

**2009/2010  
STATEMENT  
OF  
ACCOUNTS**

**FOR THE PERIOD  
1 APRIL 2009 TO 31 MARCH 2010**

## **PROVOST'S FOREWORD TO THE ANNUAL REPORT 2009/10**

I am pleased to present Aberdeenshire Council's Annual Report for 2009/10. This report is one of the ways in which the Council demonstrates how it has utilised some £800m of public funds to deliver a wide and comprehensive range of services, and capital investment, to the citizens and businesses of Aberdeenshire.

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

The Annual Report is a lengthy and detailed document due to the requirement to comply with all financial reporting standards as they apply to local government. The forthcoming move to adopting international financial reporting standards will add to the complexity of the accounts, and work is well underway to adopt the new standards from 2010/11, with comparator figures for 2009/10.

The Council has included in its public performance report a summarised version of the accounts, based on the pre-audit accounts. This enlarged performance report allows the Council to report on a wide range of service performance and policy outcomes, and will hopefully allow for a greater understanding of the financial results.

The financial results for 2009/10 are excellent, and demonstrate how the Council can maximise the resources available to good effect. This sound financial management and leadership will stand us in good stead as we face the financial challenges ahead. We know that we face significant real term reductions in expenditure as government grant is cut significantly. We also know that demand for services will increase as our population grows at a higher rate than national projections.

The Council will continue to achieve efficiencies and improve the way in which we deliver our wide range of services. This is essential if we are to offset the impact of the economic downturn. We are committed to working closely with our Community Partners to ensure that resources are targeted at delivering key outcomes for the citizens and businesses of Aberdeenshire.

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

**Provost William Howatson**

## STATEMENT OF ACCOUNTS 2009/2010

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## EXPLANATORY FOREWORD BY THE HEAD 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 2010.

2009/10 sees the final year in which the Statement of Accounts will be produced using UK Generally Accepted Accounting Practice (UK GAAP). From 2010/11 onwards, the accounts will be prepared using International Financial Reporting Standards (IFRS). This will have a major impact on the presentation of the Council's accounts. As part of the transition to IFRS, the Council has adopted IFRS disclosures relating to Private Finance Initiative schemes. The effect of this is explained in the section on "Changes in Accounting Policies" on page 6. Changes adopted in relation to the treatment of Business Rates are also set out in that section.

Looking at the Council's Balance Sheet on pages 17-18 of the Accounts shows that there has been a substantial increase in the Net Worth of the Council. This is due mainly to an increase in the value of the Education portfolio. This portfolio was last revalued in the 2004/05 financial year, and since that time, construction costs have risen from around £1,100 per square metre to £2,200 per square metre. Coupled together with a scheme of asset condition scoring based on Scottish Government standards that is less severe than the previous scoring system, this has resulted in less obsolescence being applied.

### IMPACT OF ECONOMIC CLIMATE

In 2009/10 the UK economy continued in recession until quarter 1 2010, when it started to grow again. The global economic climate together with the banking crisis has impacted on the activities of the Council and is therefore reflected within the Statement of Accounts. The most material areas of impact are considered below.

Impairment of Fixed Assets - Tangible fixed assets are valued on a 5 year rolling programme (note 22), although an impairment review is carried out at each balance sheet date. Asset values in Aberdeenshire have not been affected

as significantly as in other parts of the country by the recession. Impairments totalling £13,679,000 have been charged to the Income and Expenditure Account, representing 0.7% of the net book value of tangible fixed assets. However, most of this is due to consumption of the assets rather than a general fall in prices.

Impairment of Debtors - Bad Debt Provision - The credit risk the Council is exposed to has increased as a result of the economic downturn. This has been reflected when reviewing the bad debt provision in relation to the customers of the Council, which has increased by 9.6% as detailed below. The increase in provision is charged to the Income and Expenditure account of the Council.

	2008/09	2009/10	Increase
	£'000	£'000	%
General Debtors	2,831	3,286	16.1%
Revenues	17,703	19,276	8.9%
Housing Rents	1,157	1,206	4.2%
	<u>21,691</u>	<u>23,768</u>	<u>9.6%</u>

Shareholding Values - Associated with the economic downturn is a reduction in share prices. The Council administers 427 Trusts and Endowments with a total value of £4,900,000, details of which can be found on pages 67-70. Of the funds invested, £2,700,000 is invested in stocks and shares. These consist of unit trusts and stocks and shares managed by fund managers. The change in value of investments is an increase of £800,000 from 2008/09 to 2009/10. This represents a recovery to 2007/08 levels.

Treasury Management Activities - The Council has been pro-active in its approach to Treasury Management and has not suffered any adverse effects from the economic situation in 2009/10. However, as a result of the banking crisis the credit ratings of many of the financial institutions the Council used previously to invest its cash balances now fall outwith the criteria of the Council's Investment Policy. This combined with the continuing low level of bank interest rates has led to the adoption of a strategy of repaying long term debt rather than holding cash balances.

Pro-active treasury management allowed for the repayment of long-term debt at an opportune time resulting in a discount saving of £1,640,000. This saving was credited to the Income and Expenditure Account during 2009/10.

## EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

### FINANCIAL STATEMENTS

#### 1. Income and Expenditure Account

The Income and Expenditure Account provides a summary of income and expenditure for the year ended 31 March 2010 on the services which the Council provides and demonstrates how the net cost has been financed from central government grants and from local taxpayers. The Income and Expenditure Account excludes Trust Funds and Common Good Funds which are disclosed on pages 67-72 in the Statement of Accounts.

#### 2. Statement of Movement on the General Fund Balance

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

#### 3. Statement of Total Recognised Gains and Losses

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

#### 4. Balance Sheet

This statement brings together all the assets and liabilities in the Council's accounts at 31 March 2010 with the exception of Trust Funds and Common Good Funds, which are disclosed separately on pages 67-72.

#### 5. Cash Flow Statement

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

#### 6. Notes to the Core Financial Statements

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

#### 7. Housing Revenue Income and Expenditure Account

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

#### 8. Council Tax & Business Rate Income Accounts

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

#### 9. Trust Funds and Common Good Funds

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

#### 10. Group Income and Expenditure Account

The Group Income and Expenditure Account provides a summary of income and expenditure for the year ended 31 March 2010 on the services provided by the Council, its subsidiaries and associates and demonstrates how the net cost has been financed from central government grants and from local taxpayers.

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

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

#### 12. Group Statement of Total Recognised Gains and Losses

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

#### 13. Group Balance Sheet

This statement brings together all the assets and liabilities of the Council, its subsidiaries and associates at 31 March 2010.

#### 14. Group Cash Flow Statement

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

#### 15. Notes to the Group Accounts

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

## EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

### 16. Statement of Assurance

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

### FINANCIAL OUT-TURN 2009/10

#### 1. Revenue Expenditure

In 2009/10, the Council budgeted to spend £517,898,000 on the provision of Services. Actual expenditure was £514,120,000, or £3,778,000 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 £18,265,000. Actual expenditure was £19,728,000, or £1,463,000 higher than anticipated.

It should be noted that the expenditure figures quoted in the above paragraph differs from the figures in the Income and Expenditure Account, as the figures shown here have been adjusted to take account of the reconciling items on the Statement of Movement on the General Fund Balance. This allows the figures to be compared with the budget.

Income from Revenue Support Grant was budgeted at £307,646,000, income from Business Rates was budgeted at £100,489,000 and income from Council Tax was budgeted at £116,298,000. Actual income in total from these sources was £524,945,000 or £512,000 higher than anticipated.

Taking all of the above into account gives net expenditure for the year which is £2,827,000 lower than anticipated.

In total, the budget was set to reduce the working balance to £6,704,000. The actual working balance at the year end is £9,531,000.

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

- the fact that the financial year does not equate to the school year and many funding streams are committed to be spent by the end of the summer term;
- a delay in carrying out the road maintenance programme as a result of the adverse weather conditions. The underspend has been transferred to the Road Maintenance Fund;

- lower leasing costs for vehicles as new vehicles have been purchased rather than leased and reduced servicing costs for vehicles;
- an underspend on Capital Financing Charges due to a combination of factors including discounts received on the early repayment of loans, reborrowing at lower interest rates, a reduction in principal repayments due to the underspend on capital expenditure in 2008/09 and the removal of the requirement to use a provision for the cost of earlier than planned borrowing;
- recovery of VAT overpaid relating to previous years as a result of retrospective legislative changes and a gain on conversion of Euros received;
- Revenue Support Grant allocated during the year which was in excess of the amount required to meet the additional obligations.
- Delays in progressing a number of technologically based projects.

Partly offsetting these underspends are a number of overspends, including:-

- the purchase of Education, Social Work and Health services for a greater number of Looked After Children, and their placement in establishments outwith Aberdeenshire at an increased cost;
- foster payments and allowances and family placements as a result of an increased level of foster placements, both in terms of the numbers of carers and children;
- an increase in essential reactive maintenance of council properties;
- emergency works to properties and infrastructure as a result of flooding throughout Aberdeenshire in November;
- increased requirement for snow clearance as a result of severe snow storms between December and March;
- a shortfall in procurement savings due mainly to a delay in rolling out the printing contract across the Council.

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

Under the scheme for end year flexibility which was introduced in 2004/05, Services will be able to carry forward a proportion of this underspend to help defray expenses in 2010/11.

#### 2. Housing Revenue Account (HRA)

The revised HRA budget for 2009/10 had approved expenditure of £44,245,000 and income of £42,203,000, giving a net operating deficit of £2,042,000 Actual expenditure totalled

## EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

£51,546,000 with income of £42,232,000, giving a net deficit of £9,314,000. This deficit was funded by a transfer from the HRA balance.

The expenditure includes £16,129,000 which was used to meet capital expenditure. This is higher than budgeted due to undertaking works that had been delayed from previous years, and a decision to fund capital expenditure using HRA balance as an alternative to borrowing. Substantial savings have been achieved on Capital Financing Costs as a result of this strategy, and also as a result of discounts received on the early repayment of loans and reborrowing at lower interest rates.

The HRA balance now stands at £19,772,000. This is lower than anticipated by the 30 Year "Retention Plus" business plan agreed by the Council for the HRA, and will be taken into account in subsequent revisions of the business plan. The business plan seeks to ensure that the future needs of the stock and of tenants can be met and are affordable.

### 3. Statutory Trading Accounts

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

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

Under the Act, the Council have trading accounts for two services – Housing Repairs and Roads Operations. The trading activities returned a net surplus of £2,020,000 in 2009/10. Housing Repairs and Roads Operations both achieved their statutory break-even target over the three year period 2007/08 to 2009/10. Further details of the significant trading operations are set out in note 5 on pages 22-24.

### 4. Capital Expenditure

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

Total capital expenditure in 2009/10 was £73,172,000, which was spent on Infrastructure improvements of £19,445,000, £4,819,000 on

Vehicles, Plant & Equipment for Transportation and Infrastructure, £12,949,000 on Education, Learning & Leisure programmes and £19,224,000 on HRA Housing. The remaining balance of £16,735,000 was spent on various other capital projects and on services such as Social Work, Environmental Health, Planning and Information and Communication Technology.

Of the total capital expenditure of £73,172,000, £26,773,000 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 2010 has total borrowings of £351,522,000 the majority of which is borrowed from the Public Works Loan Board (PWLb).

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

### 5. Private Finance Initiative (PFI)

The Council is committed to two PFI contracts. The first contract is with Robertson Education (Aberdeenshire) Ltd to provide Education Services on four sites in Aberdeenshire until 17 February 2027. In 2009/10, the Council made payments of £3,516,000 under this contract, and in 2010/11 is committed to making payments of £3,610,000, 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 2009/10, the Council made payments of £6,305,000 under this contract, and in 2010/11 is committed to making payments of £6,714,000, subject to performance.

Further details of the PFI schemes can be found in note 21 on pages 33-34, and the Council's policy on PFI schemes is shown on page 9.

### 6. Pension Liability

The Statement of Accounts includes the future pension liability of the Council resulting from the full implementation of FRS 17. Accounting Policy 13 on pages 10-11 sets out the Council's policy on pension costs and note 36 on page 44 and notes 44-45 on pages 47-51 give more details of the pension liabilities.

The Council participates in the Local Government Pension Scheme which is administered by Aberdeen City Council. This Fund is in deficit due to a substantial fall in the value of world stock markets in previous years. The Council's share of the net Fund deficit has increased during 2009/10

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by £76,237,000. This is due to the interest cost during the year and a change in the financial assumptions used for the calculation. In particular, there has been a substantial fall in the yields on corporate bonds and an increase in the inflation assumption.

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

### **7. Changes in Accounting Policies**

The Council has made two changes to its accounting policies in 2009/10.

The first change relates to the Private Finance Initiative (PFI), where the Council has adopted the IFRS treatment of PFI contracts. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council now carries the fixed assets used under the contracts on its Balance Sheet. The effect of this change in policy is that the value of fixed asset shown on the balance sheet has increased by £146,404,000. The balance sheet also includes £60,809,000 which represents the outstanding liability to the PFI contractors over the life of the contracts. The difference of £85,595,000 is carried in the Capital Adjustment Account and Revaluation Reserve. Unitary charge payments of £9,821,000 have been removed from the Income and Expenditure Account and replaced with the following charges:

Income and Expenditure Account – Operating Costs £2,911,000  
Income and Expenditure Account – Interest Charges £3,905,000  
Income and Expenditure Account – Contingent Rentals £555,000  
Balance Sheet – Repayment of Long Term Liability £1,662,000  
Balance Sheet – Prepayment of Planning Lifecycle Maintenance £788,000

In addition, depreciation charges of £1,683,000 are shown in the Income and Expenditure Account.

When determining the movement on the General Fund, the depreciation charges have been excluded, and a statutory charge for the repayment of debt has been included, which is

equivalent to the unitary charge after deducting Operating Costs, Interest Charges and Contingent Rentals that are properly chargeable to the Income and Expenditure Account.

The second change in accounting policy relates to the treatment of Business Rates. Business Rates are collected by the Council as an agency activity on behalf of the Scottish Government. The previous treatment was to treat the income collected as income of the Council. The Council no longer recognises outstanding Business Rates accounts as debtors of the Council. Instead, the Council recognises a creditor or debtor with the Scottish Government representing the amount under or overpaid into the national pool. The effect of this change is to decrease the figures on the Balance Sheet for both Debtors and the Provision of Bad Debts by £56,000.

### **8. Group Accounts**

Group Accounts have been prepared which reflect the Council's interest in Archaeolink, Scotland's Lighthouse Museum, the Common Good Funds falling within the boundaries of Aberdeenshire Council, Aberdeenshire Education Trust, Other Trusts, Educational and Social Work Endowment Funds, Grampian Joint Police Board, Grampian Joint Fire and Rescue Board, Grampian Valuation Joint Board and the North East of Scotland Transport Partnership (Nestrans). The effect of the inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £289,348,000. The main reason for this reduction is due to the inclusion of the pension fund deficits attributable to the Police, Fire and Rescue and Valuation Joint Boards.

### **9. Equal Pay Costs**

In common with most other Scottish local authorities the Council sought to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these were predominantly female groups of manual workers, whose jobs do not attract bonus payments and who were able to identify a manual worker job, undertaken predominantly by males, which does attract bonus payments, and is graded at a comparable level. Between 2006/07 and 2008/08, actual payments of £21,614,000 were made in respect of compensation for equal pay. At 31 March 2009 the Council held a provision of £2,708,000 in respect of claims for staff who have not yet signed compromise agreements and who have progressed to a tribunal claim. During 2009/10, further payments of £491,000 were made of which £454,000 was funded from the provision. The provision now stands at £2,254,000. The net payments made in 2009/10 of £37,000 is shown



## **EXPLANATORY FOREWORD BY THE HEAD OF FINANCE**

as an exceptional item in the Income and Expenditure Account. In addition a contingent liability is reflected in note 40 in relation to further claims received regarding pay protection.

### **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.

Derek Yule BCom, CPFA, IRRV (Hons)  
Head of Finance  
23 June 2010

# STATEMENT OF ACCOUNTING POLICIES

The Accounts are prepared using the Historical Cost convention modified by the revaluation of certain fixed assets. The general policies adopted in compiling and presenting the Accounts are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2009 (the SORP) issued jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). There are no significant departures from those recommendations.

## 1. Reserves

Reserves represent amounts set aside for specific policy purposes, contingencies or earmarked balances. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so there is not net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council. The capital accounting guidelines require the establishment of two capital reserve accounts; the Revaluation Reserve and the Capital Adjustment Account. The Revaluation Reserve relates to the increases in value of fixed assets as a result of inflation or other factors. The Capital Adjustment Account reflects the amount set aside from revenue and capital receipts applied to finance capital expenditure, together with amounts of principal repaid to the loans fund. This is offset by the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or amounts written off on disposal.

The Pension Reserve for retirement benefits is explained in Accounting Policy 13.

## 2. Intangible Fixed Assets

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

## 3. Tangible Fixed Assets

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

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

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

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

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

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

## 4. Receipts from Sale of Tangible and Intangible Fixed Assets

When an asset is vacant and identified as being available for sale, it is classified as a "Surplus Asset, Held for Disposal". In certain circumstances where assets are anticipated to

## STATEMENT OF ACCOUNTING POLICIES

appreciate in value, they may be retained and sold at a later date.

Land and Buildings and Investment Properties are revalued at the time when they are marketed for sale. The difference between this value and the selling price is treated as a gain or loss on sale. Receipts from the sale of tangible and intangible fixed assets are credited to Capital Receipts Reserve.

### 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 2010. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure. Grants and contributions received towards the creation of fixed assets are credited to the Government Grants Deferred Account and released to the Income and Expenditure Account over the life of the asset, in line with the depreciation on the asset

### 6. Interest Charges

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

### 7. Redemption of Debt

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

### 8. Leases

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

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation

being charged over the lease term if this is shorter than the asset's estimated useful life.

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

### 9. Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council under a finance lease. The amounts payable to the PFI operators each year are analysed into five elements:-

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account. The interest charge on the contract with Robertson Education (Aberdeenshire) Limited is 8.687% and the interest charge on the contract with Robertson Education (Aberdeenshire 2) Limited is 8.299%;
- contingent rent – increases the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

## STATEMENT OF ACCOUNTING POLICIES

### 10. Debtors and Creditors

The Accounts are prepared on an accruals basis in accordance with the Code of Practice and FRS 18. Accordingly, best estimates of amounts due or payable which relate to activities during the year are included whether or not cash has actually been received or paid in the year.

### 11. Stock and Work in Progress

Stocks are included in the balance sheet at the total of the lower of average cost or net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### 12. Overheads and Support Services

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

### 13. Retirement Benefits

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

#### **Teachers:**

The Scottish Teachers' Pension Scheme is an unfunded scheme administered by the Scottish Government. It is not possible for the Council to identify a share of the underlying liabilities to its own employees. For this reason, the scheme is accounted for on the same basis as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the Scottish Government on the basis of a national fund.

#### **Other Employees:**

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' Scheme mean that the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. This means that no liability for future benefits is recognised in the Balance Sheet and the Education Service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme. The policies are as follows:

- the liabilities of the Aberdeen City Council Pension Fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method which assesses the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 7.1% (based on a weighted average of "spot yields" on AA rated corporate bonds).
- the assets of the Aberdeen City Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – This is the increase in liabilities as a result of years of service earned this year. This is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - Past service cost – This is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

## STATEMENT OF ACCOUNTING POLICIES

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **14. Value Added Tax**

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

### **15. Financial Liabilities**

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

Gains and losses on the repurchase of early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/resettlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

### **16. Financial Assets**

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

## STATEMENT OF ACCOUNTING POLICIES

### (i) Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Receivables that are non-contractual in nature e.g. Council Tax and Business Rates are measured at amounts receivable as there is no difference between the delivery and the payment date. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable with accrued interest reflected in debtors. Interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

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

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

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

Available-for-sale Assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

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

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

### Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 19.

## 17. Methodology for Valuing Financial Assets and Liabilities

When valuing Financial Assets and Liabilities the Net Present Value approach is used which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender. This will be the bid rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the

## STATEMENT OF ACCOUNTING POLICIES

comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor. In the case of PWLB loan debt the rates used are premature repayment rates. Fair value disclosure include accrued interest and is based on the valuation date.

### **18. Interests in Companies and Other Entities**

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

### **19. Provisions**

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

The Council has created provisions for correcting defects on completed contracts within Roads Operations, compensation for equal pay claims for staff who have not yet signed compromise agreements and who have progressed a tribunal claim, potential additional payments to be made to staff as a result of the introduction of a new rota system for Elderly Home Care Staff, potential settlements in respect of deductions for non-performance on PFI/PPP contracts and to cover the possibility that the Council may be required to meet the accumulated deficit of the North Sea Regional Advisory Council.

### **20. Provisions for Bad or Doubtful Debts**

Estimates have been made for the possible non-collection of debts.

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 2009/10 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 years it has been assumed that the loss on collection is the amount of cash to be collected.

Provision has been made for possible non-collection of general debtors based on the age of the debt and previous collection rates.

## INCOME AND EXPENDITURE ACCOUNT

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

<b>Restated Net Expenditure 2008/09 £'000</b>		<b>Gross Expenditure 2009/10 £'000</b>	<b>Income 2009/10 £'000</b>	<b>Net Expenditure 2009/10 £'000</b>	<b>Notes Ref</b>
237,465	Education Services	285,307	(25,807)	259,500	
5,613	Housing Services	43,419	(35,539)	7,880	
844	HRA	36,128	(42,256)	(6,128)	
19,966	Cultural & Related Services	41,115	(19,656)	21,459	
27,860	Environmental Services	37,988	(7,258)	30,730	
31,764	Roads & Transport Services	73,990	(39,128)	34,862	
11,937	Planning & Development Services	22,650	(9,868)	12,782	
116,266	Social Work	152,231	(26,409)	125,822	
7,070	Central Services	28,332	(21,757)	6,575	2
9,276	Fire Services	10,154	-	10,154	2
18,114	Police Services	19,337	(1,011)	18,326	2
374	Exceptional Item	1,885	(438)	1,447	3
8,784	Corporate & Democratic Core	9,267	(22)	9,245	
6,722	Non Distributed Costs	6,286	-	6,286	
<b>502,055</b>	<b>NET COST OF SERVICES</b>	<b>768,089</b>	<b>(229,149)</b>	<b>538,940</b>	<b>1</b>
(3,141)	Net (Gain)/Loss on Disposal of Fixed Assets			(410)	
(92)	(Surplus)/Deficit from Trading Undertakings not included in Net Cost of Services			(77)	5
22,398	Interest Payable and Similar Charges			19,445	
(4,605)	Interest and Investment Income			(1,004)	
5,678	Pensions Interest Cost and Expected Return on Pensions Assets			16,709	
<b>522,293</b>	<b>NET OPERATING EXPENDITURE</b>			<b>573,603</b>	
(113,388)	Council Tax (including Community Charges)			(116,378)	6
(295,132)	Revenue Support Grant			(308,093)	
(90,490)	Business Rates			(100,474)	7
<b>23,283</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>48,658</b>	

Other Notes to the Income and Expenditure Account

4, 8-13



## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

<b>Restated 2008/09 £'000</b>	<b>2009/10 £'000</b>	<b>Notes Ref</b>
(Surplus)/Deficit for the Year on the Income and Expenditure 23,283 Account	48,658	
Net Additional Amount required by statute and non statutory proper (25,578) practices to be debited (or credited) to the General Fund Balance for the year	(41,860)	14
<b>(2,295) (Increase)/Decrease in General Fund Balance for the Year</b>	<b>6,798</b>	
(20,806) General Fund Balance Brought Forward	(23,101)	
<b>(23,101) General Fund Balance Carried Forward</b>	<b>(16,303)</b>	

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>Restated 2008/09 £'000</b>	<b>STATEMENT</b>	<b>2009/10 £'000</b>
23,283	(Surplus)/Deficit for the year on the Income and Expenditure Account	48,658
(42,375)	(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(703,448)
11,452	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	67,373
1,985 *	Other (Gains)/Losses that require to be included	3,744**
.	.	
<b>(5,655)</b>	<b>Total Recognised Gains and Losses for the Year</b>	<b>(583,673)</b>

\* This gain relates to the recognition of PPP/PFI assets.

\*\* This adjustment relates to amendments to the carrying value of Financial Instruments.

## BALANCE SHEET

The Balance Sheet summarises the financial position of Aberdeenshire Council as at 31 March 2010. It brings together all of the balances in the Council accounts and eliminates items which reflect internal transactions, such as outstanding amounts borrowed by service committees from the Loans Fund. The balances on Trust Funds and Common Good Funds are excluded from the Balance Sheet and are accounted for separately, shown on pages 67-72.

Restated 31 March 2009 £'000	£'000	£'000	31 March 2010 £'000	Notes Ref
<b>FIXED ASSETS</b>				
2,473	<b>Intangible Fixed Assets</b>		2,690	23
<b>Tangible Fixed Assets</b>				
<b>Operational Assets:</b>				
430,066	Council Dwellings	439,254		
448,787	Other Land & Buildings	1,137,458		
29,222	Vehicles, Plant & Equipment	33,667		
158,363	Infrastructure Assets	172,344		
6,475	Community Assets	<u>6,487</u>	1,789,210	
<b>Non-Operational Assets:</b>				
55,038	Investment Properties	48,496		
1,231	Assets Under Construction	1,409		
4,449	Surplus Assets, Held for Disposal	<u>2,993</u>	<u>52,898</u>	
<u>1,136,104</u>	<b>TOTAL FIXED ASSETS</b>		<u>1,844,798</u>	15-22
<b>OTHER LONG-TERM ASSETS:</b>				
2,421	Long-term Debtors	5,931		24
-	Long Term Investments	<u>-</u>	<u>5,931</u>	
<u>1,138,525</u>	<b>TOTAL LONG-TERM ASSETS</b>		<u>1,850,729</u>	
<b>CURRENT ASSETS</b>				
3,917	- Stocks & Work in Progress	3,766		
57,447	- Debtors	53,084		
(21,635)	- Less: Provision for Bad Debts	(23,768)		32
29,655	- Investments	17,600		
1,766	- Cash and Bank	<u>518</u>		
71,150			<u>51,200</u>	
<u>1,209,675</u>	<b>TOTAL ASSETS</b>		<u>1,901,929</u>	
<b>Less: CURRENT LIABILITIES</b>				
(38,320)	- Short Term Borrowing	(5,609)		
(74,221)	- Creditors	(66,578)		
-	- Bank Overdraft	<u>(3,353)</u>	<u>(75,540)</u>	
<u>1,097,134</u>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,826,389</u>	
(299,382)	Long Term Borrowing		(351,522)	30
(76,041)	Government Grants Deferred		(93,966)	25
(10,770)	Capital Grants and Contributions Unapplied		(12,918)	
(63,051)	Deferred Liabilities		(60,648)	20,21
(190,432)	Liability Related to Defined Benefit Pension Schemes		(266,669)	44,45
(4,325)	Provisions		<u>(3,860)</u>	32
(644,001)			<u>(789,583)</u>	
<u>453,133</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>1,036,806</u>	26

## BALANCE SHEET

Restated 31 March 2009 £'000		31 March 2010 £'000	Notes Ref
	<b>FINANCED BY:</b>		
(546,589)	Capital Adjustment Account	(540,085)	34
18,461	Financial Instruments Adjustment Account	21,350	35
(54,245)	Revaluation Reserve	(738,362)	34
-	Capital Receipts Reserve	-	34
-	Available-for-sale Financial Instruments Reserve	-	35
	<b>Funds &amp; Reserves:</b>		
190,432	Pension Reserve	266,669	36
(29,086)	Housing Revenue Account	(19,772)	37
(23,101)	General Fund	(16,303)	38
(9,005)	Other Reserves	(10,303)	39
<b><u>(453,133)</u></b>	<b>TOTAL NET WORTH</b>	<b><u>(1,036,806)</u></b>	

Other Notes to the Balance Sheet  
27-29, 31, 33, 40-43, 46

Derek Yule, BCom, CPFA, IRRV (Hons)  
Head of Finance  
23 June 2010

The unaudited accounts were issued on 23 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

## CASH FLOW STATEMENT

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

Restated 2008/09 £'000		2009/10 £'000	2009/10 £'000	Notes Ref
42,340	<b>REVENUE ACTIVITIES NET CASH FLOW</b>		32,963	47
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
	<b>Cash Outflows</b>			
(18,452)	Interest Paid	(14,447)		
(4,639)	Interest Element of Finance Lease Rental Payments	(4,615)		
	<b>Cash Inflows</b>			
4,605	Interest Received	1,942		
<u>(18,486)</u>			(17,120)	
	<b>CAPITAL ACTIVITIES</b>			
	<b>Cash Outflows</b>			
(61,957)	Purchase of Fixed Assets	(73,136)		
(395)	Other Capital Cash Payments	(4,294)		
	<b>Cash Inflows</b>			
8,236	Sale of Fixed Assets	5,194		
42	Sale of Long Term Investments	-		
144	Other Capital Cash Receipts	2,289		
18,082	Capital Grants Received	24,521		
<u>(35,848)</u>			<u>(45,426)</u>	
<b>(11,994)</b>	<b>Net Cash Inflow/(Outflow) before Financing</b>		<b>(29,583)</b>	
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
51,933	Net Increase/(Decrease) in Management of Liquid Resources		12,055	
	<b>FINANCING</b>			
	<b>Cash Outflows</b>			
(129,748)	Repayments of Amounts Borrowed	(236,122)		
(2,345)	Capital Element of Finance Lease Rental Payments	(2,479)		
	<b>Cash Inflows</b>			
96,791	New Loans Raised	251,528		
<u>(35,302)</u>			<u>12,927</u>	
<u><b>4,637</b></u>	<b>Increase/(Decrease) in Cash</b>		<u><b>(4,601)</b></u>	
	Other Cash Flow notes			48-51

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Aberdeenshire Service Expenditure

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

<b>Restated 2008/09 £'000</b>		<b>2009/10 £'000</b>
250,759	Education, Learning & Leisure	275,052
78,597	Transportation & Infrastructure	84,326
6,663	Policy & Resources	6,395
120,325	Social Work & Non-HRA Housing	132,104
28,987	Joint Board Requisitions (see Note 2)	30,213
844	Housing Revenue Account	(6,128)
374	Exceptional Item	1,447
8,784	Corporate & Democratic Core	9,245
6,722	Non-Distributed Costs	6,286
<b><u>502,055</u></b>		<b><u>538,940</u></b>

### 2. Joint Board Payments

Payments to Joint Boards are as follows:

<b>2008/09 £'000</b>		<b>2009/10 £'000</b>
18,994	Grampian Joint Police Board - Funding	19,338
(880)	Grampian Joint Police Board – Capital Grant	(1,011)
9,276	Grampian Joint Fire and Rescue Board	10,154
1,597	Grampian Valuation Joint Board	1,732
<b><u>28,987</u></b>		<b><u>30,213</u></b>

The capital grant payment to Grampian Police Joint Board in 2009/10 of £1,011,000 was received as part of the General Capital Grant from the Scottish Government.

### 3. Exceptional Items and Prior Period Adjustments

#### **Exceptional Item - Equal Pay Claims**

In common with most other Scottish local authorities the Council sought to settle potential equal pay claims through the offer of compensation payments to entitled employee groups. In the main, these were predominantly female groups of manual workers whose jobs do not attract bonus payments and who were able to identify a manual worker job undertaken predominantly by males, which does attract bonus payments and is graded at a comparable level. Between 2006/07 and 2008/09, actual payments of £21,614,000 were made in respect of compensation for equal pay. At 31 March 2009, the Council held a provision of £2,708,000 in respect of claims for staff who have not yet signed compromise agreements and who have progressed to a tribunal claim. During 2009/10 further payments of £491,000 were made of which £454,000 was funded from the provision. The provision now stands at £2,254,000. The net payments made in 2009/10 of £37,000 is shown as an Exceptional Item in the Income & Expenditure Account. In addition a contingent liability is reflected in note 40 in relation to further claims received regarding pay protection.

#### **Exceptional Item - Flooding**

Following exceptional heavy rainfall on two previous occasions during the autumn, a third heavy rainfall on 1 November 2009 resulted in extensive flooding which caused considerable damage to properties and infrastructure across Aberdeenshire. The total cost to the Council of emergency works as a result of damage was £1,849,000. Of this, the Scottish Government contributed £438,000 through the Bellwin Scheme of emergency financial assistance to local authorities under Section 155(2) of the Local Government and Housing Act 1989. The costs and income are shown as an Exceptional Item in the Income & Expenditure Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Prior Period Adjustments

In the 2009/10 statement of accounts the Council adopted 2 new significant accounting policies. These were (i) redefinition of non-domestic rates debtors and (ii) the recognition of fixed assets and long-term liabilities under PFI schemes. In addition, Planning Gain income recognised previously in Creditors has been reclassified as Capital Grants and Contributions Unapplied.

The impact of these are as follows and the comparative figures within the core statement of accounts have been amended to reflect these changes.

#### (i) Non-Domestic Rates Collection

In 2009/10 the Council adopted a new policy in relation to the treatment of Non-Domestic Rates (NNDR) collection in accordance with the Statement of Recommended Practice 2009 (the code). The code confirms the collection of NNDR is an agent activity undertaken on behalf of the Scottish Government by the Council. This change results in the following changes to the accounts.

As at 31 March, 2009, the Council has the following balances in its Balance Sheet in relation to NNDR collection:

	<b>£'000</b>
Arrears	1,512
Impairment allowances for doubtful debts	(56)
Amount due from the national pool for instalments paid in excess of final amount payable	1,587
	<u><b>3,043</b></u>

This prior period adjustment is affected by deleting all of the above balances and replacing them with a debtor for central government of £3,043,000.

#### (ii) The Recognition of Fixed Assets and Long-Term Liabilities Under PFI Schemes

In 2009/10 as part of its move to IFRS compliance, the Council recognised the fixed assets and long-term liabilities associated with the 2 school PFI contracts. Details of the accounting policies associated with this adjustment can be found with accounting policy 9. As these contracts were entered into prior to 2008/09 there is a requirement to restate the core financial statements.

	<b>Net Expenditure 2008/09 £'000</b>
<b>(a) Income and Expenditure Account</b>	
<b>Original Net Operating Expenditure</b>	<b>523,689</b>
Adjustment for PFI Contract Accounting Policy	(1,396)
<b>Restated Operating Expenditure</b>	<b>522,293</b>
Council Tax (including Community Charge)	(113,388)
Revenue Support Grant	(295,132)
Business Rates	(90,490)
<b>Restated Surplus/Deficit for the Year</b>	<u><b>23,283</b></u>
<b>(b) Statement of Movement on the General Fund Balance</b>	
<b>Restated Surplus/Deficit for the Year</b>	23,283
Original Net Additional Amount required by statute and non-statutory proper practices to be debited or credited	(26,974)
Adjustment for PFI Contract Accounting Policy	1,396
Restated Net Additional Amount required by statute and non-statutory proper practices to be debited or credited	<u>(25,578)</u>
<b>Restated (Increase)/Decrease in General Fund Balance for the Year</b>	<u><b>(2,295)</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (c) Statement of Total Recognised Gains and Losses for the Year to 31 March 2009

Original 2008/09 £'000	STATEMENT	Restated 2008/09 £'000
24,679	(Surplus)/Deficit on the Income and Expenditure Account for the Year	23,283
(38,284)	(Surplus)/Deficit Arising on Revaluation of Fixed Assets	(42,375)
11,452	Actuarial (Gain)/Loss on Pension Assets and Liabilities	11,452
-	Surplus or deficit arising on revaluation of available for sale financial assets	-
-	Other	1,985
<b>(2,153)</b>	<b>Total Recognised Gains and Losses for the Year</b>	<b>(5,655)</b>

### (iii) Balance Sheet

The following Balance Sheet changes arose as a result of these policies and as such comparative figures have been restated throughout this document:

Original Balance as at 31 March 2009 £'000	FIXED ASSETS	Restated Balance as at 31 March 2009 £'000
380,039	Land & Buildings	448,787
5,195	Long Term Debtors	2,421
57,503	Debtors	57,447
(21,691)	Less: Provision for Bad Debt	(21,635)
(83,329)	Creditors	(74,221)
-	Capital Grants and Contributions Unapplied	(10,770)
(2,241)	Deferred Liabilities	(63,051)
(547,178)	Capital Adjustment Account	(546,589)
(50,154)	Revaluation Reserve	(54,245)
<b>(261,856)</b>		<b>(261,856)</b>

### 4. Undisclosed Obligations Arising from Long Term Contracts

In 2010/11 the Council is committed to making payments estimated at £3,610,000 under a contract with Robertson Education (Aberdeenshire) Limited (REAL) and £6,714,000 under a contract with Robertson Education (Aberdeenshire2) Limited (REAL2), both consortiums formed by the Robertson Group (Scotland) Limited, to provide Educational services in nine schools.

The actual level of payments will depend on REAL and REAL2's performance in providing services.

The REAL contract expires on 17 February 2027 and the REAL2 contract expires on 2 October 2030.

### 5. Trading Services

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Housing Repairs

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

	<b>2009/10 Turnover £'000</b>	<b>2009/10 Expenditure £'000</b>	<b>2009/10 (Surplus)/ Deficit £'000</b>
Target	(12,930)	12,869	(61)
Actual	(13,708)	12,476	(1,232)

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

	<b>Target £'000</b>	<b>(Surplus)/ Deficit £'000</b>
2007/08	(132)	(602)
2008/09	(66)	(300)
2009/10	(61)	(1,232)
Cumulative	<u><u>(259)</u></u>	<u><u>(2,134)</u></u>

Housing Repairs undertakes all types of property maintenance, with the principal client being the Housing Revenue Account, which had a stock of 12,942 houses at 31 March 2010.

The actual financial performance for the current year of £1,232,000 surplus compared favourably with the financial target for the year which was a £61,000 surplus.

The statutory financial target for the three year period is to break even although the Council has set a target of £259,000, which is in excess of that required. Housing Repairs has a cumulative surplus for 2007/08–2009/10 of £2,134,000 and has therefore achieved its statutory break-even target for 2007/08–2009/10.

### Roads Operations

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

	<b>2009/10 Turnover £'000</b>	<b>2009/10 Expenditure £'000</b>	<b>2009/10 (Surplus)/ Deficit £'000</b>
Target	(24,213)	23,659	(554)
Actual	(25,297)	24,509	(788)

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

	<b>Target £'000</b>	<b>(Surplus)/ Deficit £'000</b>
2007/08	(912)	(824)
2008/09	(550)	(555)
2009/10	(562)	(788)
Cumulative	<u><u>(2,024)</u></u>	<u><u>(2,167)</u></u>

Roads Operations is principally involved in maintenance work on 5,419 kilometres of roads and 2,504 bridges and drains, for which the Council has a statutory responsibility. In addition, work is undertaken in respect of the installation and maintenance of 39,516 street lights.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The actual financial performance for the current year of £788,000 surplus compares favourably with the financial target for the year which was £562,000 surplus.

The statutory financial target for the three year period is to break even, although the Council has set a target of £2,024,000 surplus, which is in excess of that required. Roads Operations has a cumulative surplus for 2007/08-2009/10 of £2,167,000 and has therefore achieved its statutory break-even target for 2007/08-2009/10.

### Net Surplus/Deficit on Trading Accounts

The net surplus on the statutory trading accounts is £2,020,000. This does not agree with the Surplus from Trading Operations of £77,000 shown on the Income and Expenditure Account as (i) the internally generated surpluses on Housing Repairs and Roads Operations have been reapportioned to the appropriate services, to reflect the true cost of providing those services and (ii) the position reported above are inclusive of interest on revenue balances (IORB) and interest in stock balances (IOSB) detailed as follows:

	(Surplus)/ Deficit £'000	IORB/ IOSB £'000	Reallocation of (Surplus)/Deficit £'000	Per I & E Account (Surplus)/Deficit £'000
Housing Repairs	(1,232)	(10)	1,212	(30)
Roads Operations	(788)	(33)	774	(47)
	<u><b>(2,020)</b></u>	<u><b>(43)</b></u>	<u><b>1,986</b></u>	<u><b>(77)</b></u>

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for the cost of capital to be debited to trading accounts, so the recharges that have been made result in additional surplus on the accounts. As a result, if the cost of capital charges had been made, the accounts for Housing Repairs showing a surplus of £1,232,000 would be reduced to £1,216,000 and those for Roads Operations showing a surplus of £788,000 would be reduced to £656,000.

### 6. Council Tax & Community Charge

An analysis of Council Tax and Community Charge income is shown at Page 63, with the associated notes on Page 64.

### 7. Business Rates

An analysis of Business Rate income is shown at Page 65, with the associated notes on Page 66.

### 8. Community Care and Health (Scotland) Act 2002

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

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

During 2009/10 the gross budget of the partnership was £199,701,000 (2008/09 £191,687,000) and its gross expenditure was £199,826,000 (2008/09 £192,617,000). Aberdeenshire's contribution to the partnership was £108,155,000 (2008/09 £103,715,000).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Payments to Councillors

The table below discloses the total Councillors' Allowances paid during 2009/10

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
1,264	Basic Allowance/Salaries	1,297
181	Travel & Subsistence	138
101	Employers National Insurance	98
140	Employers Superannuation	156
<b>1,686</b>		<b>1,689</b>

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

### 10. Payments to Officers

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

<b>2008/09</b>	<b>Salary Band</b>	<b>2009/10</b>
110	£50,000 - £59,999	250
41	£60,000 - £69,999	16
12	£70,000 - £79,999	34
1	£80,000 - £89,999	6
5	£90,000 - £99,999	-
2	£100,000 - £109,999	5
1	£110,000 - £119,999	-
-	£120,000 - £129,999	-
-	£130,000 - £139,999	1
<b>172</b>		<b>312</b>

The number of officers whose emoluments are greater than £50,000 has increased as a result of the pay award to teaching staff.

### 11. Audit Costs

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
456	Fees payable to Audit Scotland with regard to services carried out by appointed auditor	472
-	- Fees payable in respect of other services carried out by the appointed auditor	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. Agency Arrangements

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

2008/09		2009/10
£'000		
	<b>Payment to Other Bodies</b>	
	Educating Aberdeenshire children in mainstream and special schools outwith	
216	Aberdeenshire	220
210	Local Authorities – Care Management	216
283	Maintenance of Community Alarm System	284
-	Social Work service in Hospitals	62
55	Maintenance of Child Protection Register	71
152	Payment to Other Local Authorities for Community Care	176
299	Payment for share of Public Analyst Service	336
88	Payment for Library Archiving & Recording Service	80
	Net Payment to Partners in Relation to Community Safety Partnership &	
146	Community Wardens	209
209	Payment for Publicity Services	189
66	Payment for Provision of Energy Efficiency Advice Service to the Public	65
270	Payment to Visit Scotland	268
98	Payment for Civil Defence	94
-	Payment to SCORE Environment (Landfill Tax Credits)	37
	<b>Receipts from other bodies for Administrative Services</b>	
(549)	Scottish Water	(562)
(197)	Income from educating pupils from other Authorities in Aberdeenshire	(151)
(104)	Grampian Joint Fire Board	(106)
(8)	Grampian Valuation Joint Board	(8)
(49)	Grampian Joint Police Board	(35)
(10)	Provision of Transportation Services for other Authorities	(8)
(432)	Provision of Printing Services to other Authorities	(328)
(77)	Provision of Property & Estate Management Services to other Authorities	(91)
(37)	Provision of Services to NESTRANS	(37)
(45)	Provision of Archaeology Service to Other Local Authority	(49)
(87)	Provision of Rangers Service to Scottish Natural Heritage	-
(22)	Provision of Strategic Environment Assessment for Aberdeen City Council	(20)
(10)	Provision of NESBReC Service for Aberdeen City Council	(10)
(46)	Provision of Fleet Management Services to Aberdeen City Council	(48)
(45)	Income from Partners in relation to Community Planning	(38)
(14)	Provision of services to Northern Community Justice Authority	(16)
-	Provision of Planning Gain services to Aberdeen City Council	(69)
-	Income from Visit Scotland for Homecoming Event	(30)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. 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:

2008/09		2009/10	
£'000		Expenditure £'000	Income £'000
	<b>Government Grants</b>		
(13,538)	- Other Government Grants		(16,794)
(16,437)	<b>Capital Grants</b>	3,429	(20,922)
39,091	<b>Pension Fund Contributions</b>	44,781	
	<b>Subsidised Bus Fares</b>		
4,548	- Subsidy for Bus routes in Aberdeenshire	4,605	
	<b>Health Board Resource Transfer</b>		
(10,749)	- Total Resource transfer from NHS Grampian		(10,856)
	<b>Housing Partnerships</b>		
1,602	- Paid to other Housing Associations	1,625	

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Restated 2008/09 £'000	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	2009/10 £'000	2009/10 £'000
(556)	Amortisation of Intangible Fixed Assets	(749)	
(48,612)	Depreciation and Impairment of Fixed Assets	(62,224)	
3,174	Amortisation of Government Grants Deferred	4,629	
3,141	Net Gain/ (Loss) on Disposal of Assets	410	
942	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	855	
<u>(36,205)</u>	Net charges made for retirement benefits in accordance with FRS17	<u>(38,775)</u>	
(78,116)			(95,854)
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund balance for the year</b>			
12,387	Statutory Charge for the Repayment of Debt	12,683	
11,639	Capital Expenditure Charged in Year to the General Fund Balance	19,416	
<u>26,062</u>	Employer's contribution payable to the pension fund and retirement benefits payable direct to pensioners	<u>29,911</u>	
50,088			62,010
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for year</b>			
(1,203)	Transfer to/(from) Renewals and Repair Funds	(333)	
4,012	Transfer to/(from) Capital Fund	1,900	
(80)	Transfer to /(from) Insurance Fund	(269)	
<u>(279)</u>	Transfer to/(from) Housing Revenue Account Balance	<u>(9,314)</u>	
2,450			<u>(8,016)</u>
<u><u>(25,578)</u></u>	<b>Net additional amount required to be debited/(credited) to the General Fund Balance for the year.</b>		<u><u>(41,860)</u></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Movement of Fixed Assets

	<u>Operational Assets</u>					
	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, etc. £'000	Infra- Structure £'000	Community Assets £'000	Total £'000
Gross Book Value at 1 April 2009 (Restated)	457,967	501,603	47,534	209,251	8,896	1,225,251
Reclassifications	-	2,864	-	-	-	2,864
Revaluations and restatements	-	677,305	6	-	-	677,311
Additions	16,841	21,907	10,854	20,983	187	70,772
Disposals	(1,591)	-	(778)	-	-	(2,369)
Gross Book Value at 31 March 2010	<u>473,217</u>	<u>1,203,679</u>	<u>57,616</u>	<u>230,234</u>	<u>9,083</u>	<u>1,973,829</u>
Depreciation and impairments at 1 April 2009 (Restated)	(27,901)	(52,816)	(18,312)	(50,888)	(2,421)	(152,338)
Depreciation and impairment charges for the year	(6,112)	(33,256)	(6,469)	(7,002)	(1,374)	(54,213)
Depreciation on assets reclassified	-	(26)	-	-	-	(26)
Depreciation on assets revalued/sold	50	19,877	832	-	1,199	21,958
Depreciation and impairments at 31 March 2010	<u>(33,963)</u>	<u>(66,221)</u>	<u>(23,949)</u>	<u>(57,890)</u>	<u>(2,596)</u>	<u>(184,619)</u>
<b>Net Book Value at 31 March 2010</b>	<u><b>439,254</b></u>	<u><b>1,137,458</b></u>	<u><b>33,667</b></u>	<u><b>172,344</b></u>	<u><b>6,487</b></u>	<u><b>1,789,210</b></u>
Net Book Value at 31 March 2009	<u>430,066</u>	<u>448,787</u>	<u>29,222</u>	<u>158,363</u>	<u>6,475</u>	<u>1,072,913</u>
	<u>Non Operational Assets</u>					
	<b>Investment Properties £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total £'000</b>		
Gross Book Value at 1 April 2009	61,988	1,236	4,734	67,958		
Reclassifications	(3,852)	(1,143)	2,131	(2,864)		
Revaluations and restatements	3,300	0	1,606	4,906		
Additions	94	1,321	19	1,434		
Disposals	(64)	0	(3,310)	(3,374)		
Gross Book Value at 31 March 2010	<u>61,466</u>	<u>1,414</u>	<u>5,180</u>	<u>68,060</u>		
Depreciation and impairments at 1 April 2009	(6,950)	(5)	(285)	(7,240)		
Depreciation and impairment charges for the year	(6,065)	-	(1,946)	(8,011)		
Depreciation on assets reclassified	43	-	(17)	26		
Depreciation on assets revalued/sold	2	-	61	63		
Depreciation and impairments at 31 March 2010	<u>(12,970)</u>	<u>(5)</u>	<u>(2,187)</u>	<u>(15,162)</u>		
<b>Net Book Value at 31 March 2010</b>	<u><b>48,496</b></u>	<u><b>1,409</b></u>	<u><b>2,993</b></u>	<u><b>52,898</b></u>		
Net Book Value at 31 March 2009	<u>55,038</u>	<u>1,231</u>	<u>4,449</u>	<u>60,718</u>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>General Fund £'000</b>	<b>HRA £'000</b>	<b>Total £'000</b>
Fixed Asset Additions	52,982	19,224	72,206
Intangible Assets Additions	966	-	966
Total Capital Expenditure	<b>53,948</b>	<b>19,224</b>	<b>73,172</b>
Less funded: Finance Leases	-	-	-
	<b>53,948</b>	<b>19,224</b>	<b>73,172</b>

### 17. Analysis of Capital Expenditure and Financing Arrangements

Analysis of capital expenditure and financing arrangements are as follows:

<b>2008/09 £'000</b>	<b>Capital Expenditure During Year</b>	<b>2009/10 £'000</b>
659	Site & Building Acquisition	1,083
22,573	Building Works	37,259
13,092	Furniture & Equipment	11,672
19,953	Works – Roads	17,745
4,717	Fees	5,413
<b>60,994</b>		<b>73,172</b>
<b>Financed as follows:</b>		
(25,318)	Capital Receipts, Grants & Contributions	(27,861)
(23,984)	Advances from Loans Fund & Capital Accruals	(26,060)
(11,692)	Revenue Financing	(19,251)
<b>(60,994)</b>		<b>(73,172)</b>

### 18. Information about Depreciation Methodologies

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

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. Commitments on Capital Projects

The Council had entered into 39 significant capital projects on 31 March 2010:

	£'000
Quarry Equipment	288
Stonehaven – Redcloak Proposed Civic Amenity Site	255
Aboyne Academy – Installation of Wood Burning Boiler	535
Lairhillock Primary School – New Primary School	142
Peterhead – Civic Amenity Site	574
Macduff – Industrial Estate – Site Servicing	163
Tarves Primary School – Dining Hall/Kitchen Extension	765
Fraserburgh – Replacement Swimming Pool	242
Huntly – The Gordon Schools Primary – Replacement Windows	151
Banff & Buchan – 2008-11 Kitchen Upgrades	758
Buchan – 2008-11 Kitchen Upgrades	784
Formartine & Garioch – 2008-11 Kitchen Upgrades	389
Garioch – 2008-11 Bathroom Upgrades	1,551
Kincardine & Mearns – 2008-11 Bathroom Upgrades	486
Banff & Buchan – Heating Upgrades 2008-11	631
Buchan – Heating Upgrades 2008-11	1,123
Lumphanan – Heating Upgrades 2008-09	184
Marr and Kinardine & Mearns – Heating Upgrades 2008-10	183
Various Properties – North Door Upgrades 2008-11	379
Various Properties – South Door Upgrades 2008-11	340
Inverurie – Burghmuir Industrial Estate – Joint Procurement Store	163
Laurencekirk – Mearns Academy – Part Re-Wire	191
Banchory Academy – PE and Science Upgrade	475
Huntly – The Gordon Schools – Upgrade Home Economics Area	279
Portlethen – New Primary School – Hillside	313
Alford – Replacement Primary School	150
Alford – Replacement Secondary School	1,404
Turriff Academy – Upgrade Home Economics Phase 1	188
Banchory – Upgrade to Banchory Primary Phase 1	182
Stonehaven – Mackie Academy – DDA Upgrading Works – Phase 2	128
Tarves – New Housing Development	916
Fraserburgh Academy – Window Replacement	151
Portsoy School – Electrical Upgrade	136
Peterhead – Clerkhill School – Window Replacement	135
Peterhead – Central School – Kitchen Ventilation	117
Aberdeenshire Windows Upgrades 2009-10	139

### 20. Finance and Operating Leases

#### Finance Leases

Vehicles, Plant and Equipment – In 2009/10, the Council made no acquisitions under finance leases. The rentals payable under these arrangement in 2009/10 were £938,000 (2008/09 = £965,000), charged to the Income and Expenditure Account as £121,000 finance costs (debited to interest payable) and £817,000 relating to the write down of the obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account in the Statement of Movement in the General Fund Balance).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

<b>Vehicles, Plant &amp; Equipment</b>		<b>Vehicles, Plant &amp; Equipment</b>	
<b>2008/09</b>		<b>2009/10</b>	
<b>£'000</b>		<b>£'000</b>	
3,426	Value at 1 April	3,061	
453	Additions	-	
<u>(818)</u>	Depreciation	<u>(812)</u>	
<b><u>3,061</u></b>	<b>Value at 31 March</b>	<b><u>2,249</u></b>	

2008/09 figures have been restated to remove a lease now classed as an operating lease.

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as creditors for obligations payable in 2010/11, and Deferred Liabilities for obligations payable after 2010/11, are as follows:

	<b>Vehicles, Plant &amp; Equipment</b>
	<b>2009/10</b>
	<b>£'000</b>
Obligations payable in 2010/11	730
Obligations payable between 2011/12 and 2014/15	1,402
Obligations payable after 2014/15	-
Total liabilities at 31 March 2010	<u><b>2,132</b></u>

The Council has not entered into any commitments in respect of finance leases at 31 March 2010 where payments will start in 2010/11.

### Operating Leases

Vehicles, Plant and Equipment - The Council uses vehicles, plant and equipment which are financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £1,936,000 (2008/09 = £2,535,000).

Commitments under Operating Leases – The Council was committed at 31 March 2010 to making payments of £1,497,000 under operating leases in 2010/11, comprising the following elements:

	<b>Vehicles, Plant &amp; Equipment</b>
	<b>2009/10</b>
	<b>£'000</b>
Leases expiring within 2010/11	209
Leases expiring between 2011/12 and 2014/15	1,280
Leases expiring after 2014/15	<u>8</u>
Total payments under operating leases in 2010/11	<u><b>1,497</b></u>

Authority as Lessor – The Council leases industrial, commercial and other properties accounted for under operating lease arrangements. The rent received in 2009/10 was £5,654,000. The gross value of assets held for use in operating leases was £103,216,000 and subject to £1,572,000 depreciation to 31 March 2010.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>Land &amp; Buildings</b>	<b>HRA</b>	<b>Investment Properties</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross Book Value	54,290	5,096	43,830
Accumulated Depreciation	(1,263)	(308)	(1)
<b>Net Book Value at 31 March 2010</b>	<b>53,027</b>	<b>4,788</b>	<b>43,829</b>

### 21. PFI

#### Value of Assets Held Under PFI and PPP contracts

The following amounts are included in Note 15 in respect of PFI contracts.

	<b>Land &amp; Buildings</b>
	<b>£'000</b>
Gross Book Value at 1 April 2009	74,108
Reclassifications	-
Revaluations and Restatements	78,551
Additions	788
Disposals	-
<b>Gross Book Value at 31 March 2010</b>	<b>153,447</b>
Depreciation at 1 April 2009	(5,361)
Depreciation charge for the year and Impairment	(1,682)
Depreciation on assets reclassified	-
Depreciation on assets revalued/sold	-
<b>Depreciation and Impairments at 31 March 2010</b>	<b>(7,043)</b>
<b>Net Book Value at 31 March 2010</b>	<b>146,404</b>
<b>Net Book Value at 31 March 2009</b>	<b>68,747</b>

#### Liabilities Under PFI Contracts

The liabilities included in the balance sheet in respect of PFI contracts are as follows:

	<b>Creditors</b>	<b>Long Term</b>	<b>Total</b>
	<b>£'000</b>	<b>Liabilities</b>	<b>Liability</b>
		<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2009	(1,661)	(60,809)	(62,470)
Movement in Year	98	1,563	1,661
<b>Balance at 31 March 2010</b>	<b>(1,563)</b>	<b>(59,246)</b>	<b>(60,809)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Analysis of Unitary Charge Payment

Unitary Charge payments due to be made under PFI contracts, over the life of the contracts can be analysed as follows:

	Operating Costs £'000	Interest Charges £'000	Contingent Rentals £'000	Liability Repayment £'000	Lifecycle Maintenance £'000	Total Unitary Charge £'000
Obligations Payable 2010/11	3,156	3,811	642	1,563	1,098	10,270
Between 2011/12 & 2014/15	13,335	14,190	3,699	7,812	4,581	43,617
Between 2015/16 & 2019/20	18,560	14,950	6,179	10,688	10,333	60,710
Between 2020/21 & 2024/25	20,924	10,135	10,576	19,474	7,290	68,399
Between 2025/26 & 2029/30	18,958	3,021	14,518	20,294	3,660	60,451
Between 2030/31 & 2034/35	1,718	25	917	977	0	3,637

### 22. Valuation of Assets

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

The portfolios subject to this policy were valued as follows:

- a) The Council's housing stock was valued as at 1 April 2006 on the basis of Existing Use Value (EUV) - £842,819,051. The value includes an adjustment to reflect discount given on Council House Sales.
- b) Operational Offices valued as at 1 April 2008, on the basis of EUV or Depreciated Replacement Cost (DRC) - £53,607,000.
- c) Education assets valued as at 1 April 2009, on the basis of EUV or DRC are £840,814,000.
- d) Non-Operational Industrial assets valued as at 1 April 2007, on the basis of Open Market Value (OMV) - £38,670,000.
- e) Non-Operational Commercial assets valued as at 1 April 2007, on the basis of OMV - £13,437,000.
- f) Social Work assets valued as at 1 April 2005, on the basis of Market Value (MV), EUV or DRC - £38,740,000.
- g) Transportation and Infrastructure assets valued as at 1 April 2005, on the basis of MV, EUV, or DRC - £22,190,000.
- h) Planning and Environmental Services' assets valued as at 1 April 2005, on the basis of MV, EUV, or DRC - £6,965,000.
- i) Recreation assets valued as at 1 April 2005, on the basis of MV or DRC - £34,530,000.

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

The valuers concerned with the preparation of the valuations in 2009/10 are as follows:

Gordon Daniels FRICS, Lewis Anderson MRICS, Laumon Dougall MRICS, John T Thomson MCIQB, Julie McWilliam MRICS and Sarah A Donald MSc, BLE (Hons) all of whom are internal to the Council.

### 23. Movement in Intangible Assets

	Purchased Software Licences £'000
Original Cost	3,798
Amortisations to 1 April 2009	(1,325)
Balance at 1 April 2009	2,473
Expenditure in Year	966
Amortisation charge for the year	(749)
<b>Balance at 31 March 2010</b>	<b>2,690</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. Long-Term Debtors

	<b>Restated Balance Outstanding At 31 March 2009 £'000</b>	<b>Restated Cumulative Soft Loan Adjustment 2008/09 £'000</b>	<b>Restated Fair Value Amortised Costs At 31 March 2009 £'000</b>
Enterprise North-East Trust	100	(58)	42
Portlethen Golf Club	332	-	332
Visit Scotland	31	-	31
Aberdeenshire Housing Partnership	3,744	(2,379)	1,365
Cornerstone Community Association	90	(4)	86
House Loans	208	-	208
Support for Aberdeenshire Business Loans	112	(8)	104
North East Scotland Preservation Trust	375	(22)	353
	<b>4,992</b>	<b>(2,471)</b>	<b>2,521</b>
Repayments due 2009/10 shown as Current Debtors			(100)
Long Term Debtors at 31 March 2010			<b>2,421</b>

	<b>Balance Outstanding At 31 March 2010 £'000</b>	<b>Cumulative Soft Loan Adjustment 2009/10 £'000</b>	<b>Fair Value Amortised Costs At 31 March 2010 £'000</b>
Enterprise North-East Trust	100	(56)	44
Portlethen Golf Club	326	-	326
Visit Scotland	24	-	24
Aberdeenshire Housing Partnership	5,324	(2,491)	2,833
Cornerstone Community Association	90	-	90
House Loans	159	-	159
Support for Aberdeenshire Business Loans	105	(14)	91
North East Scotland Preservation Trust	357	(357)	-
Tenants First	612	-	612
Grampian Housing Association	1,609	(215)	1,394
Castlehill Housing Association	412	(55)	357
Aberdeen City Council	81	-	81
	<b>9,199</b>	<b>(3,188)</b>	<b>6,011</b>

Repayments due 2010/11 shown as Current Debtors	80
Long Term Debtors at 31 March 2010	<b>5,931</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. Government Grants Deferred

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

	<b>Balance at 1 April 2009 £'000</b>	<b>Received During Year £'000</b>	<b>Released to Services £'000</b>	<b>Balance at 31 March 2010 £'000</b>
Education Services	(35,121)	(9,326)	1,738	(42,709)
HRA	(959)	(762)	25	(1,696)
Cultural & Related Services	(1,618)	(1,190)	278	(2,530)
Environmental Services	(4,155)	-	902	(3,253)
Roads & Transport Services	(26,322)	(10,139)	910	(35,551)
Planning & Development Services	(3,792)	270	231	(3,291)
Social Work	(2,165)	(1,228)	64	(3,329)
Central Services	(1,909)	(179)	481	(1,607)
<b>Total</b>	<b><u>(76,041)</u></b>	<b><u>(22,554)</u></b>	<b><u>4,629</u></b>	<b><u>(93,966)</u></b>

### 26. Net Assets Employed

The net assets employed can be broken down as follows:

<b>Restated 2008/09 £'000</b>		<b>2009/10 £'000</b>
117,020	Assets employed by the General Fund	706,687
339,086	Assets employed by the Housing Revenue Account	338,890
<u>(2,973)</u>	Assets employed by Trading Services	<u>(8,771)</u>
<b><u>453,133</u></b>		<b><u>1,036,806</u></b>

### 27. Related Companies and Other Organisations

The Council has an interest in various subsidiaries and associates.

#### **Subsidiaries**

##### **Archaeolink Trust**

The Archaeolink Trust is a charitable trust which was established to enhance recreational and educational provision in Aberdeenshire. In 2005/06 the Council entered into a management agreement with the Trust to manage the facility including the provision of financial services on a full cost recovery basis. It has two Trustees both of whom are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2010, the net loss was £132,000 and the net assets were £1,732,000. 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 Head 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 2010, the net loss was £26,000 and the net assets were £39,000. 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 Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Trusts and Common Good Funds

The Council acts as Trustee for 427 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 2010, the net assets were £4,900,000 for Trusts and £2,100,000 for Common Good Funds. The accounts of the Trusts and Common Good Funds are shown on pages 67-72. A full analysis of the individual Trusts and Common Good Funds can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

### Associates

#### Grampian Joint Police Board

Grampian Joint Police Board was created by a statutory instrument and administers the policing provision for the local government areas of Aberdeen City, Aberdeenshire and Moray Councils. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2010, the net deficit was £29,100,000 and the net liabilities were £704,466,000. The Board is funded by requisitions from the three Councils and 36% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from Grampian Joint Police Board, Grampian Police Headquarters, Queen Street, Aberdeen, AB10 1ZA.

#### Grampian Joint Fire and Rescue Board

Grampian Joint Fire and Rescue Board was created by a statutory instrument and administers the fire and rescue services for the local government areas of Aberdeen City, Aberdeenshire and Moray Councils. Six of the fifteen members of the Board are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2010, the net deficit was £5,865,000 and the net liabilities were £130,236,000. 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 2010, the net deficit was £23,000 and the net liabilities were £4,493,000. The Board is funded by requisitions from the three Councils and 44% of the financial results of the Board are incorporated in the Group Accounts. A copy of the accounts can be obtained from The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX.

#### North East of Scotland Transport Partnership (Nestrans)

Nestrans was created under the Transport (Scotland) Act 2005 by the Scottish Executive. The Partnership aims to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Shire. Four of the twelve Board members are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2010, the net deficit was £118,000 and the net assets were nil. The two Councils fund the Partnership and 50% of the financial results are incorporated in the Group Accounts. A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

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

#### Grampian Venture Capital Limited

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Sporting Trusts**

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

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

### **Strategic Development Planning Authority**

Under the Planning etc. (Scotland) Act 2006, Aberdeen City and Aberdeenshire Councils were required by Scottish Ministers to constitute a new Strategic Development Planning Authority (SDPA) in the North East covering both Aberdeen City and Aberdeenshire. The SDPA will manage the process of preparing and reviewing the strategic development plan and defining its boundaries. Aberdeenshire Council and Aberdeen City Council each contribute £144,000 per financial year to the partnership. Six of the twelve Board members are appointed by Aberdeenshire Council, and are Councillors. For the year ended 31 March 2010, the net surplus/deficit was nil and the net assets were £194,000. The organisation is excluded from the group accounts, as consolidation into the group would not materially change the values on the financial statements. A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

### **Scotland Excel**

Scotland Excel is a not-for-profit organisation and was launched in April 2008. It aims to raise procurement standards by working with Scottish local authorities and suppliers to secure best value through collaborative contracts. Aberdeenshire Council and twenty-seven other local authorities fund the organisation. For the year ended 31 March 2010, the net deficit was £811,048 the net liabilities were £2,042,000. Aberdeenshire Council's contribution to the organisations in 2009/10 was £140,533. The organisation is excluded from the group accounts, as consolidation into the group would not materially change the values on the financial statements. A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

### **Aberdeenshire Towns' Programme**

The Aberdeenshire Towns' Programme created the following entities:-

Banff and Macduff Community Trust  
Fraserburgh Development Trust  
Huntly Development Trust  
Peterhead Project Limited

These entities were created to lead economic and community developments in the towns on behalf of the wider community and in conjunction with the Aberdeenshire Community Planning Partnership. The trusts are supported by Council Officers and Councillors, however, the Council holds no voting rights at any of the trusts' meetings. For the financial year 31 March 2010, the Council contributed £293,000 towards the running costs of the trusts. The Council's financial contribution to the trusts will cease on 31 March 2011, at which point the trusts will be responsible for seeking alternative sources of finance to fund their business plans. The trusts are excluded from the group accounts, as the Council has no voting rights and is not committed to providing the current level of revenue funding post March 2011.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	<b>£'000</b>	<b>£'000</b>
Loan Fund outstanding 1 April 2009		396,586
Expenditure during year	73,174	
Less: Receipts, Grants & Accruals	(27,148)	
Revenue Financing	(19,253)	
Net New Borrowings		26,772
Debt Repayments		(10,196)
<b>Loans Fund Outstanding 31 March 2010</b>		<b>413,162</b>

Debt repayments are net of receipts from external bodies.

### 29. Loans Fund

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

All interest and management expenses incurred through external borrowing are initially paid by the Loans Fund. These are recharged to the Income and Expenditure Account, although bank charges are charged direct to Corporate & Democratic Core to comply with accounting guidance. For 2009/10 the average interest rate for capital advances was 3.85% (2008/09 = 4.86%); and expenses on raising loans 0.04% (2008/09 = 0.03%).

#### INCOME AND EXPENDITURE ACCOUNT

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
	<b>EXPENDITURE</b>	
23,553	Interest paid to Lenders	16,118
102	Expenses and Commission of Raising Loans	173
<b>23,655</b>		<b>16,291</b>
	<b>INCOME</b>	
(18,682)	- Aberdeenshire Council	(15,708)
(102)	- Other Authorities and Bodies	(173)
(4,871)	- Temporary Investments	(410)
<b>(23,655)</b>		<b>(16,291)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### BALANCE SHEET AS AT 31 MARCH

2008/09 £'000		2009/10 £'000
	<b>ASSETS</b>	
	<i>Advances to</i>	
396,555	- Aberdeenshire Council for Capital Expenditure	413,138
31	- Other Authorities and Bodies	24
943	Debtors	5
29,655	- Temporary Investments	17,600
1,766	- Petty Cash	518
<b>428,950</b>		<b>431,285</b>
	<b>Less: CURRENT LIABILITIES</b>	
(93,192)	Temporary Advances from Services	(85,869)
(14,077)	Sundry Creditor	(3,920)
(38,320)	Borrowing Repayable within 12 Months	(5,609)
-	Bank Overdraft	(3,353)
<b>(145,589)</b>		<b>(98,751)</b>
<b>283,361</b>	<b>NET ASSETS</b>	<b>332,534</b>
	<b>FINANCED BY:</b>	
(204,090)	PWLB	(252,127)
(94,997)	Bonds and Mortgages	(99,021)
(295)	Other	(374)
16,021	Financial Instruments Adjustment Account	18,988
<b>(283,361)</b>		<b>(332,534)</b>

### 30. Long Term Borrowing

Included within the Council's debt at 31 March 2010 are the following categories:

31 March 2009 £'000	Source of Loan	Range of Interest Rates	Outstanding as at 31 March 2010 £'000
204,090	Public Works Loans Board (PWLB)	0.91% to 11.75%	252,127
94,997	Bonds & Mortgages	3.50% to 11.00%	99,021
295	Other	1.50%	374
<b>299,382</b>			<b>351,522</b>

Number of Years	PWLB	Bonds & Mortgages	Other	Total
	£'000	£'000	£'000	£'000
1-2	23,261	-	-	23,261
2-5	52,520	-	-	52,520
5-10	89,131	-	-	89,131
Over 10	87,215	99,021	374	186,610
	<b>252,127</b>	<b>99,021</b>	<b>374</b>	<b>351,522</b>

This figure differs from financed by section in note 29 in that it excludes the financial instrument adjustment account.

### 31. 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Council may also be met from the Fund where the loss would place an exceptional burden on a particular Service's budget.

The fund has a balance as at 31 March 2010 of £1,218,000 (31 March 2009 - £1,487,000), 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 2010 amount to £1,951,000 (31 March 2009 - £1,435,000).

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

### 32. Provisions

#### (i) **General Provision**

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

##### **Roads Operations Contracts**

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

##### **Equal Pay**

A provision for future action in relation to equal pay has been made in respect of claims for staff who have not yet signed compromise agreements and who have progressed to tribunal claims (see note 3).

##### **Older People Homecare Staff Rota System**

The provision made in 2008/09 for the introduction of a new staff rota system within Older People Homecare was fully utilised in 2009/10.

##### **PFI/PPP Contracts**

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

##### **North Sea Regional Advisory Council (NSRAC)**

A provision has been made to cover the possibility that the Council may be required to meet the accumulated deficit of NSRAC.

	<b>Balance at 1 April 2009 £'000</b>	<b>Provision Made in Year £'000</b>	<b>Provision Not Realised in Year £'000</b>	<b>Provision Utilised in Year £'000</b>	<b>Balance at 31 March 2010 £'000</b>
Roads Operations	(389)	(171)	82	195	(283)
Equal Pay	(2,708)	-	-	454	(2,254)
Older People Homecare Staff Rota System	(20)	-	-	20	-
PFI/PPP Non-Performance	(1,208)	(69)	-	54	(1,223)
NSRAC	-	(100)	-	-	(100)
<b>Total</b>	<b><u>(4,325)</u></b>	<b><u>(340)</u></b>	<b><u>82</u></b>	<b><u>723</u></b>	<b><u>(3,860)</u></b>

#### (ii) **Debtors Provision**

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

##### **General Debtors**

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

##### **Revenues**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Housing Rents

Provides for possible losses on housing rents. The tenants' rent arrears amount to £1,605,000 as at 31 March 2010.

	Balance at 1 April 2009 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2010 £'000
General Debtors	(2,831)	(455)	(3,286)
Revenues	(17,647)	(1,629)	(19,276)
Housing Rents	(1,157)	(49)	(1,206)
<b>Total</b>	<b>(21,635)</b>	<b>(2,133)</b>	<b>(23,768)</b>

### 33. Summary Introduction to Detail of Movements on Reserves

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

Reserve	Balance at 1 April 2009 £'000	Net Movement In Year £'000	Balance at 31 March 2010 £'000	Purpose of Reserve	Further Details of Movements
Capital Adjustment Account	(546,589)	6,504	(540,085)	Store of capital resources set aside to meet past expenditure	Note 34 to the Core Financial Statements, page 43.
Financial Instruments Adjustment Account	18,461	2,889	21,350	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 35 to the Core Financial Statements, page 43.
Revaluation Reserve	(54,245)	(684,117)	(738,362)	Store of gains on revaluation of fixed assets not yet realised through sales	Note 34 to the Core Financial Statements, page 43.
Available-For-Sale Financial Instruments Reserve	-	-		Store on gains on revaluation of investments not yet realised through sales	Note 35 to the Core Financial Statements, page 43.
Capital Receipts Reserve	-	-		Proceeds of fixed asset sales available to meet future capital investment	Note 34 to the Core Financial Statements, page 43.
Pension Reserve	190,432	76,237	266,669	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	Note 36 to the Core Financial Statements, page 44.
Housing Revenue Account	(29,086)	9,314	(19,772)	Resources available to meet future running costs for council houses	Note 37 to the Core Financial Statements, page 44 and HRA Statements pages 60-62.

## NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund	(23,101)	6,798	(16,303)	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance, page 15 and Note 38 to the Core Financial Statements, page 44.
Other Reserves	(9,005)	(1,298)	(10,303)	Resources available to meet specific future costs, as allowed by statute.	Note 39 to the Core Financial Statements, pages 45-46.
<b>Total</b>	<b>(453,133)</b>	<b>(583,673)</b>	<b>(1,036,806)</b>		

### 34. Capital Reserves

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

	Revaluation Reserve £'000	Capital Adjustment Account £'000	Capital Receipts Reserve £'000
Restated Balance at 1 April 2009	(54,245)	(546,589)	-
Revaluations & Restatements	(689,334)	(14,114)	-
Depreciation of Fixed Assets	5,217	43,328	-
Amortisation of Intangible Fixed Assets	-	749	-
Impairment of Fixed Assets	-	13,679	-
Government Grants Deferred Amortisation	-	(4,629)	-
Net Gain or Loss on Sale of Fixed Assets	-	(410)	-
Loans Fund Principal Repayments	-	(12,683)	-
Capital Financed from Current Revenue	-	(19,416)	-
Disposals at Cash Value:			
- HRA	-	-	(2,257)
- Other	-	-	(2,985)
Applied Sales Receipts	-	-	5,242
<b>Balance at 31 March 2010</b>	<b>(738,362)</b>	<b>(540,085)</b>	<b>-</b>

### 35. Financial Instruments Reserves

	Balance as at 1 April 2009 £'000	Write down Discount and Premium £'000	Adjustments Soft Loans £'000	Adjustments Stepped Loans £'000	Balance as at 31 March 2010 £'000
Financial Instrument Adjustment Account	18,461	(1,056)	(78)	4,023	21,350
Available for Sale Financial Instrument Reserve	-	-	-	-	-
	<b>18,461</b>	<b>(1,056)</b>	<b>(78)</b>	<b>4,023</b>	<b>21,350</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. Pension Reserve

The movement in the Pension Reserve is set out below:

	<b>£'000</b>
Restated Balance at 1 April 2009	190,432
Movements in Year:	
Actuarial (Gains)/Losses	67,373
Net charges made for retirement benefits in accordance with FRS17	38,775
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	<u>(29,911)</u>
<b>Balance at 31 March 2010</b>	<b><u><u>266,669</u></u></b>

### 37. Housing Revenue Account

The Housing Revenue Account Working Balance is an earmarked balance of the general fund and used to:

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

### 38. General Fund

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

The Council's policy is to maintain a minimum balance of £7m in a Working Balance to cushion the impact of any unforeseen circumstances or emergencies. This 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 43. This fund is a consolidation of balances held by schools that are retained for the specific purpose of investing in services delivered at each individual school. The DEM scheme enables a policy of retaining resources at each school rather than returning balances to a corporate fund, and encourages schools to plan over the medium financial term.
- Invest to Save – the purpose of this fund is to provide initial investment to finance schemes that will generate long-term revenue savings. The Council's policy is to utilise this investment to develop proposals that will lead to a more effective and efficient use of resources.
- School Transport – the budget for school transport is based on the assumption that there will be 190 school days in each financial year. However, due to the timing of the Easter holidays which may fall in March or April, in some years this may exceed 190 days and in other years it may be less than 190 days. To prevent the budget from fluctuating from year to year, this fund has been established. Each year a sum is transferred to or from the fund as appropriate to help defray expenditure on school transport.
- Other Miscellaneous Balances – balances set aside for specific purposes e.g. to purchase artefacts for Museums.

	<b>Working Balance</b>	<b>DEM</b>	<b>Invest To Save</b>	<b>School Transport</b>	<b>Others</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2009	(18,434)	(2,894)	(291)	-	(1,482)	(23,101)
Movement for the Year	8,903	607	(2,339)	(336)	(37)	6,798
<b>Balance at 31 March 2010</b>	<b><u>(9,531)</u></b>	<b><u>(2,287)</u></b>	<b><u>(2,630)</u></b>	<b><u>(336)</u></b>	<b><u>(1,519)</u></b>	<b><u>(16,303)</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. Other Reserves

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

	Balance as at 31 March 2009 £'000	Add Contributions £'000	Add Interest £'000	Deduct Expenditure £'000	Transfers Between Funds £'000	Balance as at 31 March 2010 £'000
<b>Renewal &amp; Repair Fund</b>						
Building Repairs & Maintenance (i)	-	-	-	-	-	-
Coastal Protection Emergencies (i)	(571)	-	(2)	-	500	(73)
Road Maintenance (i)	(703)	(637)	(5)	-	(500)	(1,845)
Winter Maintenance (i)	(1,107)	-	(6)	1,113	-	-
Amenity Areas (ii)	(508)	(124)	(3)	-	-	(635)
Vehicle Replacement (iii)	(617)	-	(3)	-	-	(620)
<b>Total Renewal &amp; Repair</b>	<u>(3,506)</u>	<u>(761)</u>	<u>(19)</u>	<u>1,113</u>	<u>-</u>	<u>(3,173)</u>
Insurance Fund (iv)	(1,487)	-	(8)	277	-	(1,218)
Capital Fund (v)	(4,012)	(1,900)	-	-	-	(5,912)
	<u>(9,005)</u>	<u>(2,661)</u>	<u>(27)</u>	<u>1,390</u>	<u>-</u>	<u>(10,303)</u>

#### Renewal and Repair Fund

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

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

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

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

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

#### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Capital Fund

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

### 40. Contingent Liabilities – Single Status and Guarantees

The Council implemented the single status agreement on 1 July 2007. The Council has received a number of appeals in respect of the grades determined. At 31 March 2010, there were in excess of 100 appeals outstanding. A successful appeal may also affect the grading of staff who perform a similar role but who have not submitted an appeal. The liability in respect of these appeals cannot be estimated with accuracy and the outcome is not considered to be sufficiently certain. Accordingly, no provision for these appeals has been made in the financial statements.

The Landfill Allowances Trading Scheme (LATS) is currently under review and the Scottish Government has suspended penalties and trading under the scheme since October 2008 pending the review's outcome. The Council has exceeded its allowances in each of the financial years from 2006/07 to 2009/10 as shown below:

	<b>Excess over allowance</b>	<b>Potential Penalty</b>
2006/07	7,159	£25 per tonne
2007/08	6,872	£50 per tonne
2008/09	12,614	£150 per tonne
2009/10	10,947	£150 per tonne

In total, the potential penalty that could be applied to the Council is £4,057,000.

Aberdeenshire Council, at 31 March 2010, has the undernoted guarantees in place.

#### **Ellon Development Company**

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

#### **North Sea Regional Advisory Council**

The Council has agreed to a bank guarantee of up to 196,000 Euros in favour of this Directorate General for Fisheries and Maritime Affairs, European Commission until November, 2010, at which time it will be reviewed.

#### **Equal Pay Claim**

The Council has made provision in the accounts for outstanding claims in respect of equal pay legislation. Such claims have still to be resolved. The Council has however received a further 350 claims in respect of pay protection. At present the Council's position is that these claims will be defended and, given the early stage of legal consideration, it is not possible to assess any potential further financial liability. The position will be reviewed during 2010/11.

### 41. Authorisation

The unaudited accounts were issued on 23 June 2010, and the audited accounts were authorised for issue on 30 September 2010 by Derek Yule, BCom, CPFA, IRRV (Hons), Head of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### **42. Non-Adjusting Events After the Balance Sheet Date**

In his budget statement on 22 June 2010, the Chancellor of the Exchequer announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Aberdeen City Council Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17 figures for the financial year ending 31 March 2011.

### **43. Reserves and Balances Held by Schools Under Delegated Schemes**

The General Fund Balance includes an amount of £2,287,000 (31 March 2009 £2,894,000) which is held by schools under Devolved Education Management. These balances are committed to be spent on the Education Service.

### **44. Retirement Benefits**

#### **Participation in Pensions Schemes**

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

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

The Council participates in two pension schemes:

- the Local Government Pension Scheme, administered by Aberdeen City Council. All employees, with the main exception of teachers, are eligible to join this scheme, subject to certain qualifying criteria. This is a funded scheme, which means that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- the Teachers' Pension Scheme, administered by the Scottish Government. This scheme meets the definition of a defined benefit scheme, but it is treated as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participating authorities. More details in respect of this scheme are provided in note 45.

#### **Transactions Relating to Retirement Benefits**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>	<b>Income and Expenditure Account</b>	<b>£'000</b>
	Net Cost of Services:	
23,871	- Current Service Cost	17,772
6,024	- Past Service Costs	577
632	- Curtailments	3,717
	Net Operating Expenditure:	
45,718	- Interest Cost	45,012
(40,040)	- Expected return on assets in the Scheme	(28,303)
<b>36,205</b>	<b>Net charge to the Income and Expenditure Account</b>	<b>38,775</b>

### Statement of Movement in the General Fund Balance

(36,205)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(38,775)
	Actual amount charged against the General Fund Balance for pensions in the year:	
26,062	Employers' contributions payable to scheme	29,911

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £67,343,000 (£11,452,000 for 2008/09) were included in the Statement Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Gains and Losses is £197,036,000.

Contributions of £2,971,000 remained payable at the year end.

### Assets and Liabilities in Relation to Retirement Benefits

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
734,527	1 April	621,913
23,871	Current Service Cost	17,772
45,718	Interest Cost	45,012
8,191	Contributions by Scheme Participants	8,753
6,024	Past Service Cost	577
(194,893)	Actuarial (Gains)/Losses	210,236
632	Curtailments	3,717
(2,157)	Benefits Paid	(2,409)
<b>621,913</b>	<b>31 March</b>	<b>905,571</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2008/09		2009/10
£'000		£'000
565,690	1 April	431,481
40,040	Expected Return on Plan Assets	28,303
(206,345)	Actuarial Gains/(Losses)	142,863
26,062	Employer Contributions	29,911
8,191	Member Contributions	8,753
(2,157)	Benefits Paid	(2,409)
<b>431,481</b>	<b>31 March</b>	<b>638,902</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return of scheme assets in the year was £171,166,000 (2008/09 £120,012,000 loss).

### Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(608,882)	(632,352)	(720,220)	(608,837)	(889,679)
Teachers Pension Scheme	(11,038)	(11,236)	(14,307)	(13,076)	(15,892)
<b>Fair value of assets:</b>					
Local Government Pension Scheme	495,502	551,770	565,690	431,481	638,902
<b>Surplus/(Deficit) in the scheme:</b>					
Local Government Pension Scheme	(113,380)	(80,582)	(154,530)	(177,356)	(250,777)
Teachers Pension Scheme	(11,038)	(11,236)	(14,307)	(13,076)	(15,892)
<b>Total</b>	<b>(124,418)</b>	<b>(91,818)</b>	<b>(168,837)</b>	<b>(190,432)</b>	<b>(266,669)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £266,669,000 has a substantial impact on the net worth of the authority, resulting in a reduced overall balance of £1,046,613,000. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining life of employees, as assessed by the scheme actuary. Aberdeenshire Council's contribution rate over the accounting period was 318% of Members' contributions.

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

2010/11	19.2%
2011/12	19.3%

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £28,125,000.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used in their calculations have been:

<b>2008/09</b>		<b>2009/10</b>
	Long-term expected rate of return on assets in the scheme:	
7.50%	Equities	7.50%
4.00%	Government Bonds	4.50%
6.00%	Other Bonds	5.20%
6.50%	Property	6.50%
0.50%	Cash/Liquidity	0.50%
7.50%	Other	7.5%
	 Mortality Assumptions (years):	
	Longevity at 65 for Current Pensioners:	
22.0	Men	22.1
24.0	Women	24.1
	Longevity at 65 for Future Pensioners:	
23.1	Men	23.1
25.0	Women	25.0
3.30%	Rate of Inflation	3.30%
5.05%	Rate of Increase in Salaries	5.05%
3.30%	Rate of Increase in Pensions	3.30%
7.10%	Rate for Discounting Scheme Liabilities	5.60%
50.00%	Take-up of Option to Convert Annual Lump Sum Pension into Retirement Lump Sum	50.00%

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

<b>31 March 2009</b>		<b>31 March 2010</b>
%		%
67.0	Equities	74.0
2.0	Government Bonds	4.5
9.0	Other Bonds	4.5
7.0	Property	9.0
10.0	Cash Liquidity	3.0
5.0	Other	5.0
100.0		100.0

## NOTES TO THE CORE FINANCIAL STATEMENTS

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06	2006/07	2007/08	2008/09	2009/10
Differences between the expected and actual return on assets	13.4%	0.0%	9.6%	47.8%	22.4%
Experience gains and losses on liabilities	4.2%	0.0%	0.3%	6.7%	0.0%

### Joint Boards

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

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

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

### 45. Scottish Teachers' Pension Scheme

As stated in note 44 above, teachers employed by the authority are entitled to be members of the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10, the Council paid £14,870,000 to the Scottish Government in respect of teachers' retirement benefits representing 14.90% of pensionable pay. The figures for 2008/09 were £13,029,000 and 14.90%. In addition, the council is responsible for all pension payments related to "added years" it has awarded, together with related increases. These amounted to £78,000 or 0.08% of pensionable pay. The figures for 2008/09 were £93,000 and 0.10%. Contributions of £2,039,000 remained payable at the year end.

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

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in note 44 above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 46. Financial Instruments

#### (i) Financial Instruments Balances

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

	Long-Term		Current	
	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000
Financial liabilities at amortised cost	(299,382)	(351,522)	(112,541)	(75,540)
<b>Total borrowings</b>	<b>(299,382)</b>	<b>(351,522)</b>	<b>(112,541)</b>	<b>(75,540)</b>
Loans and receivables	2,421	5,931	67,233	47,434
<b>Total investments</b>	<b>2,421</b>	<b>5,931</b>	<b>67,233</b>	<b>47,434</b>

#### (ii) Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	2008/09 Financial Liabilities Measured at Amortised Cost £'000	2008/09 Financial Assets Loans and Receivables £'000	Total £'000
	Interest expense	(22,398)	-
Losses on derecognition	-	-	-
Impairment losses	-	(734)	(734)
<b>Interest payable and similar charges</b>	<b>(22,398)</b>	<b>(734)</b>	<b>(23,132)</b>
Interest income	-	4,605	4,605
Gains on derecognition	-	-	-
<b>Interest and investment income</b>	<b>-</b>	<b>4,605</b>	<b>4,605</b>
<b>Net gain/(loss) for the year</b>	<b>(22,398)</b>	<b>3,871</b>	<b>(18,527)</b>

	2009/10 Financial Liabilities Measured at Amortised Cost £'000	2009/10 Financial Assets Loans and Receivables £'000	Total £'000
	Interest expense	(19,445)	-
Losses on derecognition	-	-	-
Impairment losses	-	(504)	(504)
<b>Interest payable and similar charges</b>	<b>(19,445)</b>	<b>(504)</b>	<b>(19,949)</b>
Interest income	-	1,004	1,004
<b>Interest and investment income</b>	<b>-</b>	<b>1,004</b>	<b>1,004</b>
<b>Net gain/(loss) for the year</b>	<b>(19,445)</b>	<b>500</b>	<b>(18,945)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market.

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

<b>Financial Liabilities</b>	<b>Carrying Amount 2009/10 £'000</b>	<b>Fair Value 2009/10 £'000</b>
PWLB	256,564	289,118
Market Loan – Long Term	100,232	114,675
Market Loan – Short Term	548	548
Bank Overdraft	3,353	3,353
	<u><b>360,697</b></u>	<u><b>407,694</b></u>

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

<b>Loans and Receivables</b>	<b>Carrying Amount 2009/10 £'000</b>	<b>Fair Value 2009/10 £'000</b>
<b>Financial Assets</b>		
Cash and Bank Deposits	9,123	9,123
Fixed Term Deposits	9,000	9,000
	<u><b>18,123</b></u>	<u><b>18,123</b></u>

The fair value can be lower than the carrying amount if the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date, however this has not been the case in 2009/10. Receiving interest below current market rates decreases the amount that the authority would receive if it agreed to early repayment of the loans.

### (iv) Nature and Extent of Risks Arising from Financial Instruments

The authority's activities expose it to a variety of financial risks:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy statement. The most recent Treasury Management Strategy document was approved by the Council's Policy and Resources Committee on 4 March 2010. A copy of the report can be found on the Council's website. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### Credit risk

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

At the balance sheet date Aberdeenshire Council had £17,600,000 of investments all of which were with UK financial institutions.

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

	<b>2008/09</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
General Debtors	(2,831)	(3,286)
Housing Rents	(1,157)	(1,206)
Guarantees	-	-
	<b>(3,988)</b>	<b>(4,492)</b>

The following analyses outstanding debt at 31 March 2010 by age:

	<b>General Debts</b>	<b>Housing Rents</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Less than 3 months	3,501	79	3,580
3 to 6 months	373	55	428
6 months to 1 Year	599	104	703
More than 1 Year	2,855	1,372	4,227
Total	7,328	1,610	8,938

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

### Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure the minimum average life to maturity of Council long term borrowing should be 5 years with maximum proportion of fixed rate borrowing maturing as follows:

#### Maximum proportion of fixed rate borrowing maturing

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial liabilities is as follows:

	<b>Short-Term Borrowing 2008/09 £'000</b>	<b>Creditors 2008/09 £'000</b>	<b>Overdraft 2008/09 £'000</b>	<b>Long-Term Borrowing 2008/09 £'000</b>	<b>Total 2008/09 £'000</b>
Less than one year	(38,320)	(74,221)	-	-	(112,541)
Between one and two years	-	-	-	(1,963)	(1,963)
Between two and five years	-	-	-	(24,482)	(24,482)
Between five and ten years	-	-	-	(53,275)	(53,275)
More than ten years	-	-	-	(219,662)	(219,662)
	<b>(38,320)</b>	<b>(74,221)</b>	<b>-</b>	<b>(299,382)</b>	<b>(411,923)</b>

	<b>Short-Term Borrowing 2009/10 £'000</b>	<b>Creditors 2009/10 £'000</b>	<b>Overdraft 2009/10 £'000</b>	<b>Long-Term Borrowing 2009/10 £'000</b>	<b>Total 2009/10 £'000</b>
Less than one year	(5,609)	(66,578)	(3,353)	-	(75,540)
Between one and two years	-	-	-	(23,261)	(23,261)
Between two and five years	-	-	-	(52,520)	(52,520)
Between five and ten years	-	-	-	(89,131)	(89,131)
More than ten years	-	-	-	(186,610)	(186,610)
	<b>(5,609)</b>	<b>(66,578)</b>	<b>(3,353)</b>	<b>(351,522)</b>	<b>(427,062)</b>

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

### Market risk

#### Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

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

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

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates, or the Authority's cost of borrowing, and provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget forecast regularly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

## NOTES TO THE CORE FINANCIAL STATEMENTS

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

### Impact on Income and Expenditure Account

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	<u>(176)</u>
Impact on Income and Expenditure Account	<u>(174)</u>
Share of overall impact debited to the HRA	<u>(36)</u>

### Impact on Fair Value

Decrease in fair value of fixed rate investment assets	<u>10</u>
Impact on STRGL	<u>-</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	<u>47,612</u>

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

### Price risk

The authority does not generally invest in equity shares.

### Foreign exchange risk

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2008/09 £'000		2009/10 £'000
(23,283) <b>Surplus/(Deficit) for the Year</b>			(48,658)
		<b>Non Cash Transactions</b>	
45,421 Depreciation & Impairment			62,973
- Revaluation Decreases Written Off to I&E during the year			501
(3,174) Deferred Grants amortised in year			(4,629)
10,145 Pension Fund adjustments			8,864
- Other Non-Cash financial Instruments Adjustments			101
1,243 Contributions to Provisions			(465)
<b>53,635</b>			<b>67,345</b>
		<b>Adjustment for items reported separately on Cashflow</b>	
(4,605) Interest and Investment Income			(1,004)
		Interest payable and similar charges (including gains or losses on the repurchase or early settlement of borrowing taken to revenue and amortisation of gains or losses on repurchase or early settlement of borrowings c/fwd in accordance with the SORP)	14,865
17,767			14,865
4,631 Interest element of finance lease rental payments			4,580
(3,141) (Gain) or loss on the disposal of Fixed Assets			(410)
		<b>Items on an Accrual Basis</b>	
(441) (Increase)/Decrease in Stock			151
1,148 (Increase)/Decrease in Debtors			5,606
(3,371) Increase/(Decrease) in Creditors			(9,512)
<b>42,340</b>		<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>32,963</b>

### 48. Analysis of Net Debt

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

	Balance at 1 April 2009 £'000	Cashflow/ Changes in Year £'000	Other Non Cash Changes £'000	Balance at 31 March 2010 £'000
Cash	1,766	(4,601)	-	(2,835)
Temporary Investments & Short Term deposits	29,655	(12,055)	-	17,600
<b>Total</b>	<b>31,421</b>	<b>(16,656)</b>	-	<b>14,765</b>
Loans due within one year	(38,320)	32,711	-	(5,609)
Loans due after more than one year	(299,382)	(48,116)	(4,024)	(351,522)
Deferred Liabilities	(65,556)	2,479	135	(62,942)
<b>Net Debt</b>	<b>(371,837)</b>	<b>(29,582)</b>	<b>(3,889)</b>	<b>(405,308)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 49. Reconciliation of Changes in Cash to Movement in Net Debt

2008/09 £'000		2009/10 £'000
4,637	<b>Increase/(Decrease) in Cash</b>	(4,601)
(51,933)	<b>Cash Inflow/(Outflow) from Management of Liquid Resources</b>	(12,055)
(96,791)	<b>Cash Inflow from:</b> New loans raised	(251,527)
129,748	<b>Cash Outflow from:</b> Loans repaid	236,122
4,426	Payment of Interest accrued at last balance sheet date	-
808	Deferred liabilities repaid	2,479
<b>134,982</b>		<b>238,601</b>
<b>(9,105)</b>	<b>Change in Net Debt Resulting from Cash Flows</b>	<b>(29,582)</b>
-	<b>Other Non Cash Changes:</b> Difference between carrying amount of loan merged with its associated premium or discount and the recalculated carrying amount of loan per the 2007 SORP	(3,744)
(614)	New Deferred Liabilities	135
(195)	Net Adjustments for differences between Effective Interest Rates and actual interest payable	(280)
<b>(809)</b>		<b>(3,889)</b>
<b>(361,923)</b>	<b>Net Debt Brought Forward</b>	<b>(371,837)</b>
<b>(371,837)</b>	<b>Net Debt Carried Forward</b>	<b>(405,308)</b>

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

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

	Balance at 31 March 2009 £'000	Balance at 31 March 2010 £'000	Change in Year £'000
Temporary Investments	29,655	17,600	(12,055)
Cash	1,766	518	(1,248)
Bank overdraft	-	(3,353)	(3,353)
	<b>31,421</b>	<b>14,765</b>	<b>(16,656)</b>

### 51. Analysis of Government Grants

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

2008/09 £'000		2009/10 £'000
17,936	Capital Activities	21,184
14,289	Revenue Activities	14,333
<b>32,225</b>		<b>35,517</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Analysis of Government Grants – Revenue Activities

2008/09 £'000		2009/10 £'000	2009/10 £'000
	<b>Education, Learning and Leisure</b>		
847	- Determined to Succeed	1,102	
525	- Youth Music Initiative	589	
603	- Education Maintenance Allowances	595	
1,658	- Education, Learning & Leisure Others	1,301	
3,633			3,587
	<b>Housing &amp; Social Work</b>		
2,276	- Criminal Justice Service Grant	2,255	
247	- Prison Welfare	369	
23	- Mental Illness	1	
-	- Fostering Services	30	
13	- Changing Children's Service Fund	-	
581	- Private Sector Housing Grant	1,389	
941	- Social Work and Housing Others	601	
4,081			4,645
	<b>Transportation &amp; Roads</b>		
	- Scottish Rural Development Programme – LEADER	406	
282			
1,703	- Capital Grant – Nestrans	1,703	
862	- Transportation & Infrastructure Other	-	
2,847			2,109
	<b>Planning &amp; Environmental Services</b>		
423	- Banff Renaissance	249	
423	- Planning & Environmental Services Other	261	
846			510
	<b>Policy &amp; Resources</b>		
1,287	- Benefits Administration	1,339	
	- Fairer Scotland Fund	1,062	
128	- Community Safety Partnership	-	
880	- Capital Grant – Grampian Joint Police Board	1,011	
587	- Policy & Resources Other	70	
2,882			3,482
<b>14,289</b>			<b>14,333</b>

## HRA INCOME AND EXPENDITURE ACCOUNT

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

2008/09 Actual £'000	Income	2009/10 Actual £'000	2009/10 Actual £'000	Notes Ref
(35,076)	Dwelling Rents	(36,168)		
(1,617)	Non-dwelling Rents	(2,174)		
(3,173)	Other Income	(3,710)		
<b>(39,866)</b>	<b>Total Income</b>		<b>(42,052)</b>	
	<b>Expenditure</b>			
12,995	Repairs & Maintenance	12,629		
8,057	Supervision & Management	8,184		
12,724	Depreciation & Impairment of Fixed Assets	7,168		
6,580	Other Expenditure	7,589		
354	Increase/ (Decrease) in Bad Debt Provision	354		
<b>40,710</b>	<b>Total Expenditure</b>		<b>35,924</b>	2
<b>844</b>	<b>Net Cost of HRA Services per Authority Income &amp; Expenditure Account</b>		<b>(6,128)</b>	
427	HRA services share of Corporate and Democratic Core		491	
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		83	
<b>1,271</b>	<b>Net Cost of HRA Services</b>		<b>(5,554)</b>	
(2,317)	(Gain) or Loss on sale of HRA fixed assets		(780)	
6,092	Interest payable and similar charges		5,085	
(1,236)	Interest and investment income		(194)	
207	Pensions interest cost and expected return on pensions assets		690	
<b>4,017</b>	<b>(Surplus) or Deficit for the year on HRA services</b>		<b>(753)</b>	
	Other Notes to the HRA Income and Expenditure Account			1

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

2008/09 £'000		2009/10 £'000	Notes Ref
	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account	(753)	
4,017	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	10,067	3
(3,738)		9,314	
279	(Increase) / Decrease in the Housing Revenue Account Balance		
<b>(29,365)</b>	<b>Housing Revenue Account surplus brought forward</b>	<b>(29,086)</b>	
<b>(29,086)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(19,772)</b>	

## NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT

### 1. Statistics

2008/09		2009/10
12,960	Housing Stock as at 31 March	12,942
	Types of dwellings:	
1,552	- Sheltered Housing	1,546
-	- 1 apartment	10
3,597	- 2 apartment	3,598
5,166	- 3 apartment	5,150
2,502	- 4 apartment	2,501
143	- 5 + apartment	137
<u>12,960</u>		<u>12,942</u>
£'000		£'000
	Rent Arrears	
711	- Current Tenants	796
807	- Former Tenants	809
1,158	Provision for Bad Debts (Housing Rents)	1,207
630	Losses on Void Properties	734
£49.03	Average Weekly Rent	£50.56

### 2. Defined Benefit Pension Schemes

The Housing Revenue Account Income and Expenditure Account incorporates the requirements of FRS 17. The overall amount to be met from Council House Rents and other sources of income has remained unchanged, but the Gross Expenditure is 0.04% lower (2008/09 0.42% lower) after the replacement of employer's contributions by current service costs.

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

2008/09		2009/10	£'000
£'000		£'000	£'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year</b>		
(12,724)	Depreciation and impairment of fixed assets	(7,168)	
104	Amortisation of Government Grants Deferred	25	
2,317	Gain / (Loss) on sale of HRA fixed assets	780	
<u>(1,212)</u>	Net charges made for retirement benefits in accordance with FRS17	<u>(1,170)</u>	
(11,515)			(7,533)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year</b>		
	Employer's contributions payable to the Local Government Pension		
1,040	Fund and retirement benefits payable direct to pensioners	1,184	
300	Statutory Charge for the Repayment of Debt	310	
6,449	Capital expenditure funded by the HRA	16,129	
(12)	Transfer to/(from) insurance fund	(23)	
<u>7,777</u>			<u>17,600</u>
<u>(3,738)</u>	<b>Net additional amount required by statute to be debited or (credited) to the HRA balance for the year</b>		<u>10,067</u>



## 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 2009/10, for Band D properties, the Council Tax was £1,141.00. The Scottish average Band D Council Tax for 2008/09 was £1,149.00. This statement also includes any residual Community Charges collected.

2008/09 £'000		2009/10 £'000	2009/10 £'000	Notes Ref
(127,204)	<b>Gross Council Tax Due</b>		(129,045)	
	Less:			
11,836	Other Discounts and Reductions	10,704		
1,594	Provision for bad and doubtful debts	1,611		
	Adjustments to Previous Years:		12,315	
386	Council Tax & Community Charge		352	
<b>(113,388)</b>	<b>Transfer to Income and Expenditure Account</b>		<b>(116,378)</b>	

Council Tax Income Account notes

1-2

## NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. Analysis of Properties by Bandings (based on valuation list at September 2009)

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

<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	20,566	15,673	13,584	16,132	19,373	13,856	8,356	511	<b>108,051</b>
<b>Less:</b>									
Exemptions	972	416	325	269	233	120	68	6	<b>2,409</b>
Discount – 25%	2,585	1,497	1,079	1,047	917	468	217	10	<b>7,820</b>
Discount – 50%	376	255	235	238	222	157	98	19	<b>1,600</b>
Disabled Reduction Adjustment	(58)	(29)	3	(51)	21	54	59	1	<b>0</b>
Effective Properties	16,691	13,534	11,942	14,629	17,980	13,057	7,914	475	<b>96,222</b>
Ratio	6/9*	7/9	8/9	1	11/9	13/9	15/9	18/9	
Band D Equivalents	11,123	10,526	10,615	14,629	21,976	18,860	13,190	950	<b>101,869</b>
Contributions in lieu of Council Tax by HM Government									<b>11</b>
<b>COUNCIL TAX BASE</b>									
				<b>2009/10</b>					<b>101,880</b>
				2008/09					<b>100,472</b>

\* Of the 16,691 Band A properties, 40 receive a discount in the ratio 5/9 relating to disabled relief.

### 2. Valuation Banding Table

<b>Band</b>	<b>Property Value</b>	<b>Proportion of Band D</b>	<b>2008/09 Council Tax</b>	<b>2009/10 Council Tax</b>
<b>A</b>	Up to £27,000	6/9	£760.67	£760.67
<b>B</b>	£27,001 – £35,000	7/9	£887.44	£887.44
<b>C</b>	£35,001 – £45,000	8/9	£1,014.22	£1,014.22
<b>D</b>	£45,001 - £58,000	9/9	£1,141.00	£1,141.00
<b>E</b>	£58,001 - £80,000	11/9	£1,394.56	£1,394.56
<b>F</b>	£80,001 - £106,000	13/9	£1,648.11	£1,648.11
<b>G</b>	£106,001 - £212,000	15/9	£1,901.67	£1,901.67
<b>H</b>	Above £212,000	18/9	£2,282.00	£2,282.00

## BUSINESS RATES INCOME ACCOUNT

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

The Assessor maintains the listing of all rateable values in the Valuation Roll. All properties listed in the Roll are liable for rating purposes. The actual rates charge is calculated by multiplying the rateable value by the poundage i.e. pence in the pound, set each year by the Scottish Government. The poundage set for the year 2009/10 was 48.1 pence, for properties with a rateable value up to £29,000 and 48.5 pence for properties with a rateable value over £29,000. Properties with a rateable value of less than £11,500 are entitled to small business rate relief.

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

2008/09 £'000		2009/10 £'000	2009/10 £'000	Notes Ref
(64,323)	Gross Rates Levied and Contributions in Lieu		(71,860)	
10,606	Reliefs and Other Deductions	14,192		
115	Payment of Interest	72		
3	Provisions for Bad and Doubtful Debt	6	14,270	
<u>(53,599)</u>	Net Business Rate Income		<u>(57,590)</u>	
<u>(36,891)</u>	Contribution from National Non-Domestic Rate Pool		<u>(42,884)</u>	
<b><u>(90,490)</u></b>	<b>Transfer to Income and Expenditure Account</b>		<b><u>(100,474)</u></b>	

Business Rate Income Account notes

1-2

## NOTES TO THE BUSINESS RATES INCOME ACCOUNT

### 1. Rateable Values and Numbers of Premises at 1 April 2009

2008/09 Number of Subjects	2008/09 Rateable Value £'000		2009/10 Number of Subjects	2009/10 Rateable Value £'000
1,812	22,627	Shops	1,807	22,047
119	1,859	Public Houses	115	1,882
1,131	12,760	Offices (including banks)	1,167	17,672
230	5,194	Hotel, Boarding Houses, Etc	232	5,239
359	23,143	Industrial & Freight Transport Subjects	362	23,385
		Leisure, Entertainment Caravans and Holiday		
549	2,550	Sites	576	2,632
442	2,219	Garages and petrol stations	439	2,177
53	389	Cultural	54	426
387	2,928	Sporting Subjects	388	2,962
293	12,406	Education and Training	290	12,233
152	1,183	Public Service Subjects	153	1,178
38	1,372	Communication (Non Formula)	37	1,082
203	952	Quarries, Mines etc	202	969
17	9,088	Petrochemical	16	9,008
238	957	Religious	237	968
119	2,569	Health and Medical	119	2,562
4,318	32,079	Other	4,381	33,223
119	2,687	Care Facilities	119	2,715
26	37	Advertising	29	37
30	6,423	Undertaking	31	6,108
<b>10,635</b>	<b>143,422</b>	<b>Total</b>	<b>10,754</b>	<b>148,505</b>

2. Occupiers of business property continue to pay rates based on the valuation of the property as compiled by the Joint Valuation Board. The business rate poundage is set by the Scottish Government. For 2009/10, the Business Rate for properties with a rateable value up to £29,000 was 48.1 pence (2008/09 = 45.8 pence) unless the property had a rateable value of less than £11,500 and was not in transition, when small business rate relief is available. For 2009/10, the Business Rate for properties with a rateable value in excess of £29,000 was 48.5 pence (2008/09 = 46.2 pence).

## TRUSTS AND ENDOWMENTS

The Council administers 427 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Account, Balance Sheet, a summary of the balances of the Trusts at 31 March 2010 and details of how these balances were invested at that date are shown below.

<u>Income &amp; Expenditure Account</u>		
2008/09		2009/10
£'000	Expenditure	£'000
		Notes Ref
48	Administrative Costs	41
65	Donations, Grants etc	65
<u>113</u>	<b>Total Expenditure</b>	<u>106</u>
	<b>Income</b>	
(1)	Property	(1)
(94)	Investment Income	(82)
(112)	Other Income	(28)
<u>(207)</u>	<b>Total Income</b>	<u>(111)</u>
<u><b>(94)</b></u>	<b>Surplus for the year</b>	<u><b>(5)</b></u>
 <u>Balance Sheet</u> 		
2008/09		2009/10
£'000		£'000
	<b>Current Assets</b>	
12	Other	12
1,928	Investments	2,677
2,217	Loans Fund Balance	2,218
<u>4,157</u>		<u>4,907</u>
	<b>Current Liabilities</b>	
(31)	Creditors	(27)
<u>4,126</u>	<b>Working Capital</b>	<u>4,880</u>
<u><b>4,126</b></u>	<b>Total Net Assets</b>	<u><b>4,880</b></u>
	<b>Financed by:</b>	
(3,005)	Capital	(3,757)
(1,121)	Revenue Balance	(1,123)
<u><b>(4,126)</b></u>	<b>Reserves</b>	<u><b>(4,880)</b></u>

Trusts and Endowments notes

1-3

## TRUSTS AND ENDOWMENTS

<u>Summary of Funds</u>		
<b>Total Funds 2008/09</b>		<b>Total Funds 2009/10</b>
<b>£'000</b>		<b>£'000</b>
	<b>Education Trusts</b>	
1,996	Aberdeenshire Educational Trust	2,529
104	Kincardineshire Educational Trust	136
	<b>Other Trusts</b>	
1,269	General	1,289
130	Libraries	130
	<b>Endowment Funds</b>	
355	Educational Endowments	447
272	Social Work Endowments	349
<b><u>4,126</u></b>		<b><u>4,880</u></b>

Derek Yule, BCom, CPFA, IRRV (Hons)  
Head of Finance  
23 June 2010

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## NOTES TO THE TRUSTS AND ENDOWMENTS

### 1. Purpose and Administration of Trusts

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

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

With the exception of the Kincardineshire Educational Trust and other trusts, the investments of the Trusts, apart from property superiorities, were transferred on 1 April 1977 to a Central Investment Fund. The quoted investments of this Fund were revalued to market value at 31 March 2010 and the resultant gain on revaluation has been credited to the various Trusts in proportion to their holding in the Central Fund.

### 2. Charitable Trusts

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

<u>Income &amp; Expenditure Account</u>		
2008/09		2009/10
£'000	Expenditure	£'000
30	Administrative Costs	24
45	Donations, Grants etc	45
<u>75</u>	Total Expenditure	<u>69</u>
	<b>Income</b>	
-	Property	-
(68)	Investment Income	(60)
(52)	Other Income	(13)
<u>(120)</u>	Total Income	<u>(73)</u>
<u>(45)</u>	<b>Surplus for the year</b>	<u>(4)</u>
 <u>Balance Sheet</u> 		
2008/09		2009/10
£' 000		£' 000
	<b>Current Assets</b>	
1	Other	1
1,394	Investments	1,951
1,047	Loans Fund Balance	1,049
<u>2,442</u>		<u>3,001</u>
	<b>Current Liabilities</b>	
(25)	Creditors	(22)
<u>2,417</u>	<b>Working Capital</b>	<u>2,979</u>
 2,417	<b>Total Net Assets</b>	
	<b>Financed by:</b>	
(2,103)	Capital	(2,751)
(314)	Revenue Balance	(228)
<u>(2,417)</u>	<b>Reserves</b>	<u>(2,979)</u>

## NOTES TO THE TRUSTS AND ENDOWMENTS

### Summary of Funds

Total Funds 2008/09 £'000	Scottish Charity Number	Charity Name	Total Funds 2009/10 £'000
3	SC019285	Andrew Cooper History Prize Fund	3
104	SC028381	Kincardineshire Educational Trust	136
1,996	SC028382	Aberdeenshire Educational Trust	2,529
7	SC019093	McDonald Public Park Endowment	7
5	SC019107	Vicaresso Bequest	5
1	SC019114	Oldmeldrum War Memorial Fund	1
6	SC019094	William Clark Charitable Fund	6
-	SC019095	Mrs Milne Mortification	-
6	SC019096	Helen Fraser Bequest	6
3	SC019097	James Angus Trust	3
2	SC019098	Mary Anderson Bequest	2
1	SC019099	John Bothwell Charitable Fund	1
4	SC019100	Inverurie Dining & Welfare Trust	4
2	SC019101	Inverurie Coal Funds	2
9	SC019102	James Davidson Trust	8
17	SC019103	Inverurie Nursing Trust	17
36	SC019112	William Philip	36
3	SC019108	William Davidson Mortification	3
3	SC019109	Miss Jeannie Annand Bequest	3
3	SC019115	Miss AE Scatterty Bequest	3
5	SC019284	Mrs Anna M Thow Bequest	5
2	SC011947	Dyce Nicol Bequest Burgh of Stonehaven	2
-	SC019280	Charles Nicol Trust Fund	-
-	SC019281	Jane Cooper Trust	-
1	SC014275	Mr & Mrs Boath Trust For Poor of Bervie	1
-	SC019292	William Munro Bequest	-
-	SC019283	Isobel Donaldson Bequest	-
1	SC019286	Mrs Helen Watson Bequest	1
2	SC019110	Mrs Adeline M Cooper Trust	2
13	SC019105	William Murray Trust	12
1	SC019106	Huntly Coal Funds	1
25	SC019104	Lt Col George Andrew Trust	25
4	SC019116	Peter H Gordon Bequest	4
62	SC019113	Gordon Callum Trust	62
6	SC019289	Mrs ALC Collins Bequest	6
-	SC019282	Miss Mary Anne Thomson Bequest	-
-	SC019287	Peter Philip Bequest	-
-	SC019290	John Gordon Bequest	-
84	SC000850	Anderson & Woodman Library Trust	83
-	SC025064	Aberdeenshire Council Charitable Trusts	-
<hr/> <b>2,417</b> <hr/>			<hr/> <b>2,979</b> <hr/>

### 3. Further Details

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



## COMMON GOOD FUNDS

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

2008/09 £'000	<u>Income &amp; Expenditure Account</u>	2009/10 £'000
	<b>Expenditure</b>	
-	Property Costs	-
16	Administrative Costs	22
31	Donations, Grants etc	19
13	Other Costs	13
60	Total Expenditure	54
	<b>Income</b>	
(8)	Property	(11)
(1)	Investment Income	(1)
(65)	Other Income	(6)
(74)	Total Income	(18)
(14)	<b>(Surplus) Deficit for the year</b>	<b>36</b>

2008/09 £'000	<u>Balance Sheet</u>	2009/10 £'000
	<b>Tangible Fixed Assets</b>	
817	Land & Buildings	804
17	Other Heritable Property	17
834		821
	<b>Current Assets</b>	
12	Other	12
12	Investments	15
1,385	Loans Fund Balance	1,255
1,409		1,282
	<b>Current Liabilities</b>	
(14)	Creditors	(1)
1,395	<b>Working Capital</b>	1,281
2,229	<b>Total Net Assets</b>	<b>2,102</b>
	<b>Financed by:</b>	
(316)	Capital	(235)
(796)	Revaluation Reserve	(786)
(1,117)	Revenue Balance	(1,081)
(2,229)	<b>Reserves</b>	<b>(2,102)</b>

## COMMON GOOD FUNDS

### Summary of Funds

<b>Total Funds 2008/09 £'000</b>		<b>Total Funds 2009/10 £'000</b>
169	Macduff	168
968	Banff	851
6	Rosehearty	9
11	Portsoy	11
5	Aberchirder	5
66	Fraserburgh	63
457	Peterhead	450
29	Turriff	29
11	Oldmeldrum	11
110	Inverurie	110
44	Kintore	44
106	Stonehaven	103
55	Inverbervie	55
37	Laurencekirk	36
120	Huntly	123
35	Banchory	34
-	Ballater	-
<b><u>2,229</u></b>		<b><u>2,102</u></b>

Derek Yule, BCom, CPFA, IRRV (Hons)  
Head of Finance  
23 June 2010

The unaudited accounts were issued on 23 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

## GROUP ACCOUNTS – STATEMENT OF ACCOUNTING POLICIES

### **Basis of Consolidation**

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

### **Accounting Policies**

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 8-13, 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. Depreciation of Assets**

Archaeolink and the Scottish Museum of Lighthouses charge a full year's depreciation in the year of acquisition.

## GROUP INCOME AND EXPENDITURE ACCOUNT

Restated Net Expenditure 2008/09 £'000		Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Notes Ref
237,428	Education Services	285,353	(25,881)	259,472	
5,613	Housing Services	43,419	(35,539)	7,880	
843	HRA	36,127	(42,256)	(6,129)	
19,993	Cultural & Related Services	41,353	(19,875)	21,478	
27,860	Environmental Services	37,988	(7,258)	30,730	
31,764	Roads & Transport Services	73,990	(39,128)	34,862	
11,937	Planning & Development Services	22,650	(9,868)	12,782	
116,257	Social Work	152,239	(26,425)	125,814	
7,073	Central Services	28,332	(21,754)	6,578	
9,276	Fire Services	10,154	-	10,154	
18,114	Police Services	19,337	(1,011)	18,326	
1,242	Share of Operating Results of Associates	56,397	(59,982)	(3,585)	
374	Exceptional Item	1,885	(438)	1,447	
8,845	Corporate & Democratic Core	9,322	(22)	9,300	
6,722	Non Distributed Costs	6,286	-	6,286	
<b>503,341</b>	<b>Net Cost of Services</b>	<b>824,832</b>	<b>(289,437)</b>	<b>535,395</b>	
(3,229)	Net (Gain)/Loss on Disposal of Fixed Assets			(480)	
(92)	(Surplus)/Deficit from Trading Undertaking not included in Net Cost of Services			(77)	
22,398	Interest Payable and Similar Charges			19,445	
530	Share of Interest Payable and Similar Charges for Associates			531	
(4,764)	Interest and Investment Income			(1,024)	
(326)	Share of Interest and Investment Income for Associates			(41)	
5,678	Pensions Interest Cost and Return on Pensions Assets			16,709	
15,459	Share of Pensions Interest Cost and Return on Pensions Assets for Associates			15,129	
619	Share of Injury Awards Interest Cost and Expected Return on Injury Award Asset for Associates			576	
<b>539,614</b>	<b>Net Operating Expenditure</b>			<b>586,163</b>	
(113,388)	Council Tax (including Community Charges)			(116,378)	
(295,132)	Revenue Support Grant Government Grants			(308,093)	
(90,490)	Business Rates			(100,474)	
<b>(499,010)</b>	<b>Total Income</b>			<b>(524,945)</b>	
<b>40,604</b>	<b>(Surplus)/Deficit for the Year</b>			<b>61,218</b>	

Other Notes to the Group Accounts

1-5, 8

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

<b>Restated 2008/09 £'000</b>		<b>2009/10 £'000</b>	<b>Notes Ref</b>
23,283	(Surplus)/deficit on the authority's single entity Income and Expenditure Account for the year	48,658	
-	Less: subsidiary and associate dividend income and any other distributions from group entities included in the single entity surplus or deficit on the Income and Expenditure Account.	-	
	Add: (surplus)/deficit arising from other entities included in the group accounts analysed into the amount attributable to:		
(115)	- Subsidiaries	20	
17,436	- Associates	12,540	
-	- Joint Ventures	-	
<b><u>40,604</u></b>	<b>Group Account (Surplus)/Deficit for the Year</b>	<b><u>61,218</u></b>	

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>Restated</b>		
<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
40,604	Net (surplus)/deficit for the year	61,218
(45,847)	(Surplus)/Deficit on revaluation of fixed assets	(703,970)
(50,959)	Actuarial (gains)/losses on pension fund assets and liabilities	160,542
2,617	Any other (gains)/losses recognised in the STRGL	3,401
<b><u>(53,585)</u></b>	<b>Total Recognised (Gains) and Losses for the Year</b>	<b><u>(478,809)</u></b>

## GROUP BALANCE SHEET

Restated 31 March 2009 £'000	£'000	£'000	31 March 2010 £'000	Notes Ref
	<b>FIXED ASSETS</b>			
2,473	<b>Intangible Fixed Assets</b>		2,690	
	<b>Tangible Fixed Assets</b>			
	<b>Operational Assets:</b>			
430,066	Council Dwellings	439,254		
454,995	Other Land & Buildings	1,143,512		
29,254	Vehicles, Plant & Equipment	33,693		
158,363	Infrastructure	172,344		
6,523	Community Assets	6,535	1,795,338	9
	<b>Non-Operational Assets:</b>			
55,038	Investment Properties	48,496		
1,231	Assets Under Construction	1,409		
4,449	Surplus Assets, Held for disposal	2,993	52,898	
<u>1,142,392</u>	<b>TOTAL FIXED ASSETS</b>		<u>1,850,926</u>	
	<b>Other Long Term Assets:</b>			
2,421	Long Term Debtors	5,931		
-	Long Term Investments	-	5,931	
<u>1,144,813</u>	<b>TOTAL LONG-TERM ASSETS</b>		<u>1,856,857</u>	
	<b>CURRENT ASSETS</b>			
3,929	-Stocks & Works in Progress	3,780		
57,476	-Debtors	53,127		
(21,635)	-Less Provision for Bad Debts	(23,768)		
31,594	-Investments	20,292		
1,816	-Cash and Bank	548		
<u>73,180</u>			53,979	
<u>1,217,993</u>	<b>TOTAL ASSETS</b>		<u>1,910,836</u>	
	<b>Less: CURRENT LIABILITIES</b>			
(34,719)	-Short Term Borrowing	(2,136)		
(74,303)	-Creditors	(66,633)		
-	-Bank Overdraft	(3,353)	(72,122)	
<u>1,108,971</u>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,838,714</u>	
(299,382)	Long Term Borrowing	(351,522)		
(77,994)	Government Grants Deferred	(95,774)		
(10,770)	Capital Grants Received in Advance	(12,918)		
(63,055)	Deferred Liabilities	(60,648)		
(190,432)	Pension Liabilities	(266,669)		
(194,364)	Share of Net Liabilities of Associates	(299,865)		
(4,325)	Provisions	(3,860)	(1,091,256)	
<u>268,649</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>747,458</u>	

## GROUP BALANCE SHEET

<b>Restated 31 March 2009 £'000</b>	<b>FINANCED BY:</b>	<b>31 March 2010 £'000</b>	
(565,226)	Capital Adjustment Account	(558,164)	7, 8
18,461	Financial Instruments Adjustment Account	21,350	7
(54,245)	Revaluation Reserve	(738,362)	7,8
(1,207)	Capital Receipts Reserve	(1,465)	7
190,432	Pension Reserve	266,669	7
9,549	Employee Statutory Adjustment Account	15,256	7
(12,308)	Funds & Reserves	(13,503)	7
(2,392)	Charities Ring-Fenced Reserve	(2,964)	7,10
(24,835)	General Fund Balance	(18,287)	7
(29,086)	Housing Revenue Account Balance	(19,772)	7
(8,957)	Revaluation Reserve of Group Entities and Reporting Authorities Share of Revaluation Reserve of Associates	(9,318)	7
211,165	Reserves of Group Entities	311,102	
<b><u>(268,649)</u></b>	<b>TOTAL NET WORTH</b>	<b><u>(747,458)</u></b>	<b>8</b>

Derek Yule, BCom, CPFA, IRRV (Hons)  
Head of Finance  
23 June 2010

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## GROUP CASH FLOW STATEMENT

Restated 2008/09 £'000		2009/10 £'000	2009/10 £'000	Notes Ref
42,482	<b>REVENUE ACTIVITIES NET CASH FLOW</b>		32,916	
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
	<b>Cash Outflows</b>			
(18,452)	Interest Paid	(14,447)		
(4,639)	Interest Element of Finance Lease Rental Payments	(4,615)		
	<b>Cash Inflows</b>			
4,606	Interest Received	<u>1,942</u>		
<u>(18,485)</u>			(17,120)	
	<b>CAPITAL ACTIVITIES</b>			
	<b>Cash Outflows</b>			
(61,974)	Purchase of Fixed Assets	(73,245)		
-	Purchase of Long Term Investments	-		
(395)	Other Capital Cash Payments	(4,294)		
	<b>Cash Inflows</b>			
8,243	Sale of Fixed Assets	5,197		
42	Proceeds from Long Term Investments matured in year	-		
144	Other Capital Cash Receipts	2,289		
18,082	Capital Grants Received	<u>24,521</u>		
<u>(35,858)</u>			<u>(45,532)</u>	
<b>(11,861)</b>	<b>Net Cash Inflow/(Outflow) before Financing</b>		<b>(29,736)</b>	
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
51,933	Net Increase/(Decrease) in Management of Liquid Resources		12,055	
	<b>FINANCING</b>			
	<b>Cash Outflows</b>			
(129,748)	Repayments of Amounts Borrowed	(236,122)		
(2,345)	Capital Element of Finance Lease Rental Payments	(2,479)		
	<b>Cash Inflows</b>			
96,662	New Loans Raised	<u>251,661</u>		
<u>(35,431)</u>			<u>13,060</u>	
<u><b>4,641</b></u>	<b>Increase/(Decrease) in Cash</b>		<u><b>(4,621)</b></u>	
	Other Cash Flow notes			6

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### 1. Combining Entities

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

The organisations that have been consolidated are:

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

The Associates that have been incorporated are:

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

The accounting period for all entities is 31 March 2010.

### 2. Nature of Combination

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

### 3. Other Entities in which the Council has an Interest

The Council has an interest in the following entities:

- Grampian Venture Capital Fund Limited
- Balmedie Sports Trust
- Bennachie Sports Trust
- Denman Park Pavilion
- Ellon & District Trust
- Garioch Sports Trust
- Lawsondale Playing Fields
- Westdyke Leisure Centre
- Huntly Leisure Trust
- Strategic Development Planning Authority (SDPA)
- Scotland Excel
- Banff and Macduff Community Trust
- Fraserburgh Development Trust
- Huntly Development Trust
- Peterhead Project Limited

These entities have not been consolidated into the Group Accounts. A more detailed explanation for the exclusion can be found in Note 27, Related Companies and Other Organisations Page 36-38.

### 4. Financial Impact of Consolidation

The effect of inclusion of the subsidiary and associate entities on the group balance sheet is to decrease both reserves and net assets by £289,348,000 (2008/09 £184,484,000 restated) representing the Council's share in these companies.

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### 5. Reporting Authority Adjustments to Align with UK GAAP

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

### 6. Group Cash Flow Statement

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

Restated 2008/09 £'000		2009/10 £'000
(40,604)	<b>Surplus/(Deficit) for the Year</b>	(61,218)
	<b>Non Cash Transactions</b>	
45,587	Depreciation & Impairment	63,141
-	Revaluation Decreases written off to Income & Expenditure during the year	501
(3,319)	Deferred Grants amortised in year	(4,774)
10,145	Pension Fund adjustments	8,864
	Other Non-Cash Financial Instruments Adjustments	101
18,679	Contributions to Provisions	12,075
<b>71,092</b>		<b>79,908</b>
	<b>Adjustment for items reported separately on Cashflow</b>	
(4,606)	Interest and Investment Income	(1,004)
17,767	Interest payable and similar charges (including gains or losses on the repurchase or early settlement of borrowing taken to revenue and amortisation of gains or losses on repurchase or early settlement of borrowings c/fwd in accordance with the SORP)	14,865
4,631	Interest element of finance lease rental payments	4,580
(3,141)	Gain or loss on the disposal of Fixed Assets	(410)
	<b>Items on an Accrual Basis</b>	
(439)	(Increase)/Decrease in Stock	149
1,140	(Increase)/Decrease in Debtors	5,590
(3,358)	Increase/(Decrease) in Creditors	(9,544)
<b>42,482</b>	<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>32,916</b>

#### Analysis of Changes in Cash and Liquid Resources During the Year

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

	As at 31 March 2009 £'000	As at 31 March 2010 £'000	Change in Year £'000
Temporary Investments	31,594	20,292	(11,302)
Cash	1,816	548	(1,268)
Bank overdraft	-	(3,353)	(3,353)
	<b>33,410</b>	<b>17,487</b>	<b>(15,923)</b>

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### 7. Total Movement in Group Reserves

The Council keeps a number of reserves in the Group Balance Sheet. The purpose of each of the Reserves is explained in note 33 to the Core Financial Statements. Movements in the reserve are summarised below, with further details given for each of the Reserves. The Housing Revenue Account Balance relates to the Council in its entirety.

		<b>Balance as at 1 April 2009 £'000</b>	<b>Net (Surplus) Deficit for Year £'000</b>	<b>Balance as at 31 March 2010 £'000</b>
Capital Adjustment Account	a	(565,226)	7,062	(558,164)
Financial Instruments Adjustment Account	b	18,461	2,889	21,350
Revaluation Reserve	c	(54,245)	(684,117)	(738,362)
Capital Receipts Reserve	d	(1,207)	(258)	(1,465)
Pension Reserve	e	190,431	76,238	266,669
Share of Employee Statutory Adjustment Account of Associates	f	9,549	5,707	15,256
Funds & Reserves	g	(12,308)	(1,195)	(13,503)
Charities Ring-Fenced Reserve	h	(2,392)	(572)	(2,964)
General Fund Balance	i	(24,835)	6,548	(18,287)
Housing Revenue Account Balance		(29,086)	9,314	(19,772)
Revaluation reserve of group entities and reporting authorities share of revaluation reserve of associates	j	(8,957)	(361)	(9,318)
Reserves of Group Entities	k	211,166	99,936	311,102
		<b><u>(268,649)</u></b>	<b><u>(478,809)</u></b>	<b><u>(747,458)</u></b>

### Note 7a Capital Adjustment Account

	<b>Group 2009/10 £'000</b>	<b>Associates 2009/10 £'000</b>	<b>Total 2009/10 £'000</b>
Restated Balance at 1 April 2009	<b>(546,824)</b>	<b>(18,402)</b>	<b>(565,226)</b>
Revaluations and Restatements	(14,114)	(160)	(14,274)
Amortisation of Intangible Fixed Assets	749	-	749
CFCR	(19,416)	(5)	(19,421)
Loans Fund Repayments	(12,683)	(398)	(13,081)
Disposal of Fixed Assets	(410)	275	(135)
Depreciation and Impairment of assets	57,020	2,021	59,041
Grants Deferred Amortised	(4,629)	(1,101)	(5,730)
Capital Expenditure from Reserves	-	(87)	(87)
<b>Balance at 31 March 2010</b>	<b><u>(540,307)</u></b>	<b><u>(17,857)</u></b>	<b><u>(558,164)</u></b>

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### Note 7b Financial instruments Adjustment Account

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	18,461	-	18,461
Opening Balance Restatements	2,889	-	2,889
<b>Balance at 31 March 2010</b>	<b>21,350</b>	<b>-</b>	<b>21,350</b>

### Note 7c Revaluation Reserve

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Restated Balance at 1 April 2009	(54,245)	-	(54,245)
Revaluation & Restatement of Assets	(689,334)	-	(698,334)
Depreciation of Fixed Assets	5,217	-	5,217
<b>Balance at 31 March 2010</b>	<b>(738,362)</b>	<b>-</b>	<b>(738,362)</b>

### Note 7d Capital Receipts Reserve

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	-	(1,207)	(1,207)
Financing of Assets	5,421	88	5,509
Effects of Disposal of Fixed Assets	(5,421)	(346)	(5,767)
<b>Balance at 31 March 2010</b>	<b>-</b>	<b>(1,465)</b>	<b>(1,465)</b>

### Note 7e Pension Reserve

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Restated Balance at 1 April 2009	190,431	-	190,431
(Surplus)/Deficit	76,238	-	76,238
<b>Balance at 31 March 2010</b>	<b>266,669</b>	<b>-</b>	<b>266,669</b>

### Note 7f Employee Statutory Adjustment Account

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	-	9,549	9,549
Surplus/Deficit	-	5,707	5,707
<b>Balance at 31 March 2010</b>	<b>-</b>	<b>15,256</b>	<b>15,256</b>

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### Note 7g Funds & Reserves

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	(12,096)	(212)	(12,308)
Transfer from/(to) Other Reserves	-	181	181
Surplus/Deficit	(1,376)	-	(1,376)
<b>Balance at 31 March 2010</b>	<b>(13,472)</b>	<b>(31)</b>	<b>(13,503)</b>

### Note 7h Charities Ring-Fenced Reserve

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Restated Balance at 1 April 2009	(2,392)	-	(2,392)
Surplus/Deficit	(572)	-	(572)
<b>Balance at 31 March 2010</b>	<b>(2,964)</b>	<b>-</b>	<b>(2,964)</b>

### Note 7i General Fund Balance

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	(23,101)	(1,734)	(24,835)
Surplus/Deficit	6,798	(250)	6,548
<b>Balance at 31 March 2010</b>	<b>(16,303)</b>	<b>(1,984)</b>	<b>(18,287)</b>

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

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	(4,162)	(4,795)	(8,957)
Revaluation & Restatement of Assets	-	(361)	(361)
<b>Balance at 31 March 2010</b>	<b>(4,162)</b>	<b>(5,156)</b>	<b>(9,318)</b>

### Note 7k Reserves and Group Entries

	Group 2009/10 £'000	Associates 2009/10 £'000	Total 2009/10 £'000
Balance at 1 April 2009	-	211,166	211,166
Surplus/Deficit	-	99,936	99,936
<b>Balance at 31 March 2010</b>	<b>-</b>	<b>311,102</b>	<b>311,102</b>

## 8. Prior Period Adjustments

The 2008-09 accounts for Scotland's Lighthouse Museum were changed during the audit process from a loss of £1,000 to show a profit of £6,000. These changes were made due to additional information that became available during the audit process. In terms of the Balance Sheet the debtors and creditors figures have increased by £7,000.

The Grampian Joint Valuation Board Balance Sheet was changed during the audit process which resulted in a decrease in the Capital Adjustment Account of £30,000 and an increase in the Revaluation Reserve of

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

£30,000. Aberdeenshire Council's share of this adjustment is £13,000 and the 2008/09 figures have been restated to reflect this adjustment.

The Nestrans Income and Expenditure Account was changed from showing a net surplus/loss of nil to show a loss of £543,000. This loss is then reversed out in the Statement of Recognised Gains and Losses which means the Balance Sheet remains unchanged. This is a presentational change to the format of the accounts.

The opening balance on the Grampian Joint Police and the Grampian Joint Fire and Rescue Boards' Pension schemes have been restated as at 1 April, 2009, to remove the liability for injury benefits which can no longer be charged to the Pension Reserve. A new Employee Statutory Adjustment Account has been set up for injury benefit liabilities.

The Employee Statutory Adjustment Account contains the following amounts in 2008/09:

	<b>Total £'000</b>	<b>Aberdeenshire's Share £'000</b>
Grampian Joint Police Board	22,313	8,033
Grampian Joint Fire and Rescue Board	4,459	1,516
<b>Total</b>		<b>9,549</b>

The Grampian Joint Police Board also removed the injury benefits from their expected returns on pensions assets in the Income & Expenditure Account. This resulted in a new line called "Injury Awards Interest Cost and Expected Return on Injury Awards Assets" being created and £619,000 being shown against this line in 2008/09.

### 9. Fixed Assets

The following categories of Fixed Assets relating to Aberdeenshire Council have increased after the consolidation of the Subsidiaries, as shown below. All other categories are as per note 15 to the Core Financial Statements.

	<b>Restated Group Land and Buildings £'000</b>	<b>Group Vehicles, Plant &amp; Equipment £'000</b>	<b>Group Community Assets £'000</b>
Gross Book Value at 1 April 2009	509,514	48,592	8,947
Reclassifications	2,864	-	-
Revaluations and restatements	677,305	6	-
Additions	21,907	10,863	187
Disposals	-	(778)	-
Gross Book Value at 31 March 2010	1,211,590	58,683	9,134
Depreciation at 1 April 2009	(54,519)	(19,339)	(2,424)
Depreciation charge for the year	(33,410)	(6,483)	(1,374)
Depreciation on assets reclassified	(26)	-	-
Depreciation on assets revalued/sold	19,877	832	1,199
Depreciation at 31 March 2010	<b>(68,078)</b>	<b>(24,990)</b>	<b>(2,599)</b>
<b>Net Book Value at 31 March 2010</b>	<b>1,143,512</b>	<b>33,693</b>	<b>6,535</b>
<b>Net Book Value at 31 March 2009</b>	<b>454,995</b>	<b>29,254</b>	<b>6,523</b>

## GROUP ACCOUNTS – NOTES TO THE GROUP ACCOUNTS

### 10. Charitable Trusts Incorporated in Group Accounts

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

- Archaeolink
- Scotland's Lighthouse Museum
- Forty Trust Funds (see pages 69-70, Note 2 for further details)

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

	£'000	£'000
<b>Charities Ring-Fenced Reserve</b>		
Opening Balance at 1 April 2009		
Archaeolink	89	
Scotland's Lighthouse Museum	(64)	
Trust Funds	<u>(2,417)</u>	(2,392)
<b>Surplus/Deficit</b>		
Archaeolink	(13)	
Scotland's Lighthouse Museum	3	
Trust Funds	<u>(562)</u>	<u>(572)</u>
<b>Closing Balance at 31 March 2010</b>		<u><u>(2,964)</u></u>



## GLOSSARY OF TERMS

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

## GLOSSARY OF TERMS

### 14. **Defined Contribution Scheme**

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

### 15. **Defined Benefit Scheme**

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

### 16. **Depreciation:**

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

### 17. **Dominant Influence:**

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

### 18. **Equity Method:**

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

### 19. **Exceptional Items:**

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

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

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

### 21. **Fair Value**

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

### 22. **Fees and charges:**

Income received for services provided.

### 23. **Goodwill:**

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

### 24. **Grants:**

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

### 25. **Government Grants:**

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

### 26. **Intangible Assets:**

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

## GLOSSARY OF TERMS

- 27. Interest Cost (Pensions)**  
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
- 28. Investments (Pensions Fund)**  
The investments of the Pensions Fund will be accounted for in the statements of that Fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
- 29. Investment Properties:**  
Interest in land and/or buildings:  
a) in respect of which construction work and development have been completed; and  
b) which is held for its investment potential, any rental income being negotiated at arm's length.
- 30. Joint Venture:**  
An organisation in which the Council has an interest on a long term basis and is controlled jointly by the Council and one or more other entities under a contract or other binding arrangement.
- 31. Net Book Value:**  
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
- 32. Net Current Replacement Cost:**  
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the asset.
- 33. Net Realisable Value:**  
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
- 34. Non-Operational Assets:**  
Fixed assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
- 35. Operational Assets:**  
Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
- 36. Past Service Cost**  
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
- 37. Prior Period Adjustments**  
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to undermine the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
- 38. Payments to Agencies and Others:**  
Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.
- 39. Public Works Loans Board (PWLB):**  
A Government Agency which provides long term loans to the Council.
- 40. Remuneration**  
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## GLOSSARY OF TERMS

### 41. Retirement Benefits

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

### 42. Revenue Expenditure:

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

### 43. Revenue Support Grant:

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

### 44. Significant Influence:

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

### 45. Single Status:

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

### 46. Staff Costs:

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

### 47. Subsidiary:

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

### 48. Supplies and Services:

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

### 49. Tangible Fixed Assets:

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

### 50. Transport and Plant Costs:

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

## STATEMENT OF ASSURANCE

Aberdeenshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this accountability, councillors and senior officers are responsible for putting in place proper arrangements for the governance of Aberdeenshire Council's affairs and the stewardship of the resources at its disposal. To this end, Aberdeenshire Council on 10 June 2004 approved and adopted a code of corporate governance, formalising the good practices and policies that were in place during 2003/04. The Code is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. A copy of the code is on our website at [www.aberdeenshire.gov.uk](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 Corporate Services has been given responsibility for overseeing the implementation and monitoring the operation of the code, reviewing the code in practice and reporting annually to the Policy & Resources Committee on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

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

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

- Performance management
- Comprehensive financial management systems
- Periodic and annual financial reports which indicate actual and projected financial performance against budget
- Targets set for financial and other performance
- Clearly defined capital expenditure guidelines
- As appropriate, formal project management disciplines.

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

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

Significant progress has been made in respect of risk management. Risk registers are now fully imbedded in all services in a consistent format, and these are now subject to regular monitoring and review. Further work is now necessary to consider and test operational risks.

Aberdeenshire Council has largely concluded work on the areas for improvement agreed following the Audit of Best Value and Community Planning. However the Council recognises the need to maintain the principles of continuous improvement and to ensure that work continues in these areas previously highlighted. As a result, this work has now been incorporated within a Corporate Improvement Plan. This consolidates all previous and new improvement work into a new workplan under the themes of Leadership and Culture, Governance, Engagement and Reputation, Performance Management and Improvement, and People.

## STATEMENT OF ASSURANCE

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 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 2010.

Whilst this opinion gives the Council assurance, Internal Audit reports do highlight areas of weakness and poor practice, and these will continue to be monitored closely in order that best practice can be achieved in all areas of activity.

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

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

Signed

Councillor Anne Robertson, Leader of the Council  
Colin Mackenzie, Chief Executive  
On behalf of the Councillors and Officers of Aberdeenshire Council  
Dated 23 June 2010

## 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 Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Head of Finance's responsibilities:

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

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

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

The Head of Finance has also:-

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

The balance sheet has been signed by the Head of Finance as a representation that the financial statements give a true and fair view of the financial position of the Authority at the accounting date, and its income and expenditure for year ended 31 March 2010.

Derek Yule, BCom, CPFA, IRRV (Hons)  
Head of Finance  
23 June 2010

# INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of Aberdeenshire Council and its group for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the HRA Balance, the Council Tax Income Account, the Business Rates Income Account, and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Head of Finance and auditor**

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, I report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement of Assurance on corporate governance reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body'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 Provost's Foreword, Explanatory Foreword and Glossary of Terms. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



# INDEPENDENT AUDITOR'S REPORT

## Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. 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 Head of Finance in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Aberdeenshire Council and its group's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Aberdeenshire Council and its group as at 31 March 2010 and the income and expenditure of Aberdeenshire Council and its group for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Mark Taylor CPFA, Assistant Director  
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30 September 2010