 81 – 100%	<i>47.05%</i>	<b>47.1%</b>
e) 101% or more	<i>47.05%</i>	<b>52.9%</b>
<b>EQUAL OPPORTUNITIES POLICY</b>		
3 The percentage of teachers in each of the following staff bands who are women:		
a) Head and Deputy Head Teachers		
i) Secondary	<i>44.1%</i>	<b>28.8%</b>
ii) Primary	<i>87.6%</i>	<b>86.0%</b>
iii) Special	<i>75.0%</i>	<b>77.8%</b>
iv) Total	<i>80.5%</i>	<b>71.6%</b>
b) All teachers including Head and Deputy Head Teachers		
i) Secondary	<i>66.0%</i>	<b>66.7%</b>
ii) Primary	<i>94.1%</i>	<b>94.7%</b>
iii) Special	<i>91.2%</i>	<b>91.0%</b>
iv) Total	<i>80.7%</i>	<b>81.3%</b>
<b>CHILDREN'S REPORTER LIAISON</b>		
4 The percentage of Children's Hearing reports requested by the Reporter which were submitted within the target time	-	<b>48.1%</b>



## PERFORMANCE INDICATORS

### EDUCATION AND CHILDREN'S SERVICES (cont)

#### SUPERVISION

5 Percentage of children that were seen by a supervising officer within 15 days as a result of new supervision requirements made during the year.	98.6%	<b>93.0%</b>
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#### LOOKED AFTER CHILDREN – ACADEMIC ATTAINMENT

6 Percentage of 16 or 17 year olds ceasing to be looked after away from home who attained:		
i at least one SCQF level 3 (any subject)	80%	<b>71.4%</b>
ii at least level 3 in English and Maths	60%	<b>57.1%</b>
iii at least one Standard Grade	80%	<b>71.4%</b>
iv Standard Grade English and Maths	60%	<b>50.0%</b>

#### RESIDENTIAL ACCOMMODATION STAFF QUALIFICATION

7 Care staff in Local Authority residential children's homes, who have appropriate qualifications for the level of post held.	-	<b>60.9%</b>
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#### RESIDENTIAL ACCOMMODATION PRIVACY

8 The percentage of rooms of all residential care places for children that are single rooms (by sector):		
i) Council	100.0%	<b>100.0%</b>
ii) Voluntary	93.3%	<b>85.7%</b>
iii) Private	92.3%	<b>76.9%</b>
The percentage of rooms of all residential care places for children that have en-suite facilities (by sector):		
i) Council	7.1%	<b>6.7%</b>
ii) Voluntary	20.0%	<b>14.3%</b>
iii) Private	0.0%	<b>0.0%</b>

#### RESPITE CARE

9 Per 1,000 population aged 0 – 17:		
a) Number of overnight respite nights provided.	-	<b>14.5</b>
b) Percentage of respite nights not in a care home	-	<b>23.5%</b>
c) Number of hours daytime respite provided	-	<b>340.7</b>
d) Percentage of daytime respite hours not in a day care centre	-	<b>61.1%</b>

## PERFORMANCE INDICATORS

HOUSING		
RESPONSE REPAIRS	2004/05	2005/06
1 The percentage of repairs completed within the following targets:		
a) Call-outs – target 2 hours	90.3%	<b>88.8%</b>
b) Emergency repairs – target 24 hours	83.0%	<b>87.9%</b>
c) Urgent repairs – target 5 working days	75.9%	<b>76.6%</b>
d) Standard 1 repairs – target 10 working days	77.1%	<b>77.1%</b>
e) Standard 2 repairs – target 20 working days	82.0%	<b>80.3%</b>
f) Planned – target 40 days	89.6%	<b>88.8%</b>
MANAGING TENANCY CHANGES		
2 The percentage of rent due in the year that was lost due to voids	1.80%	<b>1.90%</b>
3 Average time to re-let dwelling that are:		
a) not low demand	-	<b>51 days</b>
b) low demand	-	<b>148 days</b>
RENT ARREARS		
4 a) Current tenants' arrears as a percentage of net rent due	4.2%	<b>4.7%</b>
b) The percentage of current tenants owing more than 13 weeks rent at the year end excluding those owing less than £250	3.7%	<b>4.3%</b>
COUNCIL HOUSE SALES		
5 a) The percentage of house sales completed within 26 weeks.	68.0%	<b>53.2%</b>
b) Average time taken to sell houses	25 weeks	<b>27 weeks</b>
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	13.5 weeks	<b>15.3 weeks</b>
b) Percentage of cases reassessed as homeless or potentially homeless within 12	12.6%	<b>3.0%</b>
PROTECTIVE SERVICES		
FOOD SAFETY: HYGIENE INSPECTIONS	2004/05	2005/06
1. Percentage of establishments actually inspected within time:		
a) Approved premises	-	<b>83.7%</b>
b) Inspections required every 6 months	98.7%	<b>98.2%</b>
c) Inspections required every 12 months	96.3%	<b>98.2%</b>
d) Inspections required greater than 12 months	83.4%	<b>79.4%</b>
NOISE COMPLAINTS		
2 a) Percentage of noise complaints settled at first contact with complainant on day of receipt	81.5%	<b>88.9%</b>
b) Percentage of complaints requiring further action that were completed within 14 days.	96.5%	<b>98.3%</b>

## PERFORMANCE INDICATORS

<b>PROTECTIVE SERVICES (cont.)</b>		
<b>TRADING STANDARDS – COMPLAINTS AND ADVICE</b>		
3 a) Percentage of consumer complaints dealt with within 14 days of receipt	74.3%	<b>75.3%</b>
b) Percentage of business advise requests dealt with within 14 days of receipt	91.6%	<b>95.5%</b>
<b>INSPECTION OF TRADING PREMISES</b>		
4 Premises liable to inspection in the following categories where inspections were undertaken within time		
a) High Risk (12 months)	72.5%	<b>78.7%</b>
b) Medium Risk (2 years)	52.0%	<b>47.6%</b>
c) Low Risk (5 years)	61.6%	<b>46.4%</b>
<b>ROADS AND LIGHTING</b>		
<b>CARRIAGEWAY CONDITION</b>	<i>2004/05</i>	<b>2005/06</b>
1 Percentage of road network that should be considered for maintenance treatment:		
i) A class roads	27.0%	<b>28.7%</b>
ii) B class roads	36.8%	<b>30.8%</b>
iii) C class roads	22.4%	<b>17.9%</b>
iv) Unclassified roads	35.8%	<b>45.5%</b>
v) Overall	31.0%	<b>33.2%</b>
<b>TRAFFIC LIGHT REPAIRS</b>		
2 Percentage of traffic light failures repaired within 48 hours	96.1%	<b>93.0%</b>
<b>STREET LIGHT REPAIRS</b>		
3 Percentage of street light failures repaired within 7 days	93.9%	<b>84.8%</b>
<b>STREET LIGHTING COLUMNS</b>		
4. The proportion of street lighting columns that are over 30 years old	23.5%	<b>25.3%</b>
<b>BRIDGES – ROAD NETWORK RESTRICTIONS</b>		
5. (a) The number and percentage of bridges failing European standards:		
i) Council		
ii) Private	93 / 8.8%	<b>91 / 8.6%</b>
iii) Total	7 / 22.6%	<b>5 / 17.9%</b>
	100 / 9.2%	<b>96 / 8.9%</b>
5. (b) The number and percentage of bridges with a weight or width restriction:		
i) Council		
ii) Private		
iii) Total	6 / 0.6%	<b>7 / 0.7%</b>
	1 / 3.2%	<b>1 / 3.6%</b>
	7 / 0.6%	<b>8 / 0.7%</b>

## PERFORMANCE INDICATORS

<b>WASTE MANAGEMENT</b>		
<b>REFUSE COLLECTION</b>	<i>2004/05</i>	<b>2005/06</b>
1 a) Net cost of refuse collection per premise	<i>£28.89</i>	<b>£33.63</b>
b) Net cost of refuse disposal per premise	<i>£68.89</i>	<b>£79.36</b>
2 The number of complaints per 1,000 households	<i>0.1</i>	<b>10.9</b>
<b>REFUSE RECYCLING</b>		
3 The amount of municipal waste collected by the Council that was disposed of by the following methods:-		
i Landfilled	-	<b>84.8%</b>
ii Composted	-	<b>4.5%</b>
iii Recycled	-	<b>10.7%</b>
iv Other recovery including energy from waste	-	<b>0.0%</b>
v Percentage of waste that was landfilled that was biodegradable	-	<b>63.0%</b>
<b>CLEANLINESS</b>		
4 The cleanliness index achieved following inspection of a sample of streets and other land	<i>72</i>	<b>70.3</b>