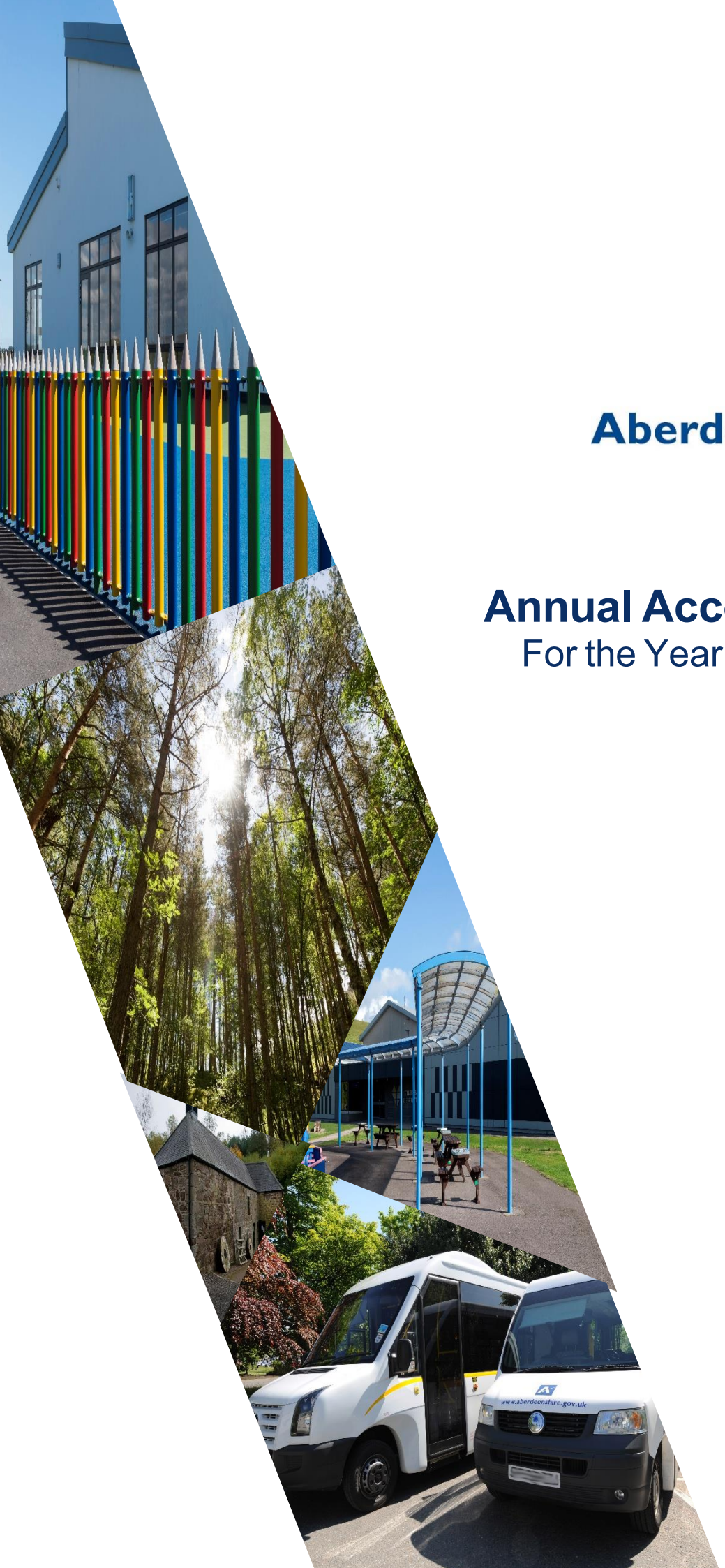


Aberdeenshire
COUNCIL

Annual Accounts 2025/26

For the Year to 31 March 2026

ANNUAL ACCOUNTS 2025/26 – CONTENTS

The Annual Accounts for Aberdeenshire Council comprise the following.

Our primary statements include the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement. Additional notes to support these statements include the Remuneration Report, Expenditure and Funding Analysis and related note, as well as the notes to the financial statements.
The Council is also required to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures.

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Management Commentary

The Management Commentary outlines the key messages regarding the performance of the Council over the 2025/26 financial year, as well as providing an indication of the principal risks and uncertainties which may impact upon the Council in the future.

The Annual Accounts for Aberdeenshire Council and its group for the year ended 31 March 2026 have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Local Authority Accounts (Scotland) Regulations 2014.



Our Place

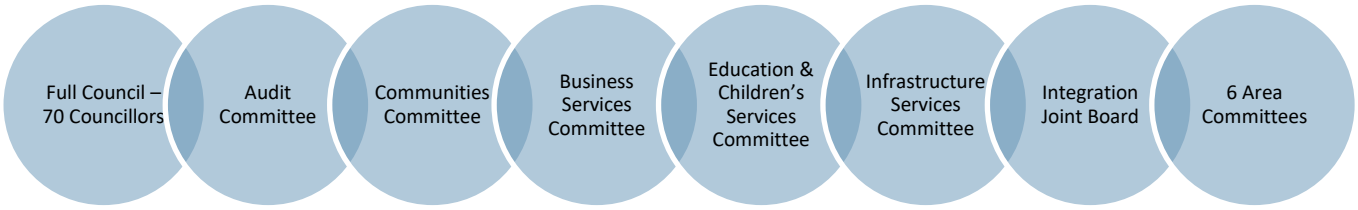
Aberdeenshire covers a geographical area of 6,339 km^2 and is the sixth largest Scottish Council by population, serving a population of 264,640.

The population of Aberdeenshire has risen from approximately 189,000 residents in 1981 to 264,640 in 2025. Alongside this growth, the demographic profile has changed, with a declining proportion of children, young people and working-age residents, and a continued increase in the number of older adults aged 65 and over. These changes, together with Aberdeenshire's large rural geography and dispersed communities, continue to shape demand for services and the cost of delivery across the area. Key pressures include adult social care, health integration, school estate planning, transport, roads and wider infrastructure, as well as the need to support communities through ongoing economic and household affordability pressures.

*population information as per National Records of Scotland, Mid-2025 Population Estimates.

Our Council

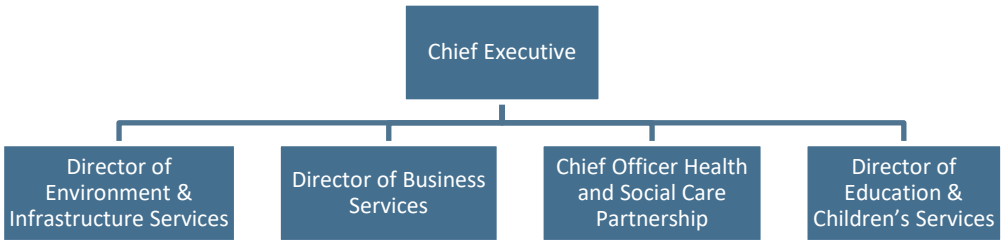
Aberdeenshire Council was constituted in 1996 under the Local Government (Scotland) Act 1994 bringing together the work of the previous regional council and 3 district councils.



Every day the Council delivers services to residents and businesses across Aberdeenshire. On any given day, core business involves:

- Educating over 38,400 children across 85 nurseries, 140 primary schools, 17 secondary schools and 4 special schools.
- Operating 21 community centres and small halls, 4 sports centres, 14 swimming pools, 10 museums, 1 aquarium, 1 outdoor centre, 2 ski centres, 35 pavilions, 8 all-weather pitches, 31 libraries including co-location with community groups, and 8 town halls.
- Management, maintenance and allocation of 13,540 Council homes.
- Waste collection and disposal for 125,850 households and 3,317 trade waste properties.
- Operation of 15 household recycling centres and 12 seasonal garden waste points.
- Maintaining over 6,425 acres of open space, 211 cemeteries, 37 beaches, 446 play parks and skate parks and 808 acres of woodland.
- Maintenance and management of 5,613 kilometres of carriageways, 1,487 kilometres of footways, 1,311 highway bridges, 48,406 streetlights, almost 16,000 kilometres of watercourses, 200 kilometres of coastline and 7 harbours.
- Supporting and caring for vulnerable adults and children and helping older people retain their independence through the running of 10 family resource centres, 4 children's homes, 7 older people care homes and 1,499 sheltered houses.

The Council is structured into 4 Directorates and is led by the Chief Executive, Jim Savege, who is responsible for ensuring that the Council delivers high-quality services.



The Integration Joint Board (IJB) is a joint board of Aberdeenshire Council and NHS Grampian and is responsible for the planning and operational oversight of the Aberdeenshire Health and Social Care integrated services. Through the Chief Officer, the Health and Social Care Partnership (HSCP) is responsible for the operation and management of those services delegated and managed by the Board.

Strategic Plans and Priorities

Through the Council's Committee Structure, elected members are responsible for making strategic decisions and monitoring the service delivery and performance of the Council. The Council's committee structure, agenda documents and the recording of meetings are available to view on the Council's Website.

The Council Plan 2024-2029 was approved by Full Council in June 2024, following a public consultation that ended on 31 May 2024. The Plan was informed by the Strategic Assessment 2024/25, which set out significant demographic changes for communities across Aberdeenshire, along with the budgetary challenges discussed further on page 26. The Plan is a strategic document setting out how the Council will meet its communities' needs and expectations over the next few years and provides officers with a clear political direction on the priorities of the Council.

The Plan is based on outcomes that the Council wants to achieve for Aberdeenshire, focusing on improving the wellbeing of Aberdeenshire residents and making our region a more sustainable and better place to live in, work and visit. It is set around 3 key priorities:

A Sustainable Economy	We will support a strong and diverse economy by attracting people of working age to our region, complementing our highly skilled local workforce.
Connected Communities	We will work with communities and partners to enhance the sense of connection among our places. This includes supporting communities to come up with innovative solutions to ensure our places are resilient and vibrant.
Living Well Locally	We will encourage and support our residents to lead healthy and active lives and contribute meaningfully to their communities. We will make proactive choices that will allow us to cater to the needs of our increasingly ageing population.

Everything we do will consider the impact on our places and will be shaped by the voices of our communities. We will involve communities and service users in shaping our services, including how and where they are delivered. We will work with local people to actively shape the places they live and work in, through supporting volunteering and helping them to make the best use of the assets and resources in their area.

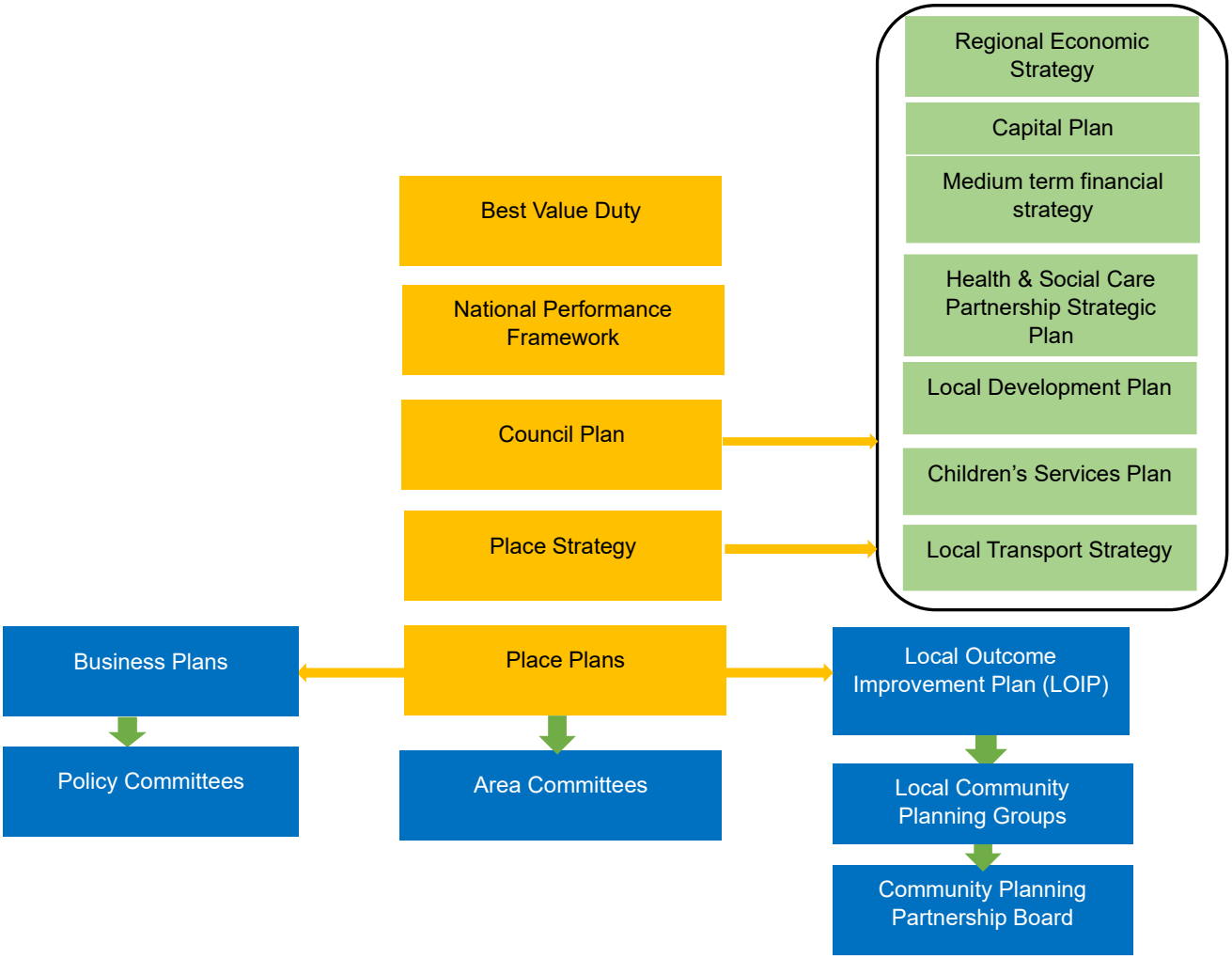
Climate change and the drive to net zero will be at the heart of how we make decisions and deliver services to support the delivery of our strategic priorities in the long term. Our decisions will be informed through the lens of climate change to support our communities to have a sustainable future.

Aberdeenshire Council approved a Performance Management Framework in June 2021, which was updated in 2025. The Framework sets out the Council's approach to performance management and continuous improvement. Councillors receive annual update reports on progress with the Council Plan through the Annual Performance Report which is presented at Full Council each September. In addition, updates on Business Plans are reported to Policy

Committees every six months, providing a further opportunity for scrutiny on progress towards delivering the council's strategic priorities.

The Council Plan 2022-27 identified the development of a Place Strategy as a key strategic outcome. The Place Policy and Place Strategy were approved by Full Council in June 2024 and now support delivery of the current Council Plan 2024-2029. They are relevant to all three strategic priorities – a sustainable economy, connected communities and living well locally. The Place Strategy supports our Place Policy and explains how the Council will, in partnership with our communities, achieve the vision and objectives for our places. The strategy represents a fundamentally different approach by services in how we engage with each other and our communities, and work at a local level.

The interrelationship between the Place Strategy with other key strategies is illustrated below through the Place Planning Framework.



Further detail on how the Council is delivering its strategic priorities through its Transformation Strategy and associated savings programme is provided on page 31.

Sustainability and Climate Change

The Carbon Budget 2025/26 was approved by Aberdeenshire Council on 27 February 2025 (item 5). The budget included projects across the Council's Directorates and the Health and Social Care Partnership and identified the funding streams required to support project

progression. The Sustainability Committee and Policy Committees monitored delivery throughout 2025/26, with the final update provided to Sustainability Committee on 18 February 2026 (Item 4).

The Carbon Budget for 2026/27 was approved by Aberdeenshire Council on 26 February 2026 (Item 5) and a six-monthly progress update will be presented to Sustainability Committee on 19 August 2026. The Route Map to 2030 and Beyond Action Plan was approved at Sustainability Committee on 21 February 2024 (Item 5). Officers are now working towards the delivery of this action plan to support the Council's targets committed through the Climate Change Declaration. Six-monthly updates on progress are provided to the Sustainability Committee. The latest update was on 18 February 2026 (Item 5).

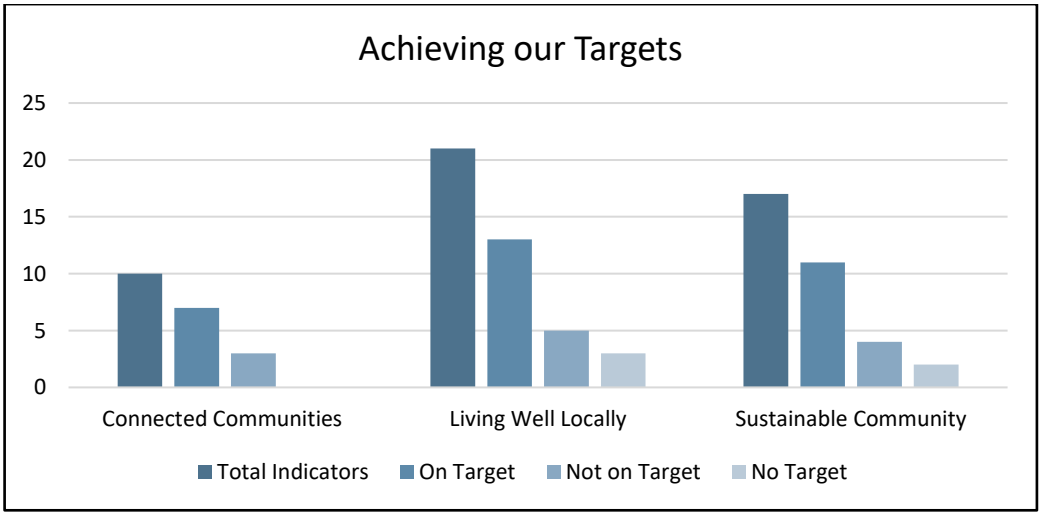
Our Performance and Achievements during 2025/26

The core purpose of effective performance management is to improve the lives of the people we serve by using high-quality information for decision making. Aberdeenshire's Performance Framework outlines how our performance management fosters a culture of continuous improvement within the Council, ensuring the best outcomes for our community. It provides an overview of statutory context and our current performance management arrangements.

Performance Summary

Each year the Council publishes an annual performance report that reviews progress in delivering the priority outcomes agreed for the 2024–2029 Council Plan and overall performance improvement including performance against statutory indicators. The review also reflects the outcomes of external scrutiny, self-evaluation, risk, and customer feedback.

The Aberdeenshire Council Annual Performance Report 2025-26, approved by the Council on 24 September 2026 (Item 9) consolidates and summarises our service performance over the year to support our public performance reporting arrangements. The report highlights our key successes and identifies areas for growth and development. A summary of 2025/26 performance is illustrated below.



Performance highlights and areas for improvement:

Connected Communities: Seven of the ten reported indicators performed in line with expectations. Strong performance was achieved in digital engagement, support for residents experiencing connectivity issues and the provision of timely feedback following engagement activity. Progress also continued through national broadband programmes and targeted support to improve digital inclusion across Aberdeenshire.

Living Well Locally: Thirteen of the 21 reported indicators performed in line with expectations, with a further three providing contextual data where no target was set. Performance highlights included 3,202,867 physical visits to community, cultural and leisure services, an increase of 7.43% on the previous year; 990,526 visits to swimming pools; and 1,561,662 physical and virtual uses of library services. In addition, 80.6% of adult care services were graded good or better and 83% of residents were satisfied with parks and open spaces, based on the latest available data.

A Sustainable Economy: Twelve of the 18 reported indicators performed in line with expectations, with two providing contextual data where no target was set. Strong results were achieved across educational attainment, Foundation Apprenticeships, employability support and workforce recruitment. The Council also assisted 772 business start-ups during the year and continued to work with partners to strengthen economic resilience, support local businesses and create pathways into employment and training.

Connected Communities: Three indicators required further improvement. Challenges remain in relation to public perceptions of influence in Council decision-making and some longer-term infrastructure measures. The Council continues to strengthen engagement arrangements, improve feedback mechanisms and support improvements in digital connectivity and community infrastructure.

Living Well Locally: Five indicators required further improvement. Although overall performance remained positive, continued focus is required on specific service outcomes alongside the demographic, demand and financial pressures affecting local services. Improvement activity remains focused on supporting prevention, access to services, community wellbeing and sustainable service delivery.

A Sustainable Economy: Four indicators required further improvement and one was assessed as just falling short of target. Areas requiring continued attention include local procurement spend and certain commercial property measures. Ongoing activity is focused on strengthening local supply chains, maximising opportunities for local businesses and maintaining a vibrant and resilient economy.

Comparing Our Performance

The Local Government Benchmarking Framework (LGBF) compiles extensive information on the performance of all Scottish Councils. Covering most major public service areas in Scotland, the framework includes data on service costs, achieved outcomes and resident satisfaction.

The core purpose of the LGBF is to help local government deliver improved outcomes for communities. It offers greater insight into our own performance, and a strengthened evidence

base to support the drive for improvement, support performance management, promote collaboration and learning, and strengthen public accountability.

As well as reporting performance, the Accounts Commission requires councils to be able to demonstrate improvement actions that are being taken in response to the Local Government Benchmarking Framework (LGBF) as part of the current Statutory Performance Direction 2024 (SPI) which comes under the Local Government Act 1992. The Council's response to this requirement is assessed as part of a Best Value and Annual Audit through our external auditors.

The latest LGBF data (2024/25) published in March 2025 is detailed in the 2024/25 LGBF overview report. This report helps Councils compare their performance across various efficiency, output, and outcome indicators.

To help residents and communities access and understand the dataset locally, information on the Local Government Benchmarking Framework is available on the Aberdeenshire Council website - Benchmarking.

There are currently 108 LGBF indicators published for Aberdeenshire Council. As of June, 55 perform better than the Scottish average, while 53 perform below the Scottish average.

A selection of the LGBF indicators are included within the Council Plan and assist in measuring our performance against our priorities.

Performance over time for each of these indicators can be viewed within the Improvement Service LGBF Dashboard. This dashboard also provides information relating to Aberdeenshire Council's position against other local authorities for each indicator.

Improvement Plans have been developed to address indicators that do not meet the Scottish average. These actions ensure that Aberdeenshire Council uses LGBF findings to enhance performance related to Council priorities.

The detailed report and Improvement Plan were considered by the Strategic Leadership Team and presented to the Audit Committee on 28 May 2026 (Item 9). At this meeting it was agreed that the improvement actions will be integrated into Directorate Strategic Plans and reported through biannual performance reporting. The LGBF performance data is also included within the Annual Performance Report to Aberdeenshire Council in September 2026.

Sustainability and climate change

The Council prepares a Public Bodies Climate Change Duties report (PBCCD) annually in November. The 2024/25 report was reported to the Sustainability Committee on 12 November 2025 (Item 6). A summary of the Council's progress in meeting its sustainability aims is shown below:

Route Map to 2030 and Beyond continued to drive Action Plan delivery, supporting organisational transition, and implementing technical studies to better understand climate challenges and opportunities.

Promoted climate change awareness through events like Climate Week North East, Earth Hour, World Earth Day, and Fairtrade Fortnight

Carbon Budget process identified and funded projects across all services, including upgrading network hardware, office rationalisation, energy efficiency upgrades, and waste reduction and reuse initiatives.

Actively engaged with **Scottish Climate Intelligence Service**, with officers receiving training to support the launch and publication of Aberdeenshire's ClimateView dashboard.

Climate Ready Aberdeenshire co-organised the Springboard Local Assembly for Creative Climate Action, connecting climate and arts/culture sectors and fostering collaboration.

Sustainability Champions continued to engage officers across services, encouraging them to act as advocates for climate action within their teams.

Aberdeenshire Council Emissions



Energy
(electricity, heat, street lighting)



Travel
(business and fleet)



Waste
(recycling, garden/food)



Water
(supply and treatment)

Total emissions for 2024/2025: 44,698 tCO_2e (tonnes of carbon dioxide equivalent)

- This is a reduction of **691** tCO_2e (1.5%) from 2024/25, the equivalent annual electricity use of approximately **460** households
- We were above our carbon budget for 2025/26. However, the overall emissions trend is positive, with a continued reduction for last 6 years.

Carbon Emission Savings by Source:

This year's report highlights annual carbon emission reductions across key operational areas, contributing to our overall savings and sustainability goals:

- Street lighting: 8.4%
- Water use: 19.9%
- Business travel: 10.9%
- Fleet diesel: 3.3%

Climate Change Adaptation

- Publication of the Climate Change Adaptation Plan 2025–2030 and ongoing work to deliver its recommendations.
- Updated Climate Change Risk Register and continued collaboration through the Climate Ready Aberdeenshire network.
- Assessed our adaptation capabilities using the Public Sector Climate Adaptation Capability Framework.
- Evaluated the impact of proposed policies, strategies and plans on climate change adaptation and resilience using our Integrated Impact Assessment process.

Looking back at 2025/26

Aberdeenshire Council, like most councils across Scotland, faces ongoing financial challenges amid rising costs and increased demand for local services. Despite these challenges, the Council has continued to provide essential services and maintain appropriate governance.

Key achievements in 2025/26 for each service are summarised as follows:

Business Services

Business Services has continued to play a central role in supporting the Council's priorities through the delivery of effective corporate services, strong financial stewardship, and significant progress in digital transformation and service improvement.

- **Digital Transformation and Service Modernisation** - The Directorate has made substantial progress in advancing digital transformation across the organisation. A broad programme of work has been progressed, including the implementation and procurement of key systems such as Eclipse for Health & Social Care, FixMyStreet, and new line-of-business systems supporting Roads & Infrastructure and Landscape Assets.

  51 digital change projects are in progress, supporting service redesign and improved operational efficiency. This is complemented by the continued rollout of enabling technologies such as Copilot, Datahub and process automation, alongside a new programme in development to enhance the Council's digital customer offering across its website, application and online services.

- **ICT Infrastructure and Cyber Resilience** - Significant investment has been made in strengthening ICT infrastructure, improving accessibility, and enhancing cyber security. Approximately 500 F1 licences have been deployed to support digital inclusion, alongside additional shared devices for frontline services.

  The next-generation network rollout has progressed at pace, with 237 of 360 sites migrated by year-end. This has supported improved connectivity, including NHS connectivity now available in 52% of sites, and delivered associated carbon savings. Enhancements to cyber security have also been implemented, including the introduction of advanced threat detection tools, strengthening the Council's resilience to emerging risks.

- **Customer Services and Service Improvement** - Customer Services has continued to deliver improvements to customer experience through implementation of the Customer Service Strategy. Targeted service redesign work has reduced avoidable contact and complaints, particularly within Waste Services, with further improvements progressing across Roads and Registration services.

  Operational performance has remained stable, with approximately 85% of calls answered and average waiting times maintained within expected levels. Complaint handling performance remains strong, with a low proportion of cases escalating to the Scottish Public Services Ombudsman and the vast majority resolved without further action.

- **Financial Stewardship and Commercial Value** – The Directorate has maintained a strong focus on financial management and value for money. Procurement activity has delivered £1.3 million of savings during the year, while improvements to procurement processes and guidance have strengthened compliance and consistency.

  Strategic procurement activity has also supported wider policy outcomes, including the development of a regional delivery model for electric vehicle charging infrastructure, enabling additional investment and contributing to sustainability objectives.

- **Transformation, Governance and Organisational Capacity** - A revised Transformation Strategy was approved in January 2026, strengthening the Council's approach to change and improvement. The establishment of Directorate Boards provides enhanced oversight of transformation activity, supporting improved governance, prioritisation and delivery across services.

  Legal & People Services have supported organisational capacity and compliance through workforce development, continued digital skills programmes, and preparations for the implementation of the Employment Rights Act 2025.

  Specialist teams within the Directorate have delivered a number of high-value outcomes. This includes the successful delivery of complex legal work in-house for major capital projects, ensuring both cost efficiency and control. External funding has also been secured to support national capacity-building in areas such as compulsory purchase, demonstrating leadership beyond the Council.

- **Benefits and Welfare Support** - The Benefits Service has maintained strong performance across a complex and changing operating environment, including ongoing Universal Credit migration and increased assurance activity. Statutory performance standards have been achieved, with improvements in digital access, automation, and data use supporting both service efficiency and income maximisation for residents.

- **Property, Assets and Sustainability** - Property & Facilities Management has contributed to both financial sustainability and climate objectives. This includes delivery of savings through service rationalisation, generation of capital receipts from asset disposals, and implementation of energy efficiency measures across the estate.

  These actions have contributed to a measurable reduction in carbon emissions, supporting the Council's wider climate commitments.

Overall Assessment

Overall, Business Services demonstrated strong performance during 2025/26, delivering against key priorities while continuing to adapt to financial, operational and legislative pressures. The Directorate remains well placed to support the Council's ongoing transformation, with a clear focus on governance, efficiency and sustainable service delivery.

Education and Children's Services

During 2025/26, Education & Children's Services (ECS) operated within a significantly constrained financial environment, with rising demand, workforce pressures, and increasing cost challenges. Despite this, the Directorate sustained delivery of core services and progressed key transformation, efficiency, and improvement activity.

- **Resources and Performance** – Resources and Performance played a central role in supporting Directorate sustainability, with a focus on efficiency, system infrastructure and service redesign. Key achievements included estate rationalisation, condition and suitability improvements across the school estate, completion of the IT asset management audit, the School Business Support review, integration of wider business support functions, digital solutions for school administration and strengthened Directorate-wide performance reporting.

- **Catering and Facilities** – Catering and Facilities continued to deliver services across an approximately £13.3 million budget while managing rising cost pressures. Achievements included sustained growth in free school meal uptake, delivery of more than 4 million meals across the school estate, specialist diet provision for over 1,350 pupils, servery and kitchen rationalisation, strengthened pupil engagement and distribution of community benefits funding to 31 schools for garden projects.

- **Early Years** – Early Years maintained access to funded provision across Aberdeenshire within a c.£46.2 million budget. Around 99% of settings met national standards, demonstrating consistently high-quality provision, alongside continued progress in rationalising operating and staffing models to support affordability.

- **Children's Services –** Children's Services sustained strong delivery of statutory functions in a context of increasing complexity and demand. Performance remained strong, with 98.65% of Child Protection Plans showing improved safety outcomes, 97% of Looked After Child reviews including attainment and achievement data, and 97% of placements meeting assessed need.

- **Education –** Education services maintained stable performance across core delivery areas while progressing improvement activity. This included improved attendance of around 93%, 33.3% of inspections achieving "good or better" across all quality indicators, a 21.6% increase in Foundation Apprenticeship participation, and enhanced data and reporting tools rolled out to all schools.

- **Communities, Wellbeing and Partnerships** – Communities, Wellbeing and Partnerships, including Live Life Aberdeenshire, continued to support community resilience and wellbeing. Performance highlights included 3,202,867 physical visits, a 7.43% increase on the previous year, £320,000 of cost reductions, £840,000 of income growth, £16.94 million of social value generated, 12% growth in paid memberships and around £3.2 million of capital investment delivered across facilities and infrastructure.

Overall Assessment

Overall, Education and Children's Services demonstrated a resilient and financially controlled response to sustained service demand, maintaining core delivery while progressing structural changes required for long-term sustainability. Strong performance was evident across statutory services, safeguarding, education, community wellbeing and service efficiency, although workforce pressures, increasing demand and reliance on external funding remain areas requiring continued management.

Environment and Infrastructure Services

- The review to reshape sheltered housing engaged with tenants in all 56 schemes through a place standard assessment, involving over 600 tenants, followed up by tenant and public meetings attended by over 600 people, and an online consultation receiving 676 responses. The review will provide £15m in capital savings over the next 10 years, and £1m per year in revenue savings.

- The Granite Homes to Net Zero project used an in-house team to modernise granite homes across Aberdeenshire. The project has preserved architectural heritage, improved Energy Performance Certificate ratings, reduced fuel poverty, and supported our Route Map to Net Zero by reducing carbon emissions. It was a finalist in the Just Transition to Net Zero category at the COSLA Innovation Awards.

- Progress has been made in developing future flood protection and resilience schemes, including studies at Kintore and Kemnay to improve understanding of local flooding mechanisms and inform long-term investment decisions. This work is supporting the identification of preferred options for potential future schemes and the development of sustainable approaches to flood risk management and climate adaptation.

- The North East Scotland Biological Records Centre (NESBReC) has now collected more than three million records of wildlife sightings from experts and enthusiasts across the region. Its species data provides support for education and conservation bodies, national recording schemes and the wider community to assist with land use planning, conservation, site management, and research.

- Aberdeenshire Council's Recycling & Waste Service won a Bronze Striving for Excellence Award from the Association for Public Service Excellence (APSE) after expanding the myAberdeenshire app to give trade bin customers immediate access to collection information in the palm of their hands. Landscape Services also won a Gold Striving for Excellence Award from APSE in recognition of the team's digitalisation programme that gives frontline workers better access to information, tools, and support.

- The Employment Support Team registered 403 new clients and supported 160 clients into employment, self-employment and modern apprenticeships, 32 into accredited training, 34 into further or higher education and 26 into volunteering. The Child Poverty Employability Coordinators worked with Scottish Childminding Association to recruit and train an additional 25 new childminders across Aberdeenshire, allowing more parents to move into employment, education or training.

Health and Social Care Partnership

- The Aberdeenshire Health and Social Care Partnership continued to operate in a highly challenging environment during 2025/26, with sustained demand pressures, increasing complexity of need and significant financial constraints across the health and social care system. The Aberdeenshire Integration Joint Board remained responsible for the strategic planning and operational oversight of delegated health and social care services, with services delivered through the partnership arrangements between Aberdeenshire Council and NHS Grampian.

- During the year, the Partnership continued to deliver a wide range of health and social care services across Aberdeenshire while progressing service improvement, planning

and engagement activity. This included community engagement to inform reviews of community hospitals and Activity Hubs, consultation on the Health and Social Care Partnership Strategic Plan 2025–2035, support for unpaid carers, and continued development of self-directed support and community-based approaches to early intervention. The Partnership also progressed redesign in dementia care, expanded technology-enabled care and independent living support, and strengthened adult support and protection and multi-agency public protection arrangements.

- Service delivery highlights during 2025/26 included large-scale public engagement on community hospital provision, with 550 participants attending face-to-face sessions and 2,286 survey responses received, alongside strong participation in the review of local Activity Hubs. The Joint Equipment Store continued to support people to live safely and independently at home, including completion of the analogue-to-digital telecare transition and provision of equipment, mobility aids and community alarms. The Partnership also approved a new Adult Carer Strategy 2025–2030, progressed an enhanced community-based model of dementia support in South Aberdeenshire, and developed Community Appointment Days and technology-enabled care initiatives to improve access to early support and promote independence.

- The Integration Joint Board also approved the Health and Social Care Partnership Strategic Plan 2025–2035 and associated Strategic Delivery Plan, providing a clearer long-term framework for service redesign and improvement. The Medium-Term Financial Strategy was developed to support a more sustainable medium-term approach, and a balanced revenue budget for 2026/27 was agreed in line with confirmed partner funding and savings proposals.

- The longer-term outlook for health and social care in Aberdeenshire continues to be shaped by demographic change, workforce pressures, inflationary costs and rising complexity of care. In response, the Partnership remains focused on delivering Best Value, improving outcomes for people and communities, and reshaping services within the resources available. Governance and financial management arrangements were strengthened during 2025/26 through improved reporting, scrutiny and oversight, supporting clearer alignment between strategic priorities, service planning and financial planning. Continued engagement with service users, carers, communities and partners, together with a sustained emphasis on prevention, early intervention and community-based support, will remain central to future change.

Community Resilience

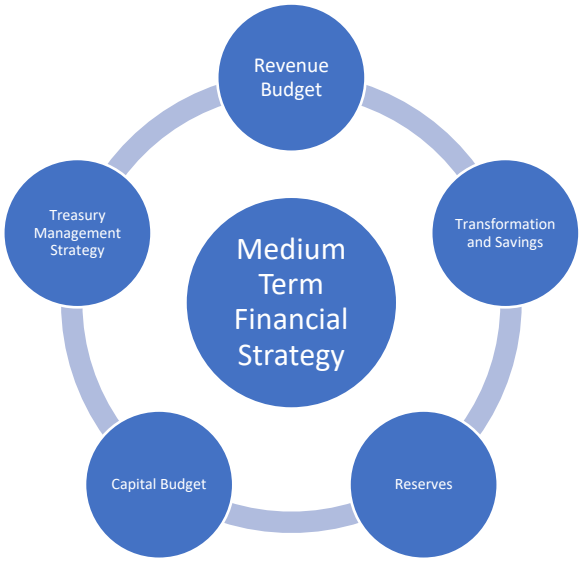
- Engagement, support and development with Community Resilience Groups continued during the year. Funding from the SSEN Grant was distributed to more than 40 groups and third sector organisations to support local resilience.

- The roll-out of a People at Risk Distribution List has continued to support emergency response arrangements and was used by Aberdeenshire HSCP during the January ‘Amber’ snowfall event.

- Progress continues in identifying gaps in individual resilience and developing communications and resources to encourage individual preparedness for emergencies.

Financial Planning and Performance

The Council's Medium-Term Financial Strategy (MTFS) supports the delivery of the Council Plan and associated priorities by setting out the framework within which resources are available over the medium term and by addressing the financial challenges facing the Council. It incorporates all revenue and capital funding and use of reserves.



As part of the MTFS, the Council set its budget for 2025/26 on 27 February 2025 (item 4). The significant funding gap was addressed through a combination of service savings and efficiencies, transformation and workforce measures, use of reserves, and a 10% increase in Council Tax, enabling the Council to set a balanced budget while continuing to deliver essential services.

The financial performance monitoring process, which involves reporting to Policy Committees and then to Council, is an integral part of the MTFS. It compares the budget assumptions with actual expenditure and income, identifying areas where assumptions differ from the position experienced during the year. This process supports the monitoring, reporting and management of financial risks and informs the following year's budget-setting process.

General Fund Revenue Expenditure 2025/26

The General Fund sets out the cost of running the day-to-day services (excluding Council housing) and the sources of funding for these costs.

In 2025/26, Aberdeenshire Council, like all councils across Scotland, faced ongoing economic challenges arising from global economic uncertainty and cost-of-living pressures, alongside increasing service demand driven by demographic change.

Supply chain pressures and volatile interest rates continued in 2025/26. Despite these challenges, the Council demonstrated strong financial management throughout the year.

The General Fund Revenue Budget for 2025/26 was set at £801.588 million. This included £19.527 million of savings and efficiencies and £6.206 million from the use of fiscal flexibilities in relation to Service Concession Arrangements, as explained further in Note 19. During the year, the budget increased to £810.534 million, reflecting the use of earmarked reserves and changes in government funding after the budget was approved.

As reported in March 2026, the Quarter 3 forecast indicated an anticipated over-budget position of £0.765 million. This was an improvement from the over-budget position at the end of Quarter 2 of £3.418m and a reported over-budget position in Quarter 1 of £7.938m, reflecting the continued efforts by Services to manage vacancies and deliver efficiency savings.

The final position was a lower under budget figure of £0.068 million (0.01% of the revised budget), as reported to Council in June 2026.

Income and expenditure associated with the General Fund is recorded through the Comprehensive Income and Expenditure Statement (CIES). The figures reported in the CIES differ from the financial performance information reported to Committees during the year because the Annual Accounts must include accounting adjustments required by the Code. These adjustments totalled £26.695m, as shown in the table below, mainly relate to capital and pension accounting entries, which ensure that the Council's assets and liabilities are reported on a proper accounting basis.

2025/26	Revised Budget £'000	Actual Net Expenditure Reported to Council £'000	Variance Budget Vs Actual £'000	Accounting Adjustments £'000	Net Expenditure per the Annual Accounts £'000
Business Services	56,212	51,621	(4,591)	4,469	56,090
Communities	196,851	194,044	(2,807)	4,315	198,359
Education & Children's Services	451,424	452,162	738	18,412	470,574
Infrastructure Services	72,283	68,835	(3,448)	34,644	103,479
Other Operating Expenditure/(Income) – Full Council	(12,801)	(6,595)	6,206	5,179	(1,416)
Net Cost of Services	**763,969**	**760,067**	**(3,902)**	**67,019**	827,086
Other Income and Expenditure	(783,900)	(787,774)	(3,874)	(39,967)	(827,741)
COST OF SERVICES	**(19,931)**	**(27,707)**	**(7,776)**	**27,052**	(655)
Budgeted Movement of Reserves:					
Transformation Borrowing	1,419	1,419	-		
Underwriting IJB shortfall Reserve	(1,372)	(1,372)	-		
Transfers to/from Earmarked Reserves	19,386	26,844	7,458		
Transfers to/from Statutory Funds	498	748	250		
Total Transfers to/from Reserves	**19,931**	**27,639**	**7,708**	**-**	**-**
Net Chargeable to Working Balance	**-**	**(68)**	**(68)**	27,052	(655)
Housing Revenue Account	-	-	-	(357)	(357)
Rounding					(1)
Net Movement in General Fund and HRA	**-**	**(68)**	**(68)**	**26,695**	**(1,013)**

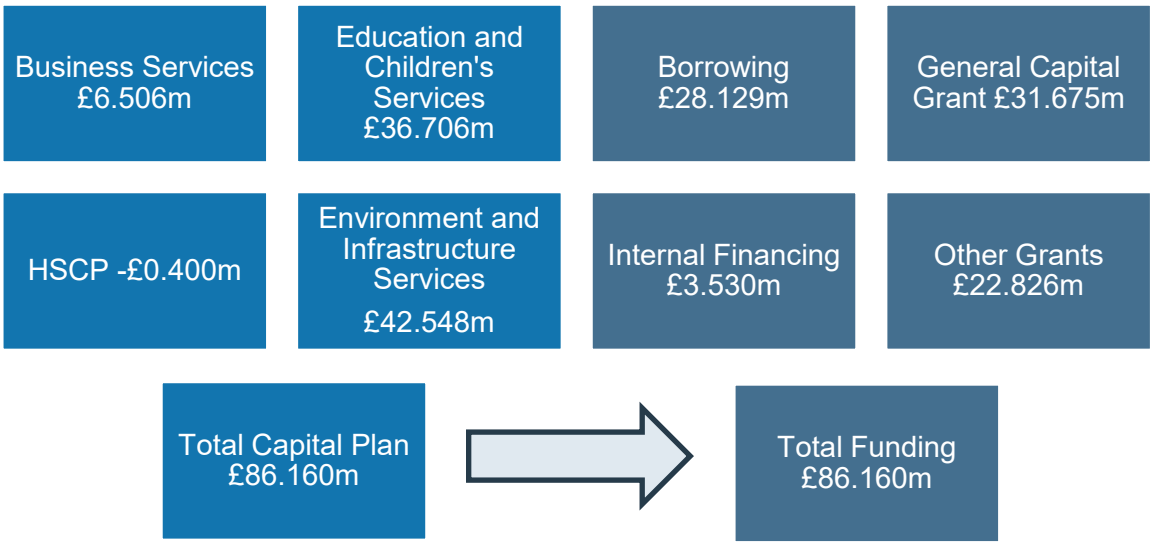
Details of the accounting adjustments are provided in the note to the EFA.

General Fund Capital Expenditure 2025/26

Capital expenditure differs to revenue expenditure in that rather than being day-to-day expenditure on delivering services, it is expenditure incurred on acquiring or improving existing assets such as buildings or roads.

The Council's capital investment plan considers the capital investment requirements to deliver the Council's priorities against the affordability within the overall MTFS. The effective use of capital resources, including asset management, is fundamental to the Council achieving its medium and long-term strategic objectives. The Council has a large capital plan with planned indicative expenditure running through to 2040 at the time the 2025/26 budget was approved.

The Capital Budget for 2025/26 was set at £86.160m and funded by a combination of General Capital Grant from the Scottish Government, other Grants, Internal Financing (PFI Lifecycle Replacement and Capital Receipts) and Borrowing, shown in the diagram below.



The original Capital Budget was revised during the year to reflect changes arising, including additional grant funding to support specific project work. The impact of these changes was a revised General Services Capital Plan of £96.127m.

In 2025/26 the Council delivered £65.5 million of General Services capital investment, representing 68.1% of the revised budget and an under-budget position of £30.6 million, largely reflecting programme slippage and reprofiling into future years. Despite this, significant achievements were delivered across the programme, including investment in new schools, school buildings, PFI lifecycle works, free school meals expansion and early learning provision; continued improvement of roads, bridges, resurfacing, fleet, active travel and public transport assets; and delivery across community and operational assets such as Macduff Marine Aquarium, sports facilities, play parks, waste services, corporate property, care homes and housing adaptations. The programme also supported carbon reduction, health and safety improvements and externally funded initiatives, demonstrating continued progress in maintaining and improving essential public assets for communities across Aberdeenshire.

The projects that were not achieved in 2025/26 may impact on the agreed 2026/27 programme, and it may be necessary to re-prioritise projects in 2026/27 to ensure that the plan remains affordable and within the overall capital plan financial envelope.

Despite the challenges faced during the year, the following projects were progressed:



Vehicle Replacement Strategy — delivered £7.5m investment in fleet replacement



School Buildings — delivered £5.1m of improvements across the school estate.



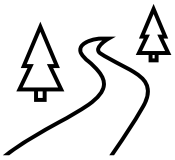
Bridges and Structures — delivered £5.2m of road network asset works.



New Schools — progressed £4.4m of new school investment.



Macduff Marine Aquarium — progressed £5.2m of Levelling Up investment.



Capitalisation of Other Road Network Projects — delivered £4.4m of roads-related works.

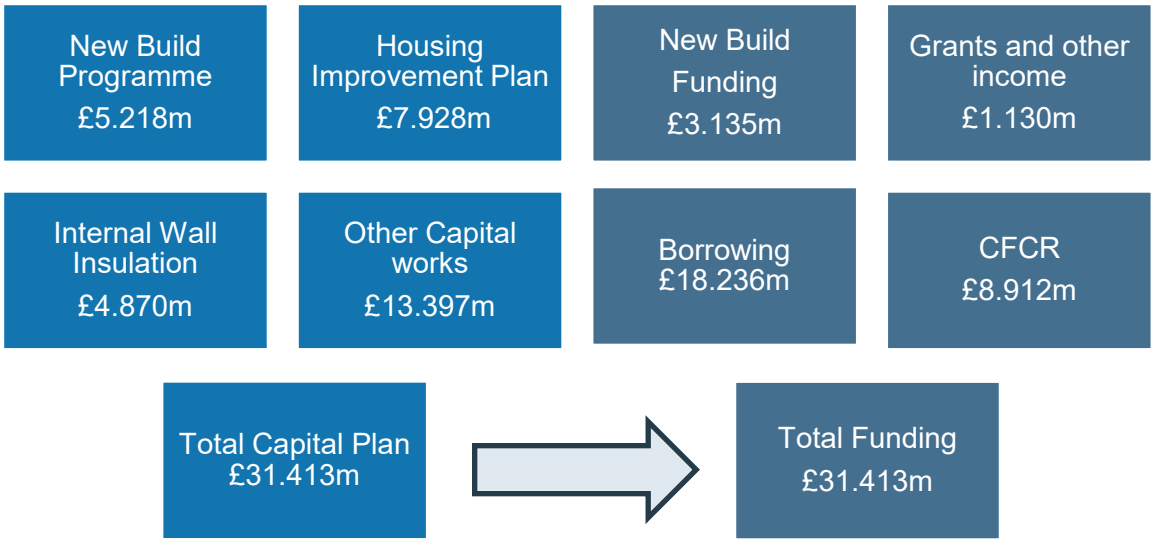
Housing Revenue Account 2025/26

The Council owns or leases 13,540 housing properties. The income and expenditure associated with the management of these properties is reflected in the Housing Revenue Account (HRA), a statutory account that the Council must maintain separate from the General Fund. All expenditure incurred, and tenant rental and service charges income received in the provision of rented accommodation must be retained in the HRA. This income must be sufficient to cover the expenditure on the HRA.

The HRA budget for 2025/26 was approved on 27 February 2025 at £67.248m. It was funded by £76.160m of income, with budgeted capital funded from revenue (CFCR) of £8.912m. At the end of the financial year, the HRA achieved an unaudited net income position of £9.111 million, which was £1.803 million above the revised budget of £7.308 million. The favourable outturn reflects lower staffing and financing costs, partly offset by higher supplies and services expenditure, together with income above budget from tenant recharges and additional rental income from new build properties. The improved position enabled an increased CFCR contribution of £9.136 million, supporting capital investment while maintaining the HRA working balance.

HRA Capital Expenditure 2025/26

The HRA Capital Budget was set on 27 February 2025 at £31.413m and funded by a combination of General Capital Grant from Scottish Government, other Grants, Capital Funded from Revenue (CFCR) and Borrowing, shown in the diagram below.



In 2025/26, the HRA Capital Programme invested £21.558m in delivering priority housing improvements. This included significant progress on internal wall insulation, the new build programme, the Housing Improvement Plan, capital works to void properties and reactive heating. The programme closed £9.855m under budget, reflecting project rephasing and slippage into future years, while still delivering substantial investment in tenants' homes and housing assets.

The following projects were progressed during the year:

New Build Programme – £2.699m delivered.

Housing Improvement Plan (HIP) – £2.674m invested.

Internal Wall Insulation Programme – £6.748m invested.

Council Reserves

The Council maintains two types of reserves – usable and unusable. Usable reserves result from the Council's activities and are available to support service spending in the future, whereas unusable reserves result from accounting adjustments and are not available for general use. The movement in these reserves is shown in the Movement in Reserves Statement and details of individual reserves are provided in Notes 1, 7 and 28.

The Council's main usable reserves are the General Fund and Earmarked Reserves. The Council agreed to maintain a working balance of £11m: £9m for General Fund and £2m for Housing Revenue Account. This is required to help cushion the impact of uneven cash flows, as a contingency to help with unexpected events or liabilities.

Funds are also held for earmarked purposes to meet known or predicted liabilities. This includes grant funding which has been received but not yet spent or funding which we are required to hold to fulfil our statutory obligations. These include Council Tax collected on Second Homes, unspent devolved school budgets carried forward, funds set aside to further the Council's Digital Strategy and support communities in tackling poverty and inequalities.

The movements in reserves are reported to Council on a quarterly basis and the reserves are reviewed annually as part of the Medium-Term Financial Strategy.

The Council ended the previous financial year with £78.677m in usable reserves. This balance had increased to £107.540m by 31 March 2026 with further detail being provided in Note 7.

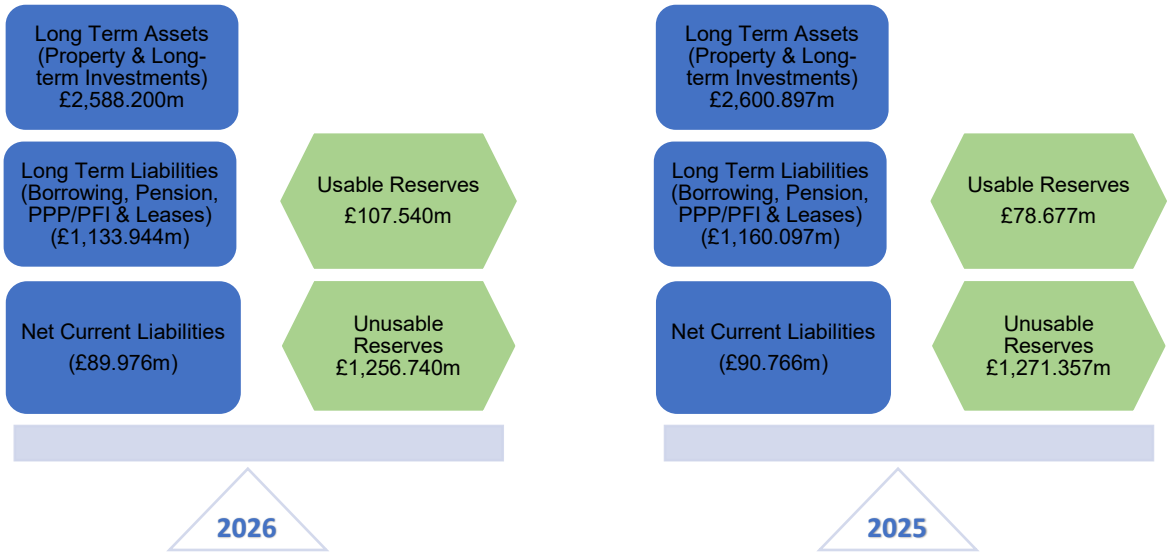
Total usable reserves comprise the following balances:

Transformation Reserve (incl. Transformation Payback Reserve) £26.767m (2024/25 £21.343m)	Risk and Inflation Reserve £18.928m (2024/25 £3.021m)	General Fund Working Balance £9.070m (2024/25 £9.000m)
Other Earmarked Commitments £34.660m (2024/25 £28.850m)	Insurance Fund £1.272m (2024/25 £0.774m)	Capital Reserves £14.043m (2024/25 £12.889m)
Housing Revenue Account Earmarked Reserves £0.800m (2024/25 £0.300m)	Total Usable Reserves £107.540m (2024/25 £78.677m)	Housing Revenue Account General Fund £2.000m (2024/25 £2.500m)

Balance Sheet Assets and Liabilities

The Balance Sheet records our assets (such as property, vehicles, investments and cash) and liabilities (such as creditors, borrowing, pensions and Public Private Partnership (PPP)/(Private Finance Initiative (PFI) commitments) and is a snapshot of our financial position. The diagram below summarises the position as at 31 March 2026, with comparative information provided for the previous financial year.

The Council's assets and liabilities are funded by an equivalent level of reserves. Usable Reserves are those which the Council can use to support service delivery through its Revenue and Capital budgets. Unusable reserves relate to revaluation movements or hold adjustments to reconcile accounting and statutory requirements. These reserves are not available to fund the day-to-day running expenses of the Council.



In financial terms, Aberdeenshire remains in good health with a net worth of £1,364.280m (£1,350.034m in 2024/25). The movement between years is an overall increase in the net asset position of £14.246m

- **Long Term Assets decreased by £12.697m**

This decrease reflects the net impact of additions, depreciation, disposals and revaluations of the property, plant and equipment held by the Council.

- **Total Liabilities decreased by £31.349m**

Total borrowing outstanding amounts to £1,054.036m, a decrease of £44.589m from the previous year (£1,098.625m in 2024/25). The majority of borrowing comes from the Public Works Loan Board (PWLB), with the remainder coming from Market Loans and temporary borrowing from various public bodies. Borrowing predominantly supports the capital investment programmes but is also used in cash flow management.

There was a reduction in the Council's Public Private Partnership (PPP) / Private Finance Initiative (PFI) liability of £8.943m because of payments made during the financial year and the impact of the remeasurement of the liability under IFRS16.

The Council had a net pension liability of £27.278m as at 31 March 2026 (£28.109m at 31 March 2025). This reflects the accounting treatment required under IAS19 and IFRIC 14, including the application of the asset ceiling where relevant. Unfunded benefits and the teachers' pension element continues to be recognised as pension liabilities.

In addition to the above, there are also movements in Short Term Creditors, increasing by £7.208m, an increase in Short Term Debtors of £4.567m and a decrease in Cash and Cash Equivalents of £9.224m. Further detail on Creditors can be found on Note 25, Debtors on Note 23 and Cash and Cash Equivalents on the Cash Flow Statement.

Financial Sustainability

The future financial sustainability of the Council has been identified as one of the key strategic risks facing the Council in the medium and longer term. Demand pressures and funding constraints have resulted in significantly increased challenges to the delivery of balanced budgets on an annual basis, with unsustainable reserves and non-recurring savings options being utilised, along with delivery of permanent savings, to bridge budget gaps.

The following financial indicators demonstrate the sufficiency of available reserves to support future service delivery, the affordability of our capital plans in terms of their impact on our revenue streams and the effectiveness of our budget monitoring activities.

	2024/25	2025/26	Scottish Average 2024/25*
Ratio of usable General Fund reserves to annual budget	10.44%	13.63%	19.3%
Ratio of uncommitted General Fund balance to annual budget	1.19%	1.34%	1.9%
Ratio of financing costs to net revenue stream – General Fund	6.2%	6.8%	6.0%
Ratio of financing costs to net revenue stream – Housing Revenue Account	19.9%	23.0%	20.7%
Actual outturn as a percentage of budgeted expenditure	100.52%	99.99%	100.1%

*Scottish average based on 2024/25 data; updated national figures not yet published

In setting its budget in February 2025, the Council recognised that its reserve balances were below the Scottish average and approved a revised reserves strategy as part of the 2025/26 budget report. The 2024/25 Annual Audit Report and the Accounts Commission's Best Value report, considered by the Council in June 2026, also highlighted the scale of the Council's medium-term financial challenge and the importance of setting out clearly how future budget gaps will be bridged. To support long-term financial sustainability and provide greater flexibility, the Council agreed to maintain uncommitted General Fund reserves at 3.5% of the net revenue budget, equating to circa £29 million. £4 million has been set aside in years 2 to 5 of the MTFS to increase the working balance to £25 million by 2029/30, with a further £4 million planned in year 6 to bring uncommitted General Fund reserves to the 3.5% minimum level.

The ratio of financing costs to revenue streams demonstrates prudence and ensures that our capital investment plans are sustainable in the long term. The Council's General Fund financing ratio sits above the Scottish average. In approving the MTFS and Capital Plan in February 2026,

the Council agreed to maintain a cap of 8.5% on borrowing costs as a percentage of net revenue for the General Fund. In approving the HRA budget for 2025/26 and beyond, the Council recognised the longer-term affordability pressures facing the HRA Business Plan and agreed that it should continue to be reviewed to support future viability.

The effectiveness of our budget planning and control is demonstrated by our high performance against budgeted expenditure.

The following financial indicators demonstrate the sufficiency of our debt collection and invoice payments. The Council Tax collection rate remained high in 2025/26 due to accurate and timely billing, and the continued regular payments by most Aberdeenshire residents, an effective recovery timetable, early intervention for missed payments, different payment methods and instalment plans and managing the Sheriff Officer.

	2024-25	2025-26	Scottish Average 2024-25*
Council Tax – in year collection rate	96.16%	96.21%	95.5%
Percentage of invoices paid within 30 days	92.8%	91.10%	93.1%

*Scottish average based on 2024/25 data; updated national figures not yet published.

Treasury Management and Investment

The Council's Treasury Management Strategy Statement and Annual Investment Strategy was approved by Council in February 2025, setting out details of the Council's borrowing, treasury management and loans fund.

The key indicators noted below highlight our under borrowed position, as a result of our policy of utilising internal funds to defer borrowing, the competitive interest rate achieved through the management of our loans fund and the average interest rate achieved on our investments.

Financial Indicator	2024-25	2025-26
CFR and Debt		
Capital Financing Requirement	£1,280m	£1,284m
Gross External Debt	£1,096m	£1,051m
Affordability		
Ratio of Financing Costs to Net Revenue Stream – General Fund	6.2%	6.8%
Ratio of Financing Costs to Net Revenue Stream - HRA	19.9%	23.0%

Participatory Budgeting

In 2017, COSLA and the Scottish Government agreed that at least 1% of local government budgets would be subject to participatory budgeting (PB) by the end of 2021. In 2021, COSLA Leaders reaffirmed their commitment to achieving the 1% target, reinforcing the ongoing ambition to increase community involvement in how public resources are allocated.

Participatory budgeting is one of a range of approaches that can be used to involve communities in decision-making. While approaches can vary, the key principle is that communities have a meaningful role in influencing how resources are allocated. This supports greater transparency, local ownership and more responsive services.

The 1% PB target is not about identifying additional or separate funding. Instead, it focuses on involving communities in decisions about existing resources. The 1% is a minimum expectation and can be met through a combination of revenue and capital expenditure, with flexibility for local authorities to determine how this is achieved across services.

The Council's 1% PB target for 2025/26, based on the Local Government Finance Circular, was £6.27m. This represents 1% of total estimated revenue expenditure, less assumed Council Tax income, in line with the definition agreed by COSLA and the Scottish Government. This figure is used as a benchmark for planning purposes, with flexibility in how it is applied.

In 2025/26, £1,077,885 of the Council's budget was subject to participatory budgeting (£226,405 in 2024/25). This included areas such as playpark upgrades, Local Action Group funding and Cash First funding.

Delivering PB continues to present challenges, particularly in the context of financial pressures and reduced service budgets, which can limit opportunities for allocation. As a result, PB is increasingly considered alongside a wider range of engagement and participation approaches. There is an increasing focus on strengthening community engagement more broadly, ensuring that residents have opportunities to influence decisions in a way that reflects local priorities and needs. This includes a mix of formal consultations, targeted engagement with community groups and ongoing dialogue through established forums.

This broader approach aligns with the Council's Place Strategy, which provides a cross-service framework for working with communities to support resilient places. It reflects the Scottish Government's Place Principle by promoting collaboration across services and partners, and by embedding community perspectives into planning and delivery.

In essence, participatory budgeting remains a useful tool, but it is now positioned as one element within a wider approach to community engagement and participation. The emphasis is on ensuring that community voice is reflected consistently across all aspects of council decision-making, rather than through a single mechanism.

In 2025/26, more around 20,000 people engaged with the Council through Engage Aberdeenshire, the online engagement platform, across a range of service areas. Additional insight is gathered through forums such as the Lived Experience Forum, Tenants Participation Forum and Pupil Participation Forum, helping to ensure that a broad range of perspectives are considered.

Outlook and Risks

Outlook

External Influences

Economic conditions continue to influence both the level of funding available to local government and the demand for public services. Inflationary pressures eased during 2025/26 compared with the peaks experienced in recent years, although the position remained volatile. The Office for National Statistics reported that UK Consumer Price Inflation was 2.8% in April 2026, down from 3.3% in March 2026, reflecting lower household energy costs, although fuel prices and wider geopolitical factors continued to create uncertainty.

The Bank of England noted in its April 2026 Monetary Policy Report that inflation is likely to remain above target in the short term, with the outlook affected by higher energy prices and wider uncertainty arising from conflict in the Middle East. The same report highlighted that UK economic growth remains weak and that financial conditions have tightened as a result of global events.

The wider international environment remains uncertain. The International Monetary Fund reported in its April 2026 World Economic Outlook that the global economy faces renewed pressure from geopolitical instability, higher energy prices and continued trade tensions, with downside risks continuing to dominate the outlook. These external factors affect the UK economy through inflation, interest rates, supply chains and business confidence, all of which have implications for local government finances.

Within Scotland, councils continue to face significant financial pressures. The Scottish Government confirmed the 2026/27 local government settlement in February 2026, while COSLA highlighted that, despite additional funding, a significant proportion of this is already committed and that councils continue to face cost, pay and demand pressures. For Aberdeenshire Council, this means that the cost of delivering services continues to rise, while funding flexibility remains limited.

At a local level, these economic and fiscal pressures continue to affect households and communities. Cost-of-living pressures, although less acute than in previous years, remain a factor in driving demand for Council services, particularly in relation to financial inclusion, welfare support and services for vulnerable people. The Council has continued to respond through targeted support and by maintaining a focus on financial resilience within its medium-term planning.

Alongside economic pressures, climate-related risks remain a significant external influence. The Met Office and Adaptation Scotland continue to highlight that Scotland is experiencing more frequent and severe extreme weather events, including storms and flooding, with further changes projected in future. These events can create direct financial pressures for the Council, disrupt service delivery and increase the need for investment in resilience and adaptation.

Taken together, these external influences reinforce the need for prudent financial management, robust medium-term planning and continued prioritisation of resources to support the delivery of essential services and the Council's longer-term strategic objectives.

Aberdeenshire Council's Financial Plans

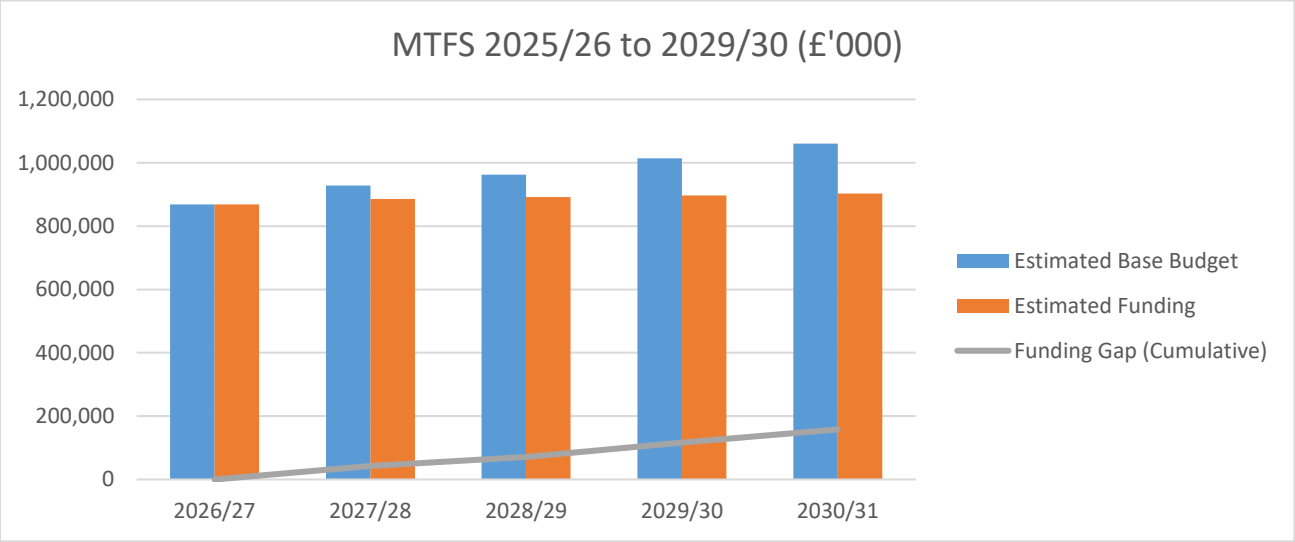
Revenue

The 2026/27 budget and Medium-Term Financial Strategy (MTFS) were approved at Council on 26 February 2026 MTFS - Feb 2026. The 2026/27 revenue budget was set in a challenging financial environment characterised by sustained inflationary pressures, increasing pay awards, and growing demand for services, particularly within health and social care. Total planned revenue expenditure exceeds £860 million, funded primarily through General Revenue Grant, Council Tax and Business Rates.

Despite a positive funding movement in the draft Local Government Settlement (circa £16.7 million increase), this uplift was insufficient to close the underlying budget gap, requiring a combination of savings, disinvestment, income generation and policy measures to achieve a balanced position.

The Council initially faced a budget gap of £30.2 million for 2026/27, driven by pay, inflation, and service demand pressures. This was addressed through a series of actions including service efficiencies, Council Tax increases, use of prior-year reserves, and targeted disinvestment, enabling a balanced budget to be set.

Looking ahead, the financial outlook remains highly constrained and uncertain. Over the five-year period to 2030/31, the Council faces a cumulative funding gap of circa £128.2 million, rising to £158.0 million when the estimated share of Integration Joint Board (IJB) pressures is included, as illustrated below.



Future funding assumptions remain prudent, with flat-cash General Revenue funding assumed, creating ongoing structural pressures. Council Tax increases and growth in the tax base provide some mitigation but are insufficient to offset the overall cost trajectory.

The MTFS highlights a continued challenging and uncertain financial outlook for the Council, characterised by sustained demand pressures, constrained funding growth, and ongoing reliance on transformation and savings delivery to maintain financial sustainability.

Key challenges and risks include:

- **Persistent funding gap -** The Council is projecting a recurring structural budget gap over the medium term, driven by demand-led expenditure (particularly in key service areas) exceeding anticipated funding levels.

- **Cost pressures and inflation risk -** Ongoing inflationary pressures on pay, energy, and externally commissioned services remain a significant risk, with volatility creating uncertainty in forward projections.

- **Demand-led pressures -** Increasing service demand, particularly in areas such as social care and other statutory services, continues to place upward pressure on expenditure, reducing financial flexibility.

- **Funding uncertainty -** Future funding levels remain uncertain, including:
  - Scottish Government settlements
  - Policy changes impacting local government funding
  - Wider economic conditions affecting income streams

- **Reliance on savings and transformation -** The financial position is dependent on the delivery of significant savings, efficiencies, and service transformation programmes. There is an inherent risk around deliverability and timing of these measures.

- **Reserves and financial resilience -** The Council continues to manage resources prudently; however the outlook indicates increased pressure on reserves may be required to support financial sustainability in the short to medium term.

Further details can be found within the budget report approved by Council on 26 February 2026 Revenue Budget 2026-31.

The MTFS will be delivered through a combination of three equally important and reinforcing interventions: transformation, prioritisation and disinvestment, with strengthened financial and performance grip.

1. **Transformation** remains a critical enabler of the Strategy. The refreshed Transformation Strategy is focused on earlier intervention and prevention, digital enablement, simplified customer journeys and place-based service redesign. Transformation investment is time limited, explicitly linked to recurring financial benefit, and supported by strengthened governance and benefits realisation to ensure that planned outcomes and savings are delivered.

2. Transformation alone cannot bridge the scale of the financial challenge the Council faces. **Prioritisation and disinvestment** are therefore equally deliberate and necessary interventions. The MTFS makes explicit that not all existing activity can be sustained and that difficult choices are required to align resources with statutory duties, demographic evidence, affordability and outcomes. Disinvestment proposals reflect a structured and evidence led process rather than short-term cost reduction and are integral to restoring long-term financial balance.

3. Alongside this, the Council will maintain **strong financial and performance grip**. This includes tighter in year budget management, clearer accountability for delivery, and early

corrective action where performance or financial trends diverge from plan. Grip ensures that transformation and disinvestment decisions translate into sustained financial improvement and that reliance on non-recurring measures is avoided.

No single intervention is sufficient on its own, and the strategy does not rely on transformation alone to resolve the Council's structural funding gap. This MTFS is deliberately disciplined. It does not rely on reserves to resolve structural imbalance, does not assume funding growth beyond prudent settlement assumptions, and does not commit the Council to ambitions it cannot afford to sustain.

Taken together, these interventions provide a balanced and credible approach to managing the Council's medium-term financial position. By combining transformation with explicit prioritisation, disinvestment and disciplined grip, the MTFS sets out how the Council will live within its means while continuing to protect essential services and outcomes that matter most to communities. Grip will be exercised through clearer accountability for delivery, strengthened member oversight of high-risk areas, and early intervention where financial or demand trajectories diverge from plan.

The Council's reserves are limited relative to the scale of the revenue budget and the level of financial and service risk it faces. They provide important short-term resilience and flexibility, but they are finite and cannot be used to resolve structural imbalance in the Council's finances.

The 2026/27 budget does not rely on reserves to achieve balance. Instead, it reflects a deliberate approach to financial sustainability by maintaining and, where appropriate, increasing reserves and provisions to manage volatility, risk and uncertainty. This ensures that reserves remain available for their intended purpose: supporting financial resilience rather than funding recurring expenditure.

The MTFS therefore focuses on achieving a balanced and recurring financial position through structural solutions that align the scale, shape and cost of services with available resources. This approach provides a more sustainable basis for financial planning over the medium term and reduces reliance on short-term mitigation. Maintaining reserves and appropriate provisions at prudent levels is a core component of the Council's financial resilience, enabling it to respond to emerging risks, manage demand volatility and absorb unforeseen pressures in a controlled and planned way.

Given the dynamic and demanding environment in which we operate, we have made certain assumptions regarding the resources available to the Council for funding the services we offer. However, these assumptions are continuously reassessed to adapt to evolving circumstances or new information regarding known risks. The budget report presented to Council included a detailed risk register, setting out the mitigating actions that could be taken to minimise the impact, if the risks came to pass. Good financial management is crucial to address these risks, ensuring financial sustainability, effective service delivery, and preventing overreliance on temporary solutions, and the successful implementation of transformation initiatives.

Funding reductions across other public sector organisations also place additional pressure on both the Council and the Integration Joint Board. Councils often act as a safety net for individuals in crisis, and cuts to other sector budgets are increasing the number of people reaching crisis points. Similarly, decisions made by the Council will have a direct impact on third sector organisations and other public sector bodies, further emphasising the interconnected nature of financial challenges across the system. This is in part mitigated by the Aberdeenshire

Community Planning Partnership – a collaborative endeavour among the public, private and voluntary sectors to enhance service delivery within the Aberdeenshire Council area. The partnership is comprised of entities such as Police Scotland, NHS Grampian, Scottish Fire and Rescue Service, Scottish Enterprise, Nestrans and Aberdeenshire Voluntary Action (AVA). The Local Outcomes Improvement Plan or LOIP provides a vision, based on agreed local priorities, to which partners work systematically and collaboratively to meet the needs and aspirations of local communities.

When it becomes impossible to meet all needs and demands, the Council must prioritise resources strategically, fostering greater self-reliance within families and communities. This approach aligns with the Council Plan, which emphasises supporting the most vulnerable while encouraging proactive engagement from stakeholders. By empowering communities and promoting shared responsibility, we can ensure that limited resources are directed where they are needed most, creating a more sustainable and resilient support system.

Capital

Capital investment has a significant impact upon the local economy and helps to ensure that the Council can continue to provide the best possible services and outcomes within Aberdeenshire. Any capital investment decision will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project/programme is being developed to ensure that the impact can be incorporated within the Council's budgets and to demonstrate that capital investment is affordable. The revenue implications may include the costs associated with supporting additional borrowing as well as any changes to the running costs associated with the asset or wider benefits to the Council such as the delivery of ongoing revenue budget savings or additional income.

The Council continues to explore external funding possibilities when developing capital projects. Generation of capital receipts can also help to provide resources to support additional capital investment or can help to reduce the borrowing requirement and therefore the cost to the revenue budget. Capital investment is supported by borrowing, with estimated borrowing costs of approximately £293 million over the five-year Medium Term Financial Strategy period. These costs place increasing pressure on the revenue budget, rising year-on-year as new capital commitments are delivered. To ensure affordability, the Council has implemented a clear cap on borrowing costs of 8.5% of net revenue streams (excluding PFI/PPP commitments), providing a structured framework to manage investment decisions and maintain financial sustainability over the longer term.

Capital investment priorities continue to be aligned to council outcomes, with a focus on maintaining critical infrastructure, supporting service delivery, and responding to demographic and demand pressures. However, the scale of future investment will require ongoing prioritisation, with strong links to the transformation programme and revenue affordability.

Peterhead Community Campus remains one of the largest projects within the Council's approved Capital Plan and is expected to account for a significant proportion of planned capital investment over the medium term. During 2025/26, the project continued to progress through design, procurement and delivery planning stages, with expenditure incurred on project development and preparatory activities ahead of construction. The investment will provide modern educational facilities and support the wider regeneration of Peterhead, contributing to the Council's long-term asset and place-based objectives

The Council will continue to keep the Capital Plan under review, ensuring that investment decisions remain deliverable and affordable within the overall financial envelope, and that associated borrowing and revenue implications are actively managed.

The approved Capital Plan for 2026/27 and indicative plan for 2027/28 through to 2030/31 includes new borrowing of £66 million in 2026/27 and a further £124 million between 2027/28 and 2030/31, as summarised below:

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Planned Capital Expenditure	**103.609**	**100.908**	**52.593**	**42.077**	**36.152**	**335.339**
Funding Sources						
Scottish Government						
General Capital Grant	17.239	21.152	21.152	21.152	21.152	101.847
Other Grants from Scottish Government	2.420	0.100	0.100	0.100	0.100	2.820
Other Funding						
Levelling Up Funding (UKG)	13.231	-	-	-	-	13.231
Nestrans	0.290	0.115	0.130	0.130	-	0.665
Other Contributions	1.399	3.875	0.584	0.584	0.584	7.026
Capital Receipts	1.750	4.250	4.250	1.750	1.750	13.750
PFI / PPP Funded	0.883	0.995	1.292	1.699	1.253	6.122
Cash and Borrowing	66.397	70.421	25.085	16.662	11.313	189.878
Total	**103.609**	**100.908**	**52.593**	**42.077**	**36.152**	**335.339**

Transformation and Savings

As set out in the Medium-Term Financial Strategy, transformation is one of the key mechanisms through which the Council will support long-term financial sustainability alongside prioritisation, disinvestment and strengthened financial and performance management. The original Transformation Strategy approved in November 2023 has been superseded by a revised strategy approved on 15 January 2026 (Item 5). The revised strategy places greater emphasis on place-based transformation, aligning services more closely to the needs, priorities and assets of local communities, supported by data-led decision-making and strengthened partnership working.

Delivery will be directorate-led, with clear accountability for achieving both financial savings and wider service outcomes. To support this, the revised strategy is structured around four overarching workstreams:

- Place;
- The Shape of our Council;
- Big Data, Digital & Technology; and
- Building & Estates.

Investment is supported through an invest-to-save Transformation Reserve, intended to fund activity that delivers sustainable financial benefits alongside wider improvements such as productivity, workforce resilience and service quality. The reserve was created in 2022/23 following changes in accounting treatment for service concessions. It is important to note, however, that this represents an accounting benefit rather than a cash-backed resource. Use of the reserve therefore requires access to cash resources, such as borrowing managed through treasury cash flow arrangements, with repayment intended over a five-year period.
To date, the Council has authorised drawdowns from the Transformation Reserve as follows:

	Approved by Council £'000	**Actual to 31 March 2026 £'000**
Opening balance – 1 April 2023	(37,499)	(37,499)
Voluntary severance costs	4,344	4,344
Staffing and consultancy	3,000	1,167
Big Data, Digital and Technology	951	0
Out of Authority Placements – Children's Homes	1,650	0
HSCP 2024/25 out of balance	10,645	6,640
Closing balance 31 March 2026	**(16,909)**	**(25,348)**

In approving the 2026/27 budget in February 2026, the Council lifted the temporary suspension on use of the Transformation Reserve and replaced it with strengthened governance. Access to the reserve is now permitted only where a clear, evidence-based business case is approved, demonstrating transformational impact, affordability, deliverability and appropriate management of financial risk.

A refreshed transformation governance framework was implemented during 2026/27, introducing a more consistent corporate approach to identifying, monitoring and reporting transformation, change and improvement activity through Directorate Boards, supported by a single dashboard providing a consolidated Council-wide view.

As reported to Full Council in June 2026, initial analysis identified 34 Priority 1 projects across the three Directorates and a wider portfolio of 301 projects, comprising 209 change and improvement activities and 92 transformation activities. These revised arrangements have strengthened oversight and will support further prioritisation, governance and monitoring of delivery, including associated savings, as the programme develops. Policy Committees will receive quarterly updates on transformation activity within their remit, and Full Council will receive twice-yearly reports on overall progress and performance against agreed measures.

Overall, the revised strategy is intended to support financial sustainability while improving outcomes for communities through a more integrated, efficient and data-led operating model.

Principal Risks and Uncertainties

Aberdeenshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the Council. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.

The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and services are aware of these risks, risk management can contribute positively towards the Council's decision-making processes, making the Council more innovative and effective in its approach to service delivery.

The Council's approach to Risk and Resilience Planning is discussed further as part of the Annual Governance Statement.

The most significant risks are identified through the Council's Corporate Risk Register, recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks. In addition, a Budget Risk Register, developed as part of the MTFS and annual budget setting process, identifies the risks that may have an impact on the Council's financial sustainability over the medium term.

The principal risks faced by the Council are summarised below. These risks are interdependent and reflect a challenging operating environment. The Council continues to manage these uncertainties through its Medium-Term Financial Strategy, reserves policy, and established governance arrangements, including regular financial monitoring and risk reporting to Members.
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Risk Description	Impact	Mitigations and Controls
Financial sustainability and Medium-Term Budget Gap While a balanced budget has been approved for 2026/27, the Council faces a structural budget gap (£128.224m, rising to £158.005m when taking account of its potential share of IJB's forecast deficits), where recurring expenditure exceeds sustainable funding, driven by demand growth, inflation, pay pressures and constrained funding.	• Inability to sustainably balance the budget over the medium term. • Increased reliance on reserves and one-off measures. • Potential requirement for unplanned service reductions or savings.	• MTFS aligned to budget planning. • Delivery of approved savings and transformation programmes. • Regular budget monitoring and reporting to SLT and Members. • Prudent reserves strategy to manage short-term pressures. • Scenario planning and sensitivity analysis.

Risk Description	Impact	Mitigations and Controls
Demand-Led Cost Pressures and Demographic Changes Demographic change in Aberdeenshire, including an ageing population (21% aged 65+ and growing) and increasing complexity of need, is expected to drive sustained demand across Council services.	• Ongoing cost escalation in statutory services (social care, ASN, housing). • Reduced financial flexibility as discretionary spend is constrained. • Risk of overspends and service performance pressures.	• Demand management and early intervention approaches. • Service redesign and transformation (including digital approaches). • Regular demand and cost monitoring. • Workforce planning aligned to demand trends. • Integration with partners for preventative approaches.
Integration Joint Board (IJB) Financial Sustainability The Council remains exposed to financial risk through the IJB. The Accounts Commission's Finance Bulletin 2024/25 highlights that IJB finances are in a critical position, with demand and cost pressures exceeding funding, declining reserves, and a sector-wide funding gap of £449m. Locally, the IJB's medium-term position indicates a sustained funding gap (29.781m by 2030/31), increasing the risk of additional financial pressures for the Council.	• Additional financial pressures on the Council arising from IJB deficits. • Increased volatility in financial planning and reserves usage. • Reduced capacity to fund wider Council priorities.	• Active governance through IJB Board representation. • Regular financial reporting and oversight arrangements. • Medium-term financial planning aligned between partners. • Ongoing dialogue with NHS partners and Scottish Government. • Risk-sharing arrangements and financial recovery planning.

Risk Description	Impact	Mitigations and Controls
Capital Programme Affordability and Asset Sustainability The Council faces ongoing risk that its capital programme may become unaffordable due to rising construction costs, borrowing pressures, and increasing investment requirements across its asset base.	• Increased borrowing and financing costs impacting the revenue budget. • Delays or reductions in capital programme delivery. • Deterioration in asset condition affecting service delivery (e.g. schools, roads).	• Capital Plan aligned to affordability and prudential indicators. • Robust business case and prioritisation framework. • Regular capital monitoring and rephasing of projects. • Asset management planning and condition surveys. • Exploration of alternative funding sources (grants, external funding).
Workforce Capacity and Skills The Council faces workforce shortages and recruitment challenges, particularly in key service areas, with capacity not keeping pace with growing demand. This is driven by demographic change, competition within the labour market and increasing complexity of service demand.	• Reduced service capacity and performance. • Increased use of agency staff and cost pressures. • Risks to delivery of transformation programmes and internal controls.	• Workforce strategy and succession planning. • Targeted recruitment and retention initiatives. • Training and development programmes. • Use of flexible and hybrid working approaches. • Ongoing workforce monitoring and reporting.
Transformation and Savings Delivery The Council faces a risk that the scale and pace of transformation required to deliver savings are not achieved. Delivery is dependent on successful service redesign, digital transformation and workforce change, all of which increase complexity and implementation risk. Failure to deliver savings within required timescales would result in sustained budget pressures, increased reliance on reserves or unplanned corrective action, and potential impacts on service delivery.	• Failure to deliver required savings leading to budget shortfalls. • Increased reliance on reserves or in-year corrective actions. • Reputational risk and reduced confidence in financial planning.	• Strong programme governance and reporting arrangements. • Clear accountability for savings delivery. • Integration with digital and service redesign strategies. • Regular review of savings assumptions and delivery plans. • Escalation processes for underperformance.

Supplementary Information

Common Good Funds, Trusts and Endowments

The Common Good Funds were inherited from the former Town Councils and can be disbursed on projects within the boundaries of these former Burghs. Overall, the Common Good Funds reported an in-year deficit on the Provision of Services of £106,000 (2024/25: £1,000 deficit), resulting in an accumulated surplus as at 31 March 2026 of £6.919 million (2024/25: £9.138 million). Further details can be found within the Common Good note to these accounts.

The Council administers 358 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet and a summary of the balances of the Trusts at 31 March 2026 are provided within the Trusts and Endowments note to these accounts. Overall, the Trusts and Endowments reported an in-year surplus of £58,000 (2024/25: £86,000 surplus), resulting in an accumulated surplus at 31 March 2026 of £8.146 million (2024/25: £7.431 million).

Group Accounts

The Council has a material interest in a number of other organisations and is therefore required to produce group accounts. The Group Accounts and notes are included on pages 165-175 which include further detail of the associated entities that have been incorporated into the Annual Accounts. The effect of including the Group entities along with the Council Accounts is an increase in both Reserves and Net Assets of £17 million. This represents the Council's share of the net assets in these entities.

Where to Find More Information

If you would like more information, the Council website provides detailed information on the Council's strategies, plans and policies and our performance and spend.

Acknowledgements

Thanks must go to all the elected members, officers, and employees of the Council for their support and co-operation during the year and for their continued support going forward.

The production of the Annual Accounts is very much a team effort involving many staff from across the organisation. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2025/26 Annual Accounts. Special thanks must go to all the employees within the Finance Team who successfully completed the year end processes and consolidation while operating with a significant number of vacancies within the team.

Stewart Adams	*Anne Stirling*	*Jim Savege*	*Mary Beattie*
Cllr Stewart Adams Co-Leader of the Council	Cllr Anne Stirling Co-Leader of the Council	Jim Savege Chief Executive	Mary Beattie Head of Finance

On Behalf of the Councillors and Strategic Leadership Team
29 October 2026

Statement of Responsibilities

The Council's Responsibilities

The Council 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 (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

Signed on behalf of Aberdeenshire Council

Stewart Adams *Anne Stirling*

Councillor Stewart Adams
Co-Leader of the Council
29 October 2026

Councillor Anne Stirling
Co-Leader of the Council

The Head of Finance's Responsibilities

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

In preparing the Annual 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 legislation; and
- complied with the Code (in so far as it is compatible with legislation), except where stated in the policies and notes to the accounts.

The Head of Finance has also:

- kept adequate accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of Aberdeenshire Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2026.

Mary Beattie

Mary Beattie, FCCA
Head of Finance
29 October 2026

Annual Governance Statement

Executive Summary

Aberdeenshire Council is responsible for ensuring that its business is conducted lawfully, ethically and to proper standards, with public money safeguarded and used effectively. As a large, rural authority with dispersed communities, long travel distances and increasing demand pressures for services across a wide geographic area, the Council must ensure that its governance arrangements support consistent, resilient and accessible service delivery. In fulfilling its statutory duties, the Council has established and maintained a robust governance framework aligned to the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

For the year ended 31 March 2026, the Council operated in accordance with its approved Code of Corporate Governance (the Local Code), which was revised in 2020 and remains fit for purpose. The Council has considered the revised *Delivering Good Governance in Local Government Framework* and assessed its implications for the existing governance arrangements. The revised Framework has a limited impact on the Council's current arrangements, with any necessary refinements to be incorporated into the Local Code and supporting governance arrangements as appropriate.

The governance framework encompasses effective decision-making, accountability, risk management, performance management and stakeholder engagement across the Council and its group entities. The Director of Business Services has oversight of the Local Code and is satisfied that it has been implemented effectively, supported by strong performance reporting, embedded scrutiny arrangements and clear evidence of compliance.

The Council's system of internal control provides reasonable assurance that risks to the achievement of strategic objectives are identified, assessed and managed appropriately. This framework has been in place throughout 2025/26 and up to the approval of the annual accounts. Regular reviews of the Scheme of Governance, alongside compliance with key CIPFA professional statements, reinforce the Council's commitment to high standards of financial management and internal control.

Governance effectiveness is reviewed annually through a structured self-assessment process involving the Strategic Leadership Team, Policy Committees, Audit Committee and senior elected and statutory officers. For 2025/26, this review confirmed compliance with the Local Code while identifying strengths and areas for improvement.

Key areas of focus during the year included managing significant financial pressures through a revised Medium Term Financial Strategy and progressing the Council's transformation programme. Strong assurance has also been provided through Internal Audit, with the Chief Internal Auditor concluding that the Council has an adequate and effective framework of governance, risk management and control.

The Council continues to strengthen its approach to risk and resilience planning, Best Value, and partnership governance, including health and social care integration. Progress against prior-year governance actions has been substantial, demonstrating continuous improvement and responsiveness to audit and inspection findings.

The Council recognises the importance of continuous improvement within its governance arrangements. Arrangements are in place to identify and address areas for improvement arising from internal audit, external audit and the Corporate Improvement Plan. Agreed actions are monitored through established governance and performance reporting arrangements, including regular reporting to Senior Leadership Team and the Audit Committee. This provides assurance that issues are actively managed and governance arrangements continue to be strengthened. Planned actions for 2026/27 are summarised in the following sections.

Based on the evidence presented, the Council is satisfied that its governance arrangements for 2025/26 are adequate, effective and operating as intended, and that appropriate actions are in place to address identified areas for development and support the delivery of sustainable, high-quality services.

Scope of Responsibility

Aberdeenshire Council has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately.

The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure best value through continuous improvement in the performance of its functions and ensuring that the Public Sector Equality Duty is discharged in the exercising of these functions. Elected Members and the Strategic Leadership Team are responsible in discharging those responsibilities for putting proper arrangements in place for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including risk management arrangements, all in line with statutory obligations under the Equality Act 2010 and the United Nations Convention on The Rights of the Child or UNCRC.

In discharging this overall responsibility, Aberdeenshire Council approved and adopted a Code of Corporate Governance (the Local Code) which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government". The Council revised its Code of Governance (the Local Code) in 2020 to ensure it is fit for purpose. The revision has been developed based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

This assurance statement relates to the governance framework in place within the Council and its group entities for the year ended 31 March 2026 and up to the date of signature of the Council's Annual Accounts for 2025/26.

This Annual Governance Statement explains how the Council has complied with the Local Code and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, which details the requirements for the Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and the achievement of key outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework

Aberdeenshire Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice.

The Director of Business Services has responsibility to:

- Oversee the implementation and monitor the operation of the Local Code and
- Review the operation of the Local Code in practice.

In terms of fulfilling these responsibilities the Director of Business Services is assured that the implementation of the Local Code has been done effectively for a number of reasons. Many of the practical, evidence-based ways the Local Code has been implemented are set out in Table 1. That sets out a range of officer and councillor activities, reinforces good practice in our ways of working and provides evidence of these through a variety of formal reporting arrangements. This Statement has built on solid foundations from previous years. Regular performance reporting is embedded across the organisation and further enhances the Council's scrutiny activity - performance information and benchmarking data is becoming embedded in decision-making through Directorate Annual Scrutiny & Improvement Reports, Directorate Strategic Plans and Head of Service Operational Plans.

The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Key elements of good corporate governance include honesty; trust and integrity; openness; performance focus; responsibility and accountability; management of risk; mutual respect and commitment to the organisation. The following section sets out the Principles of the Local Code and some of the ways in which the Council complies with them.

Code of Corporate Governance – How the Council Demonstrates Compliance

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- Councillors Code of Conduct
- Counter Fraud Strategy
- Participation in the National Fraud Initiative

- Corporate Risk Management Steering Group
- Disclosure of Information (Whistleblowing) Policy and annual reporting
- Fairer Scotland Duty
- Financial and Legal Monitoring Officers
- HR Policies and Procedures
- Integrated Impact Assessments
- One Aberdeenshire Principles
- Scheme of Governance including the Financial Regulations

Principle 2: Ensuring openness and comprehensive stakeholder engagement

- Council Plan
- Employee surveys
- Engage Aberdeenshire
- Engagement & Participation Policy
- Directorate Annual Scrutiny & Improvement Plans
- Directorate Strategic Plans
- Head of Service Operational Plans
- Online accessibility to public meetings
- Local Outcome Improvement Plan
- Minimising the number of exempt reports through robust legal monitoring and challenge
- Participatory Budgeting
- Partnership Reviews and Reporting
- Participation Requests
- Tenant participation forum
- Aberdeenshire Lived Experience Forum
- Council Budget Position White Paper 2026

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Carbon Budget
- Climate Change Commitment
- Community Benefits in Procurement
- Council Plan
- Digital Strategy
- Performance Reporting
- Procurement Strategy

Principle 4: Determining the interventions necessary to optimise the achievement of intended outcomes

- Budget Setting Process
- Capital Plan Monitoring
- Carbon Budget
- Directorate and Corporate Risk Registers

- Financial Performance Reports
- Integrated Impact Assessments, including Equalities and FSD.
- Legal and Financial Monitoring
- Medium Term Financial Strategy
- Performance Reporting
- Policy Development & Review Framework - Part 4B
- Route Map to 2030 and beyond
- Place Strategy
- Transformation Strategy

Principle 5: Developing the entity's capacity, including the capability of its leadership and individuals

- ALDO (Aberdeenshire Learning & Development Online) training
- Digital Champions Programme
- Sustainability Champions
- Committee Workshops
- Councillors' Roles and Responsibilities
- HR Policies and Procedures
- Leadership Forum (see Appendix 1 for details)
- Learning and Development programme
- Multi Member Ward Guidance
- Training and CPD for Councillors
- Workforce Strategy
- Audit Committee Self-Assessment

Principle 6: Managing risks and performance through robust internal control and strong public financial management

- Audit Committee
- Capital Plan
- Committee Reports
- Contracts Register
- Corporate, Directorate & Operational Risk Registers
- Corporate Risk Management Steering Group
- Financial Performance Reporting
- Financial Regulations
- Internal Audit
- Scheme of Governance
- Strategic Leadership Team

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- Annual Performance Report
- Audit Committee

- Committee Review Process
- Corporate Improvement Plan
- External Audit Reports to Committee
- Internal Audit Charter
- Access to Committee Meetings
- Notices of Motion
- Member Promoted Issues
- Member Officer working groups.
- Performance Reporting
- Scrutiny Reports
- Local Government Benchmarking Framework

In 2016 the Council approved the Scheme of Governance to ensure that there were appropriate arrangements for the governance of the Council's resources. The Scheme of Governance is subject to a minimum annual review to ensure it remains fit for purpose and reactive to the environment the Council is operating in. An annual review of the Scheme of Governance was considered by the Procedures Committee before being presented to Full Council in January 2026 and approved on 12 March 2026.

Aberdeenshire Councillors agreed a Council Plan 2024-2029 on 27 June 2024 (Item 9). At a meeting held on 27 June 2024 Full Council formally closed the Council Plan 2022-2027 and associated priorities. The Annual Performance Report was presented to Full Council on 25 September 2025 (item 7) presenting the performance information for 2024/25 and reflected the delivery of the Council priorities for the Council Plan 2024-29.

The Plan is centred around 3 main strategic priorities:- A Sustainable Economy, Connected Communities, Living Well Locally. Further to these three priorities we must consider how we will work with Communities and our impact on Climate Change. These priorities are supported by Key Performance Measures. Directorate Strategic Plans provide detail around how outcomes will be delivered, and focus on performance and improvement including performance measures, benchmarking and accountability for delivery, as well as workforce planning. A robust performance management framework was approved by Full Council on 24 June 2021 (Item 11). The Performance Management Framework was updated in March 2025 to reflect the new Strategic Performance Information Direction (2024) which was published by the Accounts Commission in January 2025. Performance has been consistently reported to Policy and Area Committees since the implementation of the Performance Management Framework. Reporting on the Council Plan 2024-29 commenced in July 2024. Performance reporting to Strategic Leadership Team commenced in May 2022. The Performance Management Framework provides a robust foundation to ensure a smooth transition in performance reporting across all Directorates.

The Council's Medium Term Financial Strategy 2026-27 (MTFS) which was agreed by Councillors on 26 February 2026 (Item 4), is the financial embodiment of the Council Plan and provides the overarching framework for budget setting and financial decision-making. The MTFS aligns available resources to Council priorities and underpins the Council's transformation activity, ensuring that service redesign, savings and investment decisions are planned, governed and monitored in a coherent and integrated manner. Through this

approach, the MTFS supports long-term affordability, strengthens financial resilience and enables the Council to manage ongoing financial pressures while continuing to deliver priority outcomes.

In accordance with the governance framework the Council conforms with the following:

- The CIPFA Statement on the Role of the Chief Financial Officer in Local Government;
- The Code of Practice on Managing the Risk of Fraud and Corruption;
- The CIPFA Statement on the Role of the Head of Internal Audit; and
- Audit Committees: Practical Guidance for Local Authorities and Police.

The System of Internal Financial Control

The system of 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 Chief Officers within the Council. In particular, the system includes:

- Financial Regulations and Codes of Practice
- Comprehensive budgeting systems
- Regular reviews of quarterly and annual financial reports that indicate financial performance against the approved budgets

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2016)".

Regarding the entities incorporated into the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statement of Internal Financial Control where appropriate.

A Medium Term Financial Strategy together with associated risks, and 5-year revenue plans (1-year annual budget and further 4 indicative years budgets) and 15-year capital plan (5-year capital plan plus indicative high level spend and funding estimates for the further 10 years) based on Council priorities, is developed on an annual basis. This process is led by Strategic Leadership Team and presented for approval by Council prior to the end of March each year. As part of this framework, the Carbon Budget is integrated within the budget setting process to support decision-making that balances financial sustainability with the delivery of sustainable economic, social and environmental outcomes. Revenue and Capital Budget Monitoring reports are presented to the Policy Committees on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Annual Accounts provides financial and non-financial information on the Council's performance, wider achievements and areas for development. The Aberdeenshire Council's Financial Plans section focuses on the key facts and risks arising from the Medium Term Financial Strategy.

Review of the effectiveness of the governance framework

Aberdeenshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by contributions from the Council and its Committees, including Audit Committee, Strategic Leadership Team, the Statutory Officers, Internal and External

Auditors and external organisations that carry out audits or inspections of the Council. The process for evaluating and endorsing compliance with the Local Code includes the following:

- Strategic Leadership Team – comprising the Chief Executive and Directors, Section 95 Officer, Monitoring Officer to review and update the self-assessment and agree improvement plan if required
- Policy Committees – for comment
- Audit Committee – for comment
- Leader of the Council and Chief Executive – to sign off

Aberdeenshire Council adopted the Public Service Improvement Framework (PSIF) self-evaluation model in November 2021. The PSIF is a self-assessment approach to support improvement in organisations, with a comprehensive review of their own activities and results. It promotes a robust approach to continuous improvement and Best Value and is mapped to a number of established organisational improvement tools. This self-assessment framework also demonstrates the Local Code is being complied with.

Following an annual review process not only creates an opportunity for the Council to set out its standard for good governance but also ensures that its governance arrangements in public services are closely scrutinised.

All of the Code of Governance self-assessment actions that have been identified since 2022 have now been completed. We will undertake a self-assessment exercise to review how we are performing against the principles, this is aimed to be carried out across 2026/27, with any identified actions being included within the Corporate Improvement Plan once approved.

Best Value

The audit of Best Value in councils is now fully integrated within the annual audit work performed by our appointed auditor, Grant Thornton. There are five aspects to the auditors work:

- Following up previous improvement actions
- Risk based evaluation of the arrangements in place to secure Best Value
- Assessing the arrangements for statutory performance information and reporting a summary of the indicators reported by the Council
- Thematic reviews
- Contributing to Controller of Audit reports.

The Accounts Commission published its Best Value report on Aberdeenshire Council in March 2026 and this was considered by Aberdeenshire Council in June 2026. The report was based on evidence collected in the 2022/23, 2023/24 and 2024/25 annual audits. The Best Value themes across these years were:

- 2022/23 – Councils leadership of the development of new local strategic priorities
- 2023/24 – Workforce innovation
- 2024/25 - Transformation and how councils are redesigning and delivering services to achieve planned outcomes.

Each of these thematic reviews included recommendations for improvement. These have been taken forward as part of the Council's Improvement Plan (CIP) and are reported to both the Audit Committee and Full Council on a six-monthly basis.

In addition to the above, the Council has a number of planned actions for the 2025/26 Annual Best Value Audit based on Asset Management. These actions will help further strengthen the governance framework, details of which, will be set out within the CIP once approved at Audit Committee in September 2026. In particular, the Council are taking forward the findings from the Accounts Commission Best Value which were approved in June 2026. These include:

- **Savings delivery and financial realism -** Ensuring savings are specified, monitored and subject to earlier intervention where delivery is at risk. This will reduce reliance on one-off solutions and build confidence that approved savings will be delivered in full and on time.
- **Transformation delivery -** Transformation is critical to long-term sustainability, requiring strong governance, clear milestones, benefits tracking and monitoring of risks and outcomes.
- **Community engagement and place –** Requirement for early, positive engagement on transformation targeted on locally informed Place Plans to ensure affordability and long-term service sustainability.
- **Partnerships and shared risk –** Continuing to strength partnerships, building assurance, ensuring lessons are learnt and improvements are continually made through joint financial planning and risk management.

These areas of focus will build on the Council's current transformation approach, recognising that our transformation journey is at an early stage and that further development will continue.

Accountability and planned actions for 2026/27

Updates on the Corporate Improvement Plan (CIP) (item 5 30.4.2026) are reported to the Audit Committee (February and September) and to Full Council (April and November) on a six-monthly basis to enhance transparency and accountability and to provide members with assurance around progression of actions. The CIP supports the Council to demonstrate compliance with our Code of Corporate Governance and the CIPFA Delivering Good Governance in Local Government Framework as well as our duty to deliver Best Value.

Progress on all the actions from the Best Value Thematic themes are held within the current Corporate Improvement Plan. The current actions that have now been completed all relate to the Best Value 2024/25 theme of Transformation. These Include:

1. **Improvement Action -** . Development of a concise Responsibility Matrix (RACI) for all levels within the Transformation Programme.

   Expected Outcome – This action has now been closed , the RACI matrix is now being embedded across the Transformation Programme, this is due to the implementation of the new Transformation strategy and Directorate board set up.

   Start Date – 1 October 2025 **End Date –** 31 March 2026 – Completed 30 June 2026

2. **Improvement Action -** Implementation of a clear Community Engagement Plan within the Transformation Programme.

Expected Outcome - This action has been closed in this plan as this action will be updated and added to the new Best Value Audit Action Plan that is currently being developed.

Start Date – 1 October 2025 **End Date –** 31 March 2026 – Completed 30 June 2026

3. **Improvement Action** – Identification of relevant performance Indicators to be able to measure and report the success of the transformation initiatives.

   Expected Outcome – This action has now been completed; however, it should be noted that the identification of relevant performance Indicators for measuring and reporting the success of the transformation initiatives and projects will continue to be monitored throughout the lifespan of the Transformation programme via the Directorate Boards.

   Start Date – 1 October 2025 **End Date –** 31 March 2026 – Completed 30 June 2026

4. **Improvement Action** - Define and publish Risk RAG rating criteria for the Transformation programme, including when project escalation is required and how mitigation/s will be monitored and reported.

   Expected Outcome – Work continues to align the proposed corporate RAG status framework with a parallel framework being developed for the Directorate boards within the Transformation Programme. The aim is to establish a single approach with consistent definitions and reporting across these areas. The proposed RAG status framework continues to be progressed and will be supported by a review of the Corporate Risk Register with the Collaboration Board, after which the framework will be embedded within wider corporate reporting arrangements.

   Start Date – 1 October 2025 **End Date –** 31 Jan 2026 – Revised to 31 Jan 2027

The Council's ongoing programme of self-assessment will place increased focus on how governance arrangements must continue to evolve to remain effective as transformation progresses, financial constraints persist and partnership working becomes more complex.

Assurance

The Council's Senior Management is responsible for establishing and maintaining appropriate Risk Management processes, control systems, accounting records and Governance arrangements. The Chief Internal Auditor has the responsibility to review these independently, and report to the Audit Committee annually on the adequacy and effectiveness of the Council's framework of Governance, Risk Management and Control.

In 2026, the Chief Internal Auditor provided the Council with their annual statement on the adequacy and effectiveness of the Council's framework of Governance, Risk Management and Control for the year ending 31 March 2026. In the Chief Internal Auditor's opinion, Aberdeenshire Council had an adequate framework for Governance, Risk Management and Control, covering the period 1 April 2025 to 31 March 2026. The report provided details of the position relating to the audits contained within the 2025/26 Audit Plan, part of the wider 2025-28 Audit Plan, agreed by the Audit Committee in March 2025. The Chief Internal

Auditor also advised that there had been no limitation to the scope of Internal Audit's work during 2025/26.

The Committee received a range of reports produced by Internal Audit during the year that enabled scrutiny and questioning of officers to take place. This helped the Committee to gain positive assurance over the adequacy of the control environment and further assurance about identified weaknesses and actions being taken to address them. Most recommendations made by Internal Audit during 2025/26 continued to relate to general improvements and enhancements to procedures. However, as in previous years, pockets of higher risk had been identified throughout the year, specifically in reviews such as: Secure Care Provision, Commercial and Industrial Lets and Cyber Security. The majority of recommendations made by Internal Audit have however been agreed by services, which have committed to appropriate action to improve controls and compliance to address the identified risks. The outcome of these audits, along with others, and the scale of implementation of previously agreed recommendations have been reported to the Audit Committee throughout the year, with management providing updates on implementation and explanation for any delays.

Risk and Resilience Planning

The Risk Management Policy, approved on 6 January 2022 after extensive consultation, aligns with recognised best-practice standards including ISO31000:2009 and the HM Treasury Orange Book. In 2022/23 the Council developed and approved its overarching Risk Appetite Statement, which also enables Directorate-level appetite statements used to inform Directorate Risk Registers, approved at Committee on 2 March 2023. These documents are supported by a Risk Framework, approved in 2023/24, to guide officers in applying risk management effectively.

On 30 October 2025 (Item 6) an internal Risk Management Audit Report was approved at Committee which detailed key recommendations to strengthen Aberdeenshire Council's approach to Risk Management. Work to implement the recommendations are underway, with a revised framework agreed by Collaboration Board on 13 August 2025. The Collaboration Board is an internal chief officer group who monitor decisions on Committee recommendations. Progression of the recommendations will continue throughout 2026.

Aberdeenshire Council's Emergency Planning and Resilience Framework, together with the generic Emergency Plan, was approved by the Business Services Committee on 17 November 2022 following consultation with Directorate Management Teams, the Corporate Risk Management Steering Group, the Strategic Leadership Team, and Area and Policy Committees. Both documents were most recently revised in April 2025 and will continue to be updated annually to reflect learning from debriefs, process improvements, and changes in national guidance.

To support the Emergency Response Plan, the Civil Contingencies Training and Exercising Framework was approved by SLT on 18 March 2026. This framework sets out the Council's agreed approach to training, exercising, and debriefing civil contingencies responsibilities, ensuring all relevant staff clearly understand their roles and duties.

Aberdeenshire Council's Cyber Response Plan, published (official - sensitive) in October 2024, was tested in July 2025 through a corporate-wide exercise. Developed in consultation with key stakeholders, the Plan has been approved by the Corporate Risk Management

Steering Group and the Strategic Leadership Team. It outlines the Council's approach to managing a cyber security incident, defining key roles, responsibilities, and command and control arrangements. The Plan will continue to be tested annually, with lessons from each exercise informing future updates and supporting wider organisational learning.

During 2026, Aberdeenshire Council's Fuel Disruption Plan and Disruptive Weather Plan will be reviewed as part of the routine update cycle.

Aberdeenshire Community Resilience Framework was approved by Communities Committee on 6 June 2024. Through SSEN resilience funding, the Council has secured resources to extend the Community Resilience Project Officer post for a further five years, ensuring continued support for the implementation and management of the Framework. The post will continue to administer, promote, and assist communities in accessing and utilising the remaining SSEN community resilience funding. Governance arrangements for allocating this funding were agreed by the Communities Committee on 16 February 2023 with operational oversight delivered through grant funding boards, supported by the Resilience Working Group and the Section 95 Officer.

The following action, identified in the 2024/25 Annual Governance Statement, remains in progress:

1. **Issue – Risk Management**

   Improvement Action - Review the approach to ensure it continues to meet our needs and fosters a collective understanding and approach around risk.

   Expected Outcome - Greater scrutiny of risk.

   Target Date – 30 June 2024 Review Completed

   Target Date - 30 December 2026 - Target date for implementation of changes

   Status – In Progress

   Latest Update - Services have been provided with templates and tools to manage and record risks within their remit. The Corporate Risk Management Steering Group are currently reviewing the sub-groups Terms of Reference to ensure on-going oversight of risk and support available to Services. The aim is to create a culture of ongoing monitoring, updating and review with the intention that this iterative approach embeds risk management as a business-as-usual activity, but supported by corporate oversight and accountability.

   The review of the current approach to Risk Management has been completed while work to enhance the Council's approach to risk management remains in progress. An Internal Audit review of Corporate Risk Management was considered by the Audit Committee on 30 October 2025, which concluded a Moderate net risk rating with reasonable assurance. The review recommended that the Council formalise and operationalise a corporate risk management framework, strengthen Corporate Risk Management Steering Group (CRMSG) oversight and strategic reporting and embed consistent lesson learning and best practice sharing across Services.

In response, the Collaboration Board has agreed an approach to address the audit recommendations, providing clear direction and oversight for the required improvements. Work is currently underway to progress this, including increased engagement with Services to support consistent application of risk management practices and enhance understanding of roles and responsibilities. This includes the continued use of corporate templates and tools, strengthened governance arrangements, and an emphasis on embedding risk management as a business-as-usual activity, supported by effective corporate oversight and accountability. The Collaboration Board is an internal chief officer group who make and monitor decisions on all operational matters.

Health & Social Care Integration

The Council, as a key partner within the Aberdeenshire Health and Social Care Partnership (HSCP), has an interest in the governance arrangements within the HSCP. Internal Audit arrangements for the HSCP are provided jointly by the Council's Internal Audit service and NHS Grampian's Internal Auditor. The Council's Internal Audit Service provides assurance over social care services, and oversight of the HSCP's governance arrangements to provide assurance to the Integration Joint Board (IJB).

The HSCP has arrangements in place to review its ongoing compliance with the Local Code. Due to the Council's role as social care service provider, Internal Audit's reports are presented to the Council's Audit Committee as well as the Integration Joint Board's own Audit Committee. Full Council considers the Chief Social Work Officer's Annual Report .

The Council's financial relationship with the Aberdeenshire Integration Joint Board (IJB) and Health and Social Care Partnership (HSCP) operates within a shared and aligned strategic and financial planning framework. The Council's Medium-Term Financial Strategy (MTFS) underpins this relationship, ensuring that the Council's funding to the HSCP is planned and managed in a manner consistent with Council policy objectives, financial governance arrangements and medium-term affordability considerations.

Budget-setting and financial monitoring processes for HSCP services funded by the Council operate in parallel with the Council's own arrangements. This includes alignment in respect of efficiency and savings requirements applying to Council funding, ensuring that these are planned for in advance, transparently reported, and subject to approval through the IJB's governance and decision-making processes. Throughout 2025/26, the Council continued to receive regular and detailed financial monitoring information in respect of HSCP services funded by the Council, supporting effective oversight and assurance.

During 2025/26, the IJB developed and implemented a Recovery Plan to address its financial sustainability position. The Council worked closely with the IJB and NHS Grampian throughout the year to support the development, approval and delivery of the Plan, providing challenge, scrutiny and assurance as part of established governance arrangements. The Recovery Plan was monitored during the year through the IJB and through Council governance processes.

The Council notes improvements during 2025/26 in the IJB's financial governance, including strengthened budget monitoring, clearer articulation of financial risks, improved reporting to the IJB and its Audit Committee, and increased transparency around financial recovery actions. This included the approval by the IJB in March 2026 of its Medium-Term Financial

Strategy, providing a clearer framework for longer-term financial planning and sustainability. Collectively, these developments have enhanced the Council's level of assurance over the governance, financial management and control arrangements in place for HSCP services funded by the Council.

The IJB's Unaudited Accounts for 2025/26 include an Annual Governance Statement, which is scheduled for consideration by the IJB Audit Committee in June 2026. Where appropriate, the Council places reliance on this statement, alongside ongoing financial monitoring, partner assurance, and audit activity, in forming its overall assurance regarding the effectiveness of governance and financial control arrangements for the IJB and HSCP.

Conclusion

Our Annual Governance Statement summarises the Council's governance arrangements and affirms our commitment that they are reviewed regularly and remain appropriate for the activities and delivery of services by the Council and its Group. Subject to the above assurances, the development and implementation of the Action Plan and, based on the evidence contained in this statement, we are satisfied that the arrangements continue to provide assurance, are adequate and are operating effectively.

Strong governance is evidenced by maintaining control and transparency in a challenging financial environment. The Council continues to manage significant financial pressures through effective oversight, assurance, and risk management arrangements.

Jim Savege	*Stewart Adams*	*Anne Stirling*
Jim Savege	Councillor Stewart Adams	Councillor Anne Stirling
Chief Executive	Co-Leader of the Council	Co-Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council
29 October 2026

Remuneration Report

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and Senior Employees. The information disclosed in Tables B to E of the remuneration report will be audited by Grant Thornton UK LLP. The other sections of the Remuneration Report will be reviewed by Grant Thornton UK LLP to ensure they are consistent with the financial statements.

The term Senior Councillor means the Leader of the Council, the Provost, the Chair and Vice-Chair of the Joint Boards, and any Councillor who holds a significant position of responsibility in the Council's political management structure, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007.

The term Senior Employee means any local authority employee:

1. who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons;

2. who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989; or

3. whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

This report will provide background on the arrangements for determining salary levels, followed by detailed tables showing the remuneration and pension benefits for Senior Councillors and Officers covered by this report.

Arrangements for Remuneration

The Council sets the remuneration levels for Senior Councillors and the rates of pay for Senior Employees. Its role is to ensure the application and implementation of fair and equitable systems for pay within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council needs to consider the requirement to recruit, retain and motivate suitably able and qualified people to deliver the policies and services of the Council.

Councillors, Senior Councillors, Council Leader and Provost

The remuneration of Senior Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2025 (SSI No. 2025/8). The regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Council Leader, Provost, Senior Councillors or Councillors. The Council Leader and Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations.

Councillors, Senior Councillors, Council Leader and Provost (continued)

In accordance with the regulations, Aberdeenshire Council may have up to 19 Senior Councillor posts. The regulations set out the maximum that the Council may pay as remuneration to its Senior Councillors. For 2025/26, the salary for the Leader of Aberdeenshire Council is £60,791 (2024/25 £49,810). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Council Leader.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits. The remuneration paid to Senior Councillors in 2025/26 totalled £774,003 (2024/25 £633,541) and is detailed in Table B of this report.

The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme (LGPS) in respect of those Councillors who have elected to become members of the pension scheme.

The Aberdeenshire Council Members' Salaries and Expenses Scheme, which includes the salaries, allowances and expenses of all elected members including the Council Leader, Provost and Senior Councillors was agreed at a meeting of Council on 17 May 2007.

The Vice-convenor of the Grampian Valuation Joint Board is remunerated by Aberdeenshire Council of which they are a council member. The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Provost) Senior Councillors or Councillors. These regulations also set out the amounts a councillor may be paid for being a convenor or vice-convenor of a Joint Board. This is inclusive of any amount payable to them as either a councillor or senior councillor. The Board has an arrangement with each Council who remunerates the Convenor and Vice Convenor/s to reimburse the Council for the additional costs of that councillor arising from them being a Convenor or Vice-Convenor of the Board. The disclosures made in this report are limited to the amounts paid to Aberdeenshire Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities.

The revised salary structure for Corporate Directors was approved by Council in January 2009 under which the salaries are based on SJNC Point 53. The Policy and Resources Committee agreed to a revised salary structure in June 2009 for Heads of Service where they would be paid at SJNC Point 34. Where the statutory roles of Section 95 officer, Monitoring Officer and Chief Social Work Officer are held at Head of Service level the jobholders are entitled to an additional two increments to their salary which places them on SJNC Point 36.

Councillors, Senior Councillors, Council Leader and Provost (continued)

Aberdeenshire Council does not pay bonuses to senior officers or performance related pay. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally. Chief Officers are eligible to join the LGPS. The scheme is outlined on page 61 and the costs identified on page 58 of this report.

Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

Table A: Payments to Councillors

The Council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors below) during the year:

2024/25 £'000	Type of Remuneration	2025/26 £'000
1,714	Salaries	2,099
35	Expenses	27
1,749	**Totals**	**2,126**

The annual return of Councillors' salaries and expenses for 2025/26 is available on the Council's website.

Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Full year equivalent salary shown in brackets)

Total Remuneration 2024/25 £	Pension Contributions 2024/25 £	Name	Salaries, Fees and Allowances 2025/26 £	Total Remuneration 2025/26 £	Pension Contributions 2025/26 £		Accrued Pension Benefits	As at 31 March 2026 £'000	Difference from 31 March 2025 £'000
49,810	7,970	Gillian Owen (2025-26 FYE Leader of Council £60,791)	14,353	14,353	2,297		Pension	14	1
							Lump Sum	3	-
28,019	4,483	Isobel Davidson	34,195	34,195	5,471		Pension	12	2
							Lump Sum	3	-
32,689	-	Ron McKail	39,894	39,894	-		Pension	-	-
							Lump Sum	-	-
37,360	5,978	Ross Cassie	45,594	45,594	7,295		Pension	9	1
							Lump Sum	-	-
37,360	5,978	Anne Stirling (2025-26 FYE Leader of Council £60,791) Note 7	52,137	52,137	8,342		Pension	16	2
							Lump Sum	2	-
28,019	4,483	John Cox	16,528	16,528	2,644		Pension	8	1
							Lump Sum	-	-
32,688	5,230	Doreen Mair	39,894	39,894	6,383		Pension	6	1
							Lump Sum	-	-
28,019	-	Gwyneth Petrie	34,195	34,195	-		Pension	-	-
							Lump Sum	-	-
37,360	5,978	Judy Whyte	45,594	45,594	7,295		Pension	6	1
							Lump Sum	-	-
28,019	4,483	Anne Simpson	34,195	34,195	3,647		Pension	7	1
							Lump Sum	-	-
32,688	5,230	Dianne Beagrie (2025-26 FYE £39,894)	39,894	39,894	6,383		Pension	5	1
							Lump Sum	-	-
372,031	**49,813**	**CARRIED FORWARD**	**396,473**	**396,473**	**49,757**			**91**	**11**

Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Full year equivalent salary shown in brackets) (Continued)

Total Remuneration 2024/25 £	Pension Contributions 2024/25 £	Name	Salaries, Fees and Allowances 2025/26 £	Total Remuneration 2025/26 £	Pension Contributions 2025/26 £		Accrued Pension Benefits	As at 31 March 2026 £'000	Difference from 31 March 2025 £'000
372,031	**49,813**	**BROUGHT FORWARD**	**396,473**	**396,473**	**49,757**			**91**	**11**
32,688	5,230	Iain Taylor	39,894	39,894	6,383		Pension	7	2
							Lump Sum	-	-
32,688	5,230	Marion Ewenson	39,894	39,894	6,383		Pension	5	1
							Lump Sum	-	-
28,019	4,483	Stewart Adams (2025-26 FYE Leader of Council £60,791) Note 7	47,968	47,968	7,675		Pension	3	1
							Lump Sum	-	-
37,360	5,978	Alan Turner	45,594	45,594	7,295		Pension	3	1
							Lump Sum	-	-
37,360	5,978	David Keating	45,594	45,594	7,295		Pension	4	2
							Lump Sum	-	-
28,019	4,483	Sarah Brown	34,195	34,195	5,471		Pension	2	1
							Lump Sum	-	-
32,688	5,230	Sarah Dickinson	39,894	39,894	6,383		Pension	5	1
							Lump Sum	-	-
31,326	5,012	Geva Blackett	39,894	39,894	6,383		Pension	9	2
							Lump Sum	-	-
-	-	Jeff Goodhall (2025-26 FYE £34,195)	17,667	17,667	2,827		Pension	2	1
							Lump Sum	-	-
-	-	Craig Miller (2025-26 FYE £34,195)	26,121	26,121	4,179		Pension	2	1
							Lump Sum	-	-
3,039	486	Stephen Smith (2025-26 FYE £26,797) Note 6	815	815	130		Pension	10	1
							Lump Sum	4	-
635,218	**91,923**	**TOTALS**	**774,003**	**774,003**	**110,161**			**147**	**25**

Table B: Remuneration and Pension Benefits of Senior Councillors, Convenors and Vice-Convenors (Continued)

Name	Post Title	Period in Office
Gillian Owen	Council Leader	From 29 June 2023 until 26 June 2025
Anne Stirling	Co-Leader of the Council	From 26 June 2025
Stewart Adams	Co-Leader of the Council	From 26 June 2025
Gillian Owen	Chair – Business Services Committee	From 29 June 2023 until 26 June 2025
Stewart Adams	Chair – Business Services Committee	From 26 June 2025
Judy Whyte	Provost	From 19 May 2022
Gwyneth Petrie	Leader of the Main Opposition	From 08 April 2020
Alan Turner	Chair – Infrastructure Services Committee	From 29 June 2023
Anne Stirling	Chair – Communities Committee	From 18 May 2017
Ross Cassie	Chair – Audit Committee	From 18 May 2017
David Keating	Chair – Education and Children's Services Committee	From 29 June 2023
Dianne Beagrie	Chair - Buchan Area Committee	From 7 June 2022
Iain Taylor	Chair – Formartine Area Committee	From 14 June 2022
Marion Ewenson	Chair - Garioch Area Committee	From 7 June 2022
Stephen Smith	Deputy Convenor – Grampian Valuation Joint Board	From 28 June 2024

Name	Post Title	Period in Office
Anne Stirling	Deputy Council Leader	From 19 May 2022 until 26 June 2025
John Cox	Vice Chair – Business Services Committee	From 19 May 2022 until 25 September 2025
Jeff Goodhall	Vice Chair – Business Services Committee	From 25 September 2025
Ron McKail	Deputy Provost	From 18 May 2017
Isobel Davidson	Vice Chair – Infrastructure Services Committee	From 19 May 2022
Sarah Brown	Vice Chair – Communities Committee	From 23 November 2023
Stewart Adams	Vice Chair – Audit Committee	From 19 May 2022 until 26 June 2025
Craig Miller	Vice Chair - Audit Committee	From 26 June 2025
Anne Simpson	Vice Chair – Education and Children's Services Committee	From 19 May 2022
Doreen Mair	Chair - Banff and Buchan Area Committee	From 15 December 2020
Geva Blackett	Chair - Marr Area Committee	From 16 April 2024
Sarah Dickinson	Chair - Kincardine and Mearns Area Committee	From 12 December 2023

Notes to Table B:

Note 1: The scheme for Councillor's allowances is not the same as that for MPs or MSPs. Councillors receive a basic salary and are entitled to claim for a limited range of expenses. These are limited to essential travel and subsistence directly related to their duties as Councillors.

Note 2: The figures shown reflect the remuneration for the period of their appointment in the reporting year.

Note 3: No Senior Councillor received any remuneration from a subsidiary body as a representative of the Council.

Note 4: For 2025/26 there was no payment for Bonuses, Taxable Expenses, Compensation for Loss of Employment, and Non-Cash Benefits. These columns have been removed from the above table.

Note 5: For councillors with less than 2 years service indicative figures have been provided for their Accrued Pension Benefits.

Note 6: The disclosures made above in connection with Cllr Stephen Smith are limited to the amounts paid to Aberdeenshire Council by the Grampian Valuation Joint Board for remuneration and does not reflect the full value of the remuneration that has been paid to the councillor.

Note 7: Following a change in leadership on 26th June 2025, Cllr Stewart Adams and Cllr Anne Stirling are now Co-Leaders of the Council. The total salary for the Leader and Deputy Leader is being split equally between the 2 Co-Leaders. The Full Year Equivalent salary shown for the Co-Leaders is for the Leader position.

Table C: Remuneration and Pension Benefits of Senior Employees (Full year equivalent salary shown in brackets)

Total Remuneration 2024/25 £	Pension Contributions 2024/25 £	Name and Post Title	Salaries, Fees and Allowances 2025/26 £	Total Remuneration 2025/26 £	Pension Contributions 2025/26 £		Accrued Pension Benefits	As at 31 March 2026 £'000	Difference from 31 March 2025 £'000
187,237	27,856	Jim Savege: Chief Executive	187,995	187,995	28,292		Pension	41	4
							Lump Sum	-	-
146,830	23,176	Laurence Findlay: Director of Education and Children's Services	150,644	150,644	24,103		Pension	81	6
							Lump Sum	-	-
146,830	23,176	Robert Simpson: Director of Business Services	150,644	150,644	22,512		Pension	26	3
							Lump Sum	-	-
144,850	23,176	Alan Wood: Director of Environment and Infrastructure Services	150,644	150,644	24,103		Pension	74	6
							Lump Sum	100	4
107,246	17,132	Mary Beattie: Head of Service (Finance)	111,358	111,358	17,817		Pension	49	4
							Lump Sum	53	2
109,528	17,132	Karen Wiles: Head of Service	111,358	111,358	17,817		Pension	35	3
							Lump Sum	-	-
107,075	17,132	Leigh Jolly: Chief Social Work Officer (2025-26 FYE £111,358) (Note 2 and Note 3)	30,112	30,112	4,818		Pension	48	10
							Lump Sum	39	10
-	-	Andrew Dick: Chief Social Work Officer (2025-26 FYE £111,358) (Note 2)	86,921	86,921	12,162		Pension	25	5
							Lump Sum	6	2
949,596	**148,780**	**TOTALS**	**979,676**	**979,676**	**151,624**			**577**	**59**

Notes to Table C:

Note 1: For 2025/26 there was no payment for Bonuses, Taxable Expenses, and Non-Cash Benefits. Therefore, no information on these has been included in the table above.

Note 2: Leigh Jolly ceased being the Chief Social Work officer on 19th June 2025 with Andrew Dick taking over the role on 20th June 2025.

Note 3: The Accrued Pension Benefits for Leigh Jolly relate to total employment across the Council and cannot be apportioned between the Council and the IJB. During 2025/26, Leigh held the roles of Chief Social Work Officer for Aberdeenshire Council and Chief Officer, HSCP, for the IJB; accordingly, the same Accrued Pension Benefits will be disclosed in both the IJB Remuneration Report and the Aberdeenshire Council Remuneration Report.

Table D: Remuneration of Employees receiving more than £50,000

The Council's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

No of Employees 2024/25	Remuneration Bands	No of Employees 2025/26
353	£50,000 - £54,999	1,186
239	£55,000 - £59,999	292
159	£60,000 - £64,999	209
160	£65,000 - £69,999	153
149	£70,000 - £74,999	168
32	£75,000 - £79,999	68
24	£80,000 - £84,999	27
4	£85,000 - £89,999	10
7	£90,000 - £94,999	8
2	£95,000 - £99,999	5
15	£100,000 - £104,999	4
5	£105,000 - £109,999	16
-	£110,000 - £114,999	2
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
1	£140,000 - £144,999	-
2	£145,000 - £149,999	1
-	£150,000 - £154,999	3
-	£155,000 - £159,999	-
-	£160,000 - £164,999	-
-	£165,000 - £169,999	-
-	£170,000 - £174,999	-
-	£175,000 - £179,999	-
-	£180,000 - £184,999	-
1	£185,000 - £189,999	1
1,153	**TOTALS**	**2,153**

The above table has been subject to audit

Pension Benefits

The majority of Senior Councillors and Senior Employees shown in the tables above are members of the LGPS. For benefits accrued before 31 March 2015, the scheme's normal retirement age for both Councillors and employees is 65. For benefits accrued after 1 April 2015 the scheme's retirement age for both Councillors and employees will be his or her "Normal Pension Age".

Elected members' pension benefits are based on a "career average" pay which is the aggregate of each year's pay (adjusted for inflation) divided by the total number of years and part years they have been a member of the LGPS.

The LGPS provides pension benefits on retirement. For Council officers their pension benefits are based on the member's pensionable service (how long they have been a member of the LGPS) and their salary.

For service up to 31 March 2009, the annual pension is calculated by dividing the final pensionable pay by 80 and multiplying this by their total membership years as at 31 March 2009.

The lump sum, which is automatically paid when the person retires for service up to 31 March 2009, is normally three times his or her annual pension and is tax-free.

For service between 1 April 2009 and 31 March 2015, the annual pension is calculated by dividing the final pensionable pay by 60 and multiplying this by their total membership years between 1 April 2009 and 31 March 2015.

For service after 31 March 2015, the annual pension is calculated by dividing the pensionable pay by 49 and then adding this to his or her cumulative pension account, which will subsequently be adjusted in line with the cost of living.

There is no automatic lump sum for service after 31 March 2009 and LGPS members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A Scheme member's pension contribution depends on their actual pay. From 1 April 2009, employee contributions are based on tiered rates. Bandings for 2025/26 and 2024/25 are disclosed below.

Contribution Rates	Pensionable Pay 2025/26	Pensionable Pay 2024/25
5.50%	Earnings up to and including £27,500	Earnings up to and including £27,000
7.25%	On earnings above £27,501 and up to £33,600	On earnings above £27,001 and up to £33,000
8.50%	On earnings above £33,601 and up to £46,100	On earnings above £33,001 and up to £45,300
9.50%	On earnings above £46,101 and up to £61,400	On earnings above £45,301 and up to £60,400
12.00%	On earnings above £61,401	On earnings above £60,401

Pension Benefits (continued)

The value of the accrued benefits shown in this report have been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

Termination Benefits

Table E: Exit Packages

	Compulsory Number	Compulsory Value £'000	Voluntary Number	Voluntary Value £'000
Bandings 2025/26				
Up to £19,999	14	57	32	298
£20,000 up to £39,999	1	31	9	214
£40,000 up to £59,999	3	153	4	183
£60,000 up to £79,999	-	-	2	133
£80,000 up to £99,999	-	-	2	167
£100,000 up to £149,999	1	108	1	106
£150,000 up to £199,999	-	-	1	154
£200,000 up to £249,999	1	235	-	-
	20	**584**	**51**	**1,255**
Total				**1,839**
Bandings 2024/25				
Up to £19,999	22	88	101	704
£20,000 up to £39,999	3	83	30	883
£40,000 up to £59,999	-	-	11	498
£60,000 up to £79,999	-	-	6	390
£80,000 up to £99,999	-	-	2	167
£100,000 up to £149,999	-	-	3	388
£150,000 up to £199,999	-	-	1	195
	25	**171**	**154**	**3,225**
Total				**3,396**

The above table has been subject to audit

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require employers in the public sector to publish information on facility time. The purpose of the regulations is to promote transparency and allow for public scrutiny of facility time. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative. The information set out by the regulations is disclosed below:

Table F: Trade union representatives and full-time equivalents

	Non-teaching	Teaching
Trade union representatives:	35	17
FTE trade union representatives:	28.94	11.81

Table G: Percentage of working hours spent on facility time

	All
0%	0
1-50%	47
51-99%	0
100%	5

Table H: Total pay bill and facility time costs

	Non-teaching	Teaching
Total pay bill:	£343,535,887	£205,222,173
Total cost of facility time:	£125,490	£120,071
Percentage of pay spent on facility time:	0.04%	0.06%

Table I: Paid trade union activities

	Non-teaching	Teaching
Hours spent on paid facility time:	6,072	2,803
Hours spent on paid trade union activities:	1,154	500
Percentage of total paid facility time hours spent on paid TU activities:	19.01%	17.84%

Jim Savege *Stewart Adams* *Anne Stirling*

Jim Savege
Chief Executive

Councillor Stewart Adams
Co-Leader of the Council

Councillor Anne Stirling
Co-Leader of the Council

On behalf of the Officers and Councillors of Aberdeenshire Council
29 October 2026

Independent Auditor's Report

Independent auditor's report to the members of Aberdeenshire Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Aberdeenshire Council and its group for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council only Comprehensive Income and Expenditure Statements, the group and council only Balance Sheets, the group and council only Movement in Reserves Statements, the group and council only Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Income Account, the Trusts and Endowments Income and Expenditure Account and Balance Sheet, the Common Good Fund Income and Expenditure Accounts and Balance Sheet and notes to the financial statements, including the Council Expenditure and Funding Analysis and significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2026 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are

independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Head of Finance and Aberdeenshire Council Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Aberdeenshire Council Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether

due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Head of Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Head of Finance concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mark Stocks

Mark Stocks, (for and on behalf of Grant Thornton UK LLP),

Grant Thornton,
8th Floor,
120 Bothwell Street,
Glasgow,
G2 7JS

Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council tax and non-domestic rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

Net Expenditure Chargeable to the General Fund and HRA Balances Reported to Committee 2024/25 £'000	Adjustments Between the Funding and Accounting Basis 2024/25 £'000	Net Expenditure in the CIES 2024/25 £'000	Aberdeenshire Services	Net Expenditure Chargeable to the General Fund and HRA Balances Reported to Committee 2025/26 £'000	Adjustments Between the Funding and Accounting Basis 2025/26 £'000	Net Expenditure in the CIES 2025/26 £'000	Notes Ref
48,726	11,097	59,823	Business Services Committee	51,622	4,469	56,091	
200,386	5,978	206,364	Communities Committee	194,042	4,315	198,357	
440,668	23,910	464,578	Education and Children's Services Committee	452,165	18,412	470,577	
67,412	35,913	103,325	Infrastructure Services Committee	68,835	34,644	103,479	
(500)	16,875	16,375	Housing Revenue Account	-	(357)	(357)	
(3,675)	5,522	1,847	Other Operating Expenditure/(Income) – Full Council	(6,597)	5,179	(1,418)	
753,017	**99,295**	**852,312**	**NET COST OF SERVICES**	**760,067**	**66,662**	**826,729**	
(735,055)	(37,393)	(772,448)	Other (Income) and Expenditure	(787,775)	(39,967)	(827,742)	
17,962	**61,902**	**79,864**	**(Surplus)/Deficit**	**(27,708)**	**26,695**	**(1,013)**	5
(82,918)			Opening General Fund and HRA Balance at 1 April	(65,014)			
17,962			(Plus)/Less (Surplus)/Deficit on the General Fund and HRA Balance in the Year	(27,708)			
(58)			Transfers to/(from) Statutory Reserves	497			
(65,014)			**Closing General Fund and HRA balance at 31 March**	**(92,225)**			

Note to the Expenditure and Funding Analysis

The table below details the adjustments made to the General Fund and HRA to arrive at the Comprehensive Income & Expenditure Statement.

Adjustments from General Fund to Arrive at CIES Amounts 2025/26	Adjustments for Capital Purposes £'000	Net Change for the Pension Adjustments £'000	Other Statutory Differences £'000	Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Total Adjustments £'000
Business Services Committee	4,286	(455)	(48)	3,783	159	527	4,469
Communities Committee	3,589	(3,761)	(130)	(302)	4,935	(318)	4,315
Education and Children's Services Committee	10,246	(6,152)	(631)	3,463	24,183	(9,234)	18,412
Infrastructure Services Committee	35,765	(2,388)	(39)	33,338	1,486	(180)	34,644
Housing Revenue Account	8,304	(658)	48	7,694	5,190	(13,241)	(357)
Other Operating Expenditure/(Income) – Full Council	6,206	-	20	6,226	-	(1,047)	5,179
Net Cost of Services	**68,396**	**(13,414)**	**(780)**	**54,202**	**35,953**	**(23,493)**	**66,662**
Other (Income) and Expenditure	(63,897)	1,218	(781)	(63,460)	-	23,493	(39,967)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	**4,499**	**(12,196)**	**(1,561)**	**(9,258)**	**35,953**	**-**	**26,695**

Adjustments from General Fund to Arrive at CIES Amounts 2024/25	Adjustments for Capital Purpose £'000	Net Change for the Pension Adjustments £'000	Other Statutory Differences £'000	Total Statutory Differences £'000	Depreciation Charged to the Revaluation Reserve £'000	Other (Non Statutory) Differences £'000	Total Adjustments £'000
Business Services Committee	11,331	(126)	79	11,284	158	(345)	11,097
Communities Committee	4,252	(31)	(62)	4,159	3,543	(1,724)	5,978
Education and Children's Services Committee	10,941	(2,336)	1,238	9,843	22,661	(8,594)	23,910
Infrastructure Services Committee	34,513	(397)	121	34,237	1,450	226	35,913
Housing Revenue Account	21,436	2	(186)	21,252	5,854	(10,231)	16,875
Other Operating Expenditure/(Income) – Full Council	5,497	-	25	5,522	-	-	5,522
Net Cost of Services	**87,970**	**(2,888)**	**1,215**	**86,297**	**33,666**	**(20,668)**	**99,295**
Other (Income) and Expenditure	(58,456)	1,036	(641)	(58,061)	-	20,668	(37,393)
Difference Between General Fund Deficit and CIES Deficit on Provision of Services	**29,514**	**(1,852)**	**574**	**28,236**	**33,666**	**-**	**61,902**

Explanations of Adjustment Columns Above:

Adjustments for Capital Purposes - adds in depreciation, impairment, revaluation gains and losses in the services, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and amounts written-off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those due to be receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- Note 33 provides further explanations of IAS 19 entries.

Other Differences - differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates (NDR) that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- Impairment of debts is now required to be shown under Other Income and Expenditure in the EFA; however, it is shown within the relevant services in the monitoring.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the EFA and the Movement in Reserves Statement.

Gross Expenditure 2024/25 £'000	Income 2024/25 £'000	Net Expenditure 2024/25 £'000	Aberdeenshire Services	Gross Expenditure 2025/26 £'000	Income 2025/26 £'000	Net Expenditure 2025/26 £'000	Notes Ref
94,357	(34,534)	59,823	Business Services Committee	85,160	(29,069)	56,091	
520,802	(314,438)	206,364	Communities Committee	509,588	(311,231)	198,357	
490,180	(25,602)	464,578	Education and Children's Services Committee	495,868	(25,291)	470,577	
135,173	(31,848)	103,325	Infrastructure Services Committee	134,696	(31,217)	103,479	
88,571	(72,196)	16,375	Housing Revenue Account	75,018	(75,375)	(357)	
1,847	-	1,847	Other Operating Expenditure/(Income) – Full Council	3,557	(4,975)	(1,418)	
1,330,930	**(478,618)**	**852,312**	**COST OF SERVICES**	**1,303,887**	**(477,158)**	**826,729**	EFA
-	(105)	(105)	(Gains)/Losses on the Disposal of Non Current Assets and AHfs	737	-	737	5
-	**(105)**	**(105)**	**Other Operating (Income)/Expenditure**	**737**	**-**	**737**	
44,790	**(1,246)**	**43,544**	**Financing and Investment Income and Expenditure**	**47,711**	**(1,889)**	**45,822**	8
		(815,887)	**Taxation and Non-Specific Grant Income**			**(874,301)**	9
		79,864	**Deficit/(Surplus) on Provision of Services**			**(1,013)**	5
		(57,624)	Surplus on revaluation of Non Current assets and AHfs			(24,598)	
		(4,896)	Actuarial (gains)/losses on pension assets/liabilities			11,365	34
		(62,520)	**Other Comprehensive (Income) and Expenditure**			**(13,233)**	
		17,344	**Total Comprehensive (Income) and Expenditure**			**(14,246)**	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and its Group. The net assets of the Council/Group (assets less liabilities) are matched by the reserves held by the Council/Group. Reserves are reported in two categories: (i) Usable reserves, i.e. those reserves that the Council/Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and (ii) Unusable reserves, which the Council/Group may not use to provide services. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line "Adjustments between accounting basis and funding basis under regulations".

Restated 2024/25 £000		2025/26 £000	Note Ref
2,585,068	Property, Plant and Equipment	2,571,433	13
5,616	Property, Plant and Equipment - Right of Use	6,759	18
2,482	Heritage Assets	2,482	14
761	Investment Properties	862	15
459	Intangible Assets	341	16
77	Long Term Investments	77	20
6,434	Long Term Debtors	6,246	20, 23
2,600,897	**Long Term Assets**	**2,588,200**	
2,165	Assets Held for Sale	2,808	17
7,644	Inventories	7,252	22
80,194	Short Term Debtors	84,761	23
29,660	Cash and Cash Equivalents	20,436	20, 24
119,663	**Current Assets**	**115,257**	
(92,890)	Short Term Borrowing	(72,911)	20
(105,597)	Short Term Creditors	(112,805)	25
-	Lease Creditors - Short Term	(1,503)	
(10,100)	PFI & PPP Liablilities - Short Term	(12,036)	19
(1,842)	Revenue Grants Receipts in Advance	(5,978)	27
(210,429)	**Current Liabilities**	**(205,233)**	
(1,005,735)	Long Term Borrowing	(981,125)	20
(28,109)	Pension Liabilities	(27,278)	33
(2,480)	Long Term Creditors	(2,424)	25
(7,406)	Provisions	(12,497)	26
(8,295)	Lease Creditors	(7,876)	18
(86,178)	PFI and PPP Liabilities	(75,299)	19
(21,894)	Capital Grants Receipts in Advance	(23,924)	27
-	Revenue Grants Receipts in Advance	(3,521)	27
(1,160,097)	**Long Term Liabilities**	**(1,133,944)**	
1,350,034	**Net Assets**	**1,364,280**	
(78,677)	Usable Reserves	(107,540)	MIRS
(1,271,357)	Unusable Reserves	(1,256,740)	28
(1,350,034)	**Total Reserves**	**(1,364,280)**	

The Audited accounts were issued on 29 October 2026

Mary Beattie

Mary Beattie, FCCA
Head of Finance
29 October 2026

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax (or rents) for the year. The Net Decrease/(Increase) line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year, following those adjustments.

	General Fund Balance £'000	Housing Revenue Account £'000	Repairs and Renewals Fund £'000	Insurance Fund £'000	Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	Notes Ref
Balance as at 31 March 2024 Carried Forward	**(80,618)**	**(2,300)**	**-**	**(831)**	**(13,850)**	**(97,599)**	**(1,269,779)**	**(1,367,378)**	
Movement in Reserves During 2024/25									
Total Comprehensive Income and Expenditure	60,958	18,906	-	-	-	79,864	(62,520)	17,344	
Depreciation Charged to Revaluation Reserve	**(27,812)**	**(5,854)**	**-**	**-**	**-**	**(33,666)**	**33,666**	**-**	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(16,413)	(11,823)	-	-	960	(27,276)	27,276	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	**16,733**	**1,229**	**-**	**-**	**960**	**18,922**	**(1,578)**	**17,344**	
Transfers to/(from) Statutory Reserves	1,671	(1,729)	-	57	1	-	-	-	
Balance as at 31 March 2025	**(62,214)**	**(2,800)**	**-**	**(774)**	**(12,889)**	**(78,677)**	**(1,271,357)**	**(1,350,034)**	
Movement in Reserves During 2025/26									
Total Comprehensive Income and Expenditure	(12,136)	11,123	-	-	-	(1,013)	(13,233)	(14,246)	
Depreciation Charged to Revaluation Reserve	(30,763)	(5,190)	-	-	-	(35,953)	35,953	-	
Adjustments Between Accounting Basis and Funding Basis Under Regulations	15,166	(5,908)	-	-	(1,155)	8,103	(8,103)	-	6
Decrease/(Increase) before Transfers to Statutory Reserves	**(27,733)**	**25**	**-**	**-**	**(1,155)**	**(28,863)**	**14,617**	**(14,246)**	
Transfers to/(from) Statutory Reserves	**522**	**(25)**	**-**	**(498)**	**1**	-	**-**	**-**	
Balance as at 31 March 2026 Carried Forward	**(89,425)**	**(2,800)**	**-**	**(1,272)**	**(14,043)**	**(107,540)**	**(1,256,740)**	**(1,364,280)**	
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Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2024/25 £'000		2025/26 £'000	Notes Ref
(79,864)	**Net surplus on the provision of services**	**1,013**	
135,090	Adjust net deficit on the provision of services for non cash movements	123,934	
(46,621)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(52,715)	
8,605	**Net Cash Flows from Operating Activities**	**72,232**	35
	Investing Activities:		
(109,315)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(82,322)	
2,363	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	3,211	
46,032	Other Receipts from Investment Activities	53,567	
(60,920)	**Net Cash Flows from Investing Activities**	**(25,544)**	
	Financing Activities:		
242,048	Cash Receipts of Short Term and Long Term Borrowing	170,025	
(7,426)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(11,423)	
(166,462)	Repayments of Short Term and Long Term Borrowing	(214,514)	
68,160	**Net Cash Flows from Financing Activities**	**(55,912)**	
15,845	**Net (Decrease)/Increase in cash and cash equivalents**	**(9,224)**	
13,815	Cash and cash equivalents at 1 April	29,660	24
29,660	**Cash and cash equivalents at 31 March**	**20,436**	24

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Note 1 – Significant Accounting Policies

1.1 General Principles

The Annual Accounts summarise transactions of the Council and its Group for the 2025/26 financial year and its position at the year end of 31 March 2026. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- income from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- income from contracts with service recipients for the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, in accordance with the performance obligations in the contract, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; and
- where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Note 1 – Significant Accounting Policies (Continued)

1.4 Charges to Revenue for Non-Current Assets

Services and support services are charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund these items. However, it is required to make an annual loan fund principal repayment from revenue to reduce the overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by loans fund principal by way of an adjusting transaction between the General Fund and the Capital Adjustment Account within the MIRS.

1.5 Employee Benefits

(i) Benefits Payable During Employment

Short-term employee benefits such as wages, salaries and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council.

An accrual is made for the value of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year in which the employee takes the benefit and is charged to the Surplus or Deficit on the Provision of Services. Such accruals are required, under statute, to be reversed out of the General Fund Balance by a credit to the Accumulating Compensating Absence Account in the MIRS.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the relevant service line in the CIES when the Council is demonstrably committed to the termination.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, with adjustments made through the MIRS.

(iii) Retirement Benefits

The Council participates in two pension schemes, the Scottish Teachers' Pension Scheme, administered by the Scottish Government; and the Local Government Pension Scheme, the North East Scotland Pension Fund, administered by Aberdeen City Council. Liabilities for the teachers' scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as a defined contributions scheme. No liability for future payments of benefits is recognised in the

Note 1 – Significant Accounting Policies (Continued)

Balance Sheet and the Education and Children's Service line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government Scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS19). The Council's share of the pension assets and liabilities in the North East Scotland Pension Fund and a pension reserve are included in the Balance Sheet.

Changes in the pension assets and liabilities during the year are recognised in the CIES and analysed into the following components:

Service Costs:

- Current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the CIES to the services for which the employees worked.
- Past service cost (including curtailments) – the increase in liabilities as a result of changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by the employees in previous years. These costs are charged to the Surplus or Deficit on the Provision of Services in the CIES.
- Net interest of the net defined benefit liability (asset), i.e.net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the CIES, calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements:

- Return on plan assets – excludes amounts included in the net interest on the net defined liability (Asset). This is recognised in the Other Comprehensive Income and Expenditure section of the CIES and transferred to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is recognised in the Other Comprehensive Income and Expenditure section of the CIES and transferred to the Pensions Reserve.
- Contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement or pension enhancement termination benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Liabilities are included in the Balance Sheet on an actuarial basis using the 'projected unit credit method' i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee

Note 1 – Significant Accounting Policies (Continued)

turnover rates, etc., and projections of earnings for current employees. Assets/liabilities are discounted to their value at current prices, using the discount rate 6.3% determined by reference to market yields on high quality corporate bonds at the reporting date.

Assets are included in the Balance Sheet at their fair value, the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

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.

1.6 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

1.7 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, investment properties and some financial instruments such as equity shareholdings, at fair value at each reporting date. Fair value is broadly the price that would be received to sell an asset or paid to settle a liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's Annual Accounts are categorised within the fair value hierarchy, as follows:
Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs – unobservable inputs for the asset or liability.

1.8 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Note 1 – Significant Accounting Policies (Continued)

(i) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial liability. Financial liabilities are initially measured at fair value and subsequently carried at amortised cost.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the CIES is the annual amount payable per the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. 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 CIES 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 CIES, 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 CIES 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 MIRS.

(ii) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at Amortised Costs: are recognised when the Council becomes party to the contractual provisions of a financial instrument, are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 (plus accrued interest reflected in Debtors) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Gains/losses arising on de-recognition are included in the CIES.

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

Note 1 – Significant Accounting Policies (Continued)

to the Financing and Investment Income and Expenditure line in the CIES. Under the expected credit loss model, impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL): are recognised when the Council becomes party to the contractual provision of a financial instrument.

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

- instruments with fixed and determinable payments – discounted cash flow analysis: and
- equity shares with no quoted market prices – independent appraisal of company valuations,

Soft Loans: The Council has made loans to organisations mainly to support business at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) 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 organisation 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 CIES 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 MIRS.

1.9 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into Sterling at the exchange rate applicable on the date on which the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

1.10 Government Grants and Contributions and Donated Assets

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired, using the grant or contribution, are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Note 1 – Significant Accounting Policies (Continued)

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Group Accounts

Group Accounts are required to be prepared in accordance with the Code where the Council has interests in subsidiaries, associates and/or joint ventures, unless those interests are assessed as immaterial. An interest exists where the Council is exposed to, or has rights to, variable returns from its involvement with another entity and has the ability, directly or indirectly, to influence or control those returns. The Council has assessed its interests and identified a number of entities that are considered material; these entities have therefore been included within the Council's Group Accounts.

1.12 Heritage Assets

Heritage Assets are assets which are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Examples include; archaeological sites, military and scientific equipment of historical importance, civic regalia, medals, museum collections and works of art.

In accordance with FRS 102, Heritage Assets are recognised as a separate class of assets in the financial statements. The Council has applied a de minimis value of £100,000 for reporting Heritage Assets on the Balance Sheet.

Heritage Asset valuations may be made by any method that is appropriate and relevant. In the opinion of the Council, reliable information on cost or valuation is not available for the majority of these collections. This is owing to the lack of information on purchase cost, the lack of comparable market values, the diverse nature of the objects and the volume of items held.

Heritage Assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see Note 1.19.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The amortisable

Note 1 – Significant Accounting Policies (Continued)

amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. No amortisation charge is made for an intangible asset in the year of acquisition. Thereafter, the straight-line method is applied, based on the opening balance. A full year's amortisation charge is made in the year of disposal.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for sale proceeds) the Capital Receipts Reserve.

1.14 Inventories and Work in Progress

Inventories are included in the Balance Sheet at lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. 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.

1.15 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the MIRS and posted to the Capital Adjustment Account and (for sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Leases

<u>International Financial Reporting Standard 16 (IFRS 16)</u>

In 2025/2026, the Authority has applied IFRS 16 Leases as adopted by the Code of Practice on Local Authority Accounting (2025/26).

Note 1 – Significant Accounting Policies (Continued)

The Council as Lessee

As a lessee, under IFRS 16, the Authority recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Authority decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low value assets of under £10,000. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Council as Lessor

The Authority is not required to make any adjustment under IFRS 16 for leases in which it acts as a lessor, except for authorities acting as an intermediate lessor (subletting an asset it has acquired under a lease), or where the Authority is party to a lease for nil consideration.

- Subleases have been assessed at 1 April 2025 under IFRS 16 with reference to the right-of-use asset, not the underlying asset, over the remaining contractual terms and conditions of the headlease and sublease at that date.
- Where a sublease has changed classification from an operating lease to a finance lease, the sublease is accounted for as if it were a new finance lease entered into on 1 April 2025.

Sale-and-leaseback

The Authority did not have any Sale and Leaseback transactions as at 1 April 2025

1.17 Overheads and Support Services

The costs of overheads and support services are shown in full against the line for Business Services Committee in the CIES, which reflects the management and reporting arrangement for those costs.

1.18 Prior Year Adjustments

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Note 1 – Significant Accounting Policies (Continued)

(i) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.
The de minimis applied when accounting for expenditure of a capital nature that is funded from revenue is £6,000 for Plant, Furniture and Equipment, £10,000 for Vehicles and £20,000 for all other categories of Property, Plant and Equipment which reflects the concept of materiality when preparing the financial statements.

(ii) Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, where the asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of Existing Use Value for social housing (EUV-SH). The Adjustment Factor applied is a measure of the difference between private Market Rent and socially rented property within the Aberdeenshire Council area. It is the discount which, when applied to the cumulative total of all beacon values, gives rise to the Existing Use Value-Social Housing (EUV-SH) for the housing stock. The Adjustment Factor, therefore, is the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent public sector investment;
- non-specialised property – current value, determined as an amount that would be paid for the asset in its existing use (existing use value – EUV);

Note 1 – Significant Accounting Policies (Continued)

- specialised property – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

From 1 April 2025, the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) were amended in relation to the revaluation of property, plant and equipment. Authorities that do not operate a rolling revaluation programme, and where assets are not non-property assets subject to indexation, are required to undertake a full revaluation at least every five years. In the intervening four years, indexation should be applied annually to reflect changes in value. Where appropriate indices cannot be obtained without undue cost or effort, authorities should instead adopt a quinquennial revaluation approach, supplemented by a desktop revaluation in the third year. The Council applies this approach to certain specialist assets. The most recent valuation is therefore retained for these assets until a desktop valuation is undertaken in year 3 of the valuation cycle, with a full valuation undertaken at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In exceptional cases, gains will be credited to the CIES where they arise from the reversal of a revaluation loss charged previously to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

(iii) Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Note 1 – Significant Accounting Policies (Continued)

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

(iv)Disposals

When it becomes probable that an asset will be sold rather than continuing to be used for service delivery it is reclassified as an Asset Held for Sale. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the Council must be committed to a plan to sell the asset, and an active programme to locate a buyer must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund balance in the MIRS.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Note 1 – Significant Accounting Policies (Continued)

(v) Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council Dwellings and Other Buildings - straight-line allocation over the useful life of the property (between 20 and 60 years) as estimated by the valuer;
- Vehicles, Plant and Equipment – straight-line allocation over the useful life of the asset (between 4 and 30 years) as advised by a suitably qualified officer;
- Infrastructure – straight-line allocation over the useful life of the asset (between 5 and 60 years) as advised by a suitably qualified officer;
- Community Assets – straight-line allocation over the useful life of the asset (between 10 and 60 years) as advised by a suitably qualified officer; and
- Where a specific component has a demonstrable different useful life, consider and adopt this time period.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is not calculated in the year an asset is acquired but is calculated in the year of disposal. Assets that have been recategorised as Assets Held for Sale are not depreciated.

(vi) Componentisation

Components of an item of Property, Plant and Equipment are recognised separately for depreciation purposes where it is considered that the cost of the component is significant in relation to the total cost of the asset. Assets with a carrying value of £5,000,000 and below will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.

Assets that are above the £5,000,000 de minimis threshold will be componentised where the cost of the component is significant in relation to the overall total cost of the asset and the difference in useful life is significant in relation to the main asset.

The components that will be considered in terms of this policy are:

- External Works;
- Walls and Structure;
- Roof; and
- Mechanical and Electrical.

This policy applies to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010. It excludes land assets which are already identified separately.

Note 1 – Significant Accounting Policies (Continued)

(vii) Derecognition of Infrastructure Assets

The Council has determined, in accordance with Local Government Circular 08/2024 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities, that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be, and accounted for, as a nil amount. In accordance with the circular the Council is not required to make subsequent adjustments to the carrying amount of the asset with respect to that part.

1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment 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 property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. 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 CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, charged to the Financing and Investment Income and Expenditure line in the CIES. The interest charge on the four PFI and similar contracts held by Aberdeenshire Council are as follows:
    - Robertson Education (Aberdeenshire) Limited 8.69%
    - Elgin Education (Aberdeenshire2) Limited 5.18%
    - Hub North Scotland (Alford) Limited 7.59%
    - Hub North Scotland (Inverurie) Limited 5.98%
- contingent rent – increases in the amount to be paid for the property arising during the contract, charged to the Financing and Investment Income and Expenditure line in the CIES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – a proportion of the amounts payable is recognised in the Balance Sheet as a prepayment and then re-allocated as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Service Concession Arrangements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the Council is in control of services provided under the scheme. As ownership of the long-term assets will pass to the Council at the end of the contract for no additional charge, the Council carries the assets on the balance sheet. With effect from 1 April 2024, IFRS 16 (Leases) also applies to service concession arrangements. Under IFRS 16, where indexation affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

Note 1 – Significant Accounting Policies (Continued)

1.21 Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation where it is probable that settlement by a transfer of economic benefits or service potential will be required, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

(ii) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(iii) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.22 Reserves

Reserves are created by transferring amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year, impacting the Surplus/Deficit on the Provision of Services in the CIES. The Reserve is then transferred back into the General Fund Balance in the MIRS so there is no net charge against Council Tax for the expenditure.

Note 1 – Significant Accounting Policies (Continued)

Usable Reserves
The Council has several funds within this category – the detail and the purpose of these reserves are shown in Note 7.

Unusable Reserves
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and that do not represent usable resources for the Council. These reserves are explained in Note 28 Unusable Reserves.

1.23 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the costs of this expenditure by borrowing, a transfer in the MIRS from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.24 VAT

The CIES excludes amounts relating to VAT and will only be included as an expense if not recoverable from HM Revenue and Customs (HMRC). VAT receivable is excluded from income within the Council's Income and Expenditure Account.

Note 2 – Accounting Standards that have been Issued but have not yet been Adopted

The following Accounting Standards will be adopted by the Code in 2026/27. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

a) Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
b) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
c) Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024
d) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made, this is referred to in the relevant note in the financial statements. The critical judgements deemed to have the most significant effect on amounts included in the annual accounts are:

Private Finance Initiative

The Council has judged that the relevant PFI and similar arrangements meet the definition of service concession arrangements because the Council controls the services provided through the assets and controls the significant residual interest in those assets at the end of the arrangement.

The Council is committed to four PFI and similar contracts in respect of Education and Leisure facilities. Accounting policies for PFI schemes and similar arrangements have been applied and the assets under the contracts are included within Property, Plant and Equipment on the Council's Balance Sheet, valued at £242.351m. Movements in the asset values over the year are detailed in the analysis of the movement on the Property, Plant and Equipment (PPE) balance in Note 13. Note 19 and the associated Annex provides further details on PFI and similar Contracts.

Provisions and Liabilities

Aberdeenshire Council has a number of legal cases outstanding and has considered its exposure to future obligations. Provision has been made where the Council has judged that the obligations meet the recognition criteria, i.e. there is a present obligation arising from a past event, it is probable that settlement will require an outflow of resources and the amount can be measured reliably.

Detail of judgments considered are included in Note 26 Provisions and Note 30 Contingent Liabilities.

Council Acting as Principal or Agent.

Where the Council does not control the underlying activity and is acting only to administer funding on behalf of another body, it has judged that it is acting as agent. In those cases, only amounts due to or from the Council are recognised in the Balance Sheet, rather than gross income and expenditure in the CIES.

During 2025/26 the Council has acted as an Agent for the Scottish and UK Governments, and other External Agencies. Details can be found in Note 10 Agency Services. If the Council was deemed not to be acting as an Agent, the income and expenditure would be recorded in the CIES.

Group Accounts

The Council has considered its interests in subsidiaries, associates and joint arrangements, taking account of control, joint control, significant influence and materiality. Judgement has been applied in determining which entities are consolidated within the Group Accounts

The Group Accounts includes the Trust and Common Good Funds, Create Homes Aberdeenshire LLP and the Integration Joint Board as a Joint Venture with NHS Grampian. Details are included in the Group Accounts.

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The following items in the Council's Balance Sheet at 31 March 2026 involve assumptions and estimation uncertainty for which there is a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next financial year:

Property, Plant and Equipment – Useful Economic Lives

Property, Plant and Equipment assets are depreciated over useful lives that are based on assumptions about the period over which the asset will provide economic benefit or service potential. These assumptions take account of asset condition, expected use, planned repairs and maintenance, and information provided by services at the point of acquisition or valuation. The current financial environment creates uncertainty over the Council's ability to sustain planned levels of repairs and maintenance, which may affect the useful lives assigned to assets. If the useful lives are shortened, depreciation charges increase and the carrying amount of the asset reduces. Where indicators of impairment exist, the carrying amount may also be reduced through an impairment charge.

The Council is currently in the fifth year of a 10-year programme of maintenance spend on existing assets.

Effect if actual result differs from assumptions - If the useful life of PPE assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by £6.696m if useful lives were to be reduced by one year, and by £15.337m if useful lives were to reduce by 2 years. The carrying value of the relevant assets at 31 March 2026 is £2,571m.

Change to useful lives assumptions	Impact on Depreciation Charge
Reduce 1 year	£6.696m
Reduce 2 years	£15.337m

Property Asset Values

Operational property assets are valued on a rolling 5-year cycle, with annual indexation applied in intervening years where required by the 2025/26 Code to ensure that carrying values remain materially up to date.

Valuations and indexation involve judgement over market conditions, construction costs, asset condition, remaining useful life, valuation methodology and the selection of appropriate indices. A threshold of £18m per asset group has been established to assess whether movements between valuation dates and 31 March 2026 are material.

The Council completed its 2025/26 indexation assessment as part of the year-end valuation review. Total indexation movements identified amount to £18.464m.

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Continued)

Effect if actual result differs from assumptions - From 1 April 2025, the Code requirements changed in respect of revaluation of property, plant and equipment. Assets are required to be revalued at least every five years, either through a rolling programme or a quinquennial revaluation, with annual indexation applied in intervening years where required to ensure carrying value remain materially up to date. Where suitable indices cannot be obtained without undue cost or effort, a desktop valuation may be undertaken in year three.

Changes in valuation or indexation assumptions may result in material movements in the carrying value of property assets. If the property value goes up, the increase is usually recorded in the Revaluation Reserve, unless it is reversing a previous loss that went through the main income and expenditure account (CIES).

If the property value goes down, the loss is taken from the Revaluation Reserve (if there is a balance available for that asset). Any remaining loss is then charged to the Comprehensive Income and Expenditure Statement (CIES).

Index	Average Change %	Valuation Change £'000
BCIS All TPI Location Adjusted	2.76	33,945
Industrial Property – Aberdeenshire	4.55	2,104
No Suitable Index	-	-
Office Property – Aberdeen Fringe	(3.12)	(200)
Office Property – Aberdeenshire	(5.19)	(375)
Residential Property – Aberdeenshire	(10.25)	(1,303)
Retail Property – Aberdeenshire	(4.39)	(95)
Scotland Farmland Value Index	0.00	-
Scotland Urban/Brownfield Land Index	(10.40)	(15,612)
Total Indexation Applied in 2025/26		**18,464**

Council Dwellings

Council Dwellings are valued at Current Value, which is determined using the basis of Existing Use Value of social housing (EUV-SH). This value is then reduced by the Adjustment Factor which is a measure of the difference between private Market Rent and socially rented property within the Aberdeenshire Council area. It is the discount which, when applied to the cumulative total of all Beacon values, gives rise to the Existing Use Value-Social Housing (EUV-SH) for the housing stock. The Adjustment Factor, therefore, is the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent in the public sector.

The Adjustment Factor incorporates an element of uncertainty and can change due to movements in private and public sector rents. Council dwellings are valued using a combination of the Beacon Method and the investment approach. The Beacon Method aggregates the vacant possession values of each housing unit, while the investment approach capitalises the gross rental income using an appropriate investment yield.

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Continued)

The Beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology accounts for regional variations in capital values, stock condition, rent arrears, and voids. The investment yield applied is 7.5%.

Effect if actual result differs from assumptions **-** It is estimated that the Council Dwellings with value of £493m would fall in value if the adjustment factor was to increase from current adjustment factor of 57% as follows.

Change to adjustment Factor	Impact on Dwellings Value
Increase by 1%	£11.273m
Increase by 2%	£22.550m

Arrears – Sundry Debtors
As at 31 March 2026, the General Debtors balance was £15.122m. The Council has recognised an impairment allowance of £4.087m including an additional £1.058m in 2025/26. (See Note 23 – Debtors regarding Impairment Losses)

The allowance is based on historical collection experience, current debt profile and judgement over future recoverability. In the current economic climate, there is uncertainty over future collection rates and the level of impairment allowance required.

Effect if actual result differs from assumptions - If collection rates deteriorate, an additional impairment allowance may be required, reducing the carrying amount of debtors and increasing the charge to the CIES. A 10% deterioration in recoverability would require an additional allowance of £1.470m. A 20% deterioration would require an additional allowance of £2.940m.

Arrears – Council Tax Debtors
The Council maintains an impairment allowance on the Balance Sheet to reflect the estimated level of Council Tax debt that may not be recovered. The allowance is based on the age of outstanding debt, historical collection rates, recent write-off experience and judgement over future recoverability. At 31 March 2026 the provision is £19.755m, including an additional £1.2m in 2025/26. In the current economic climate there remains uncertainty over whether the allowance will be sufficient.

Effect if actual result differs from assumptions - If collection rates were to deteriorate, an additional impairment allowance may be required, reducing the carrying amount of debtors and increasing the charge to the CIES.

Years Applied	Basis of Allowance	Impact of Change to Assumed Rate
1993/94 – 2017/18	100% of Outstanding Debtor	No change as fully provided
2018/19 – 2020/21	Impairment allowance of 0.75% of Debt Raised based on historical collection rates	If impairment allowance updated to be 1.00% of Debt Raised, an additional allowance of £1.08m would be required
2021/22 – 2025/26	Impairment allowance of 0.50% of Debt Raised based on recent write-off levels	If impairment allowance updated to be 0.75% of Debt Raised, an additional allowance of £2.1m would be required

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Continued)

Pension Liability
The Council participates in two post-employment schemes, the North East Scotland Pension Fund (NESPF), administered by Aberdeen City Council and the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government through the Scottish Public Pensions Agency. The estimation of the defined benefit obligations is sensitive to actuarial assumptions including the discount rate, salary increases, pension increases, retirement ages, mortality assumptions and returns on Pension Fund assets. The pension scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Fund have been based on the latest full valuation of the scheme as at 31 March 2023, with the next triennial valuation due as at 31 March 2026.

Effect if actual result differs from assumptions - Changes in actuarial assumptions may result in a material adjustment to the pension liability within the next financial year. Note 33 provides further information on the Council's pension liability of £1,375m, and sensitivity analysis showing the impact of changes in key actuarial assumptions.

PPP/PFI Liability
Aberdeenshire Council is deemed to control the services provided under the arrangements for the provision of educational establishments. The accounting policies for PFI schemes and similar arrangements have been applied and the assets and associated liabilities under the contract are included on the Council's Balance Sheet. The liability and future unitary charge payments are affected by assumptions on inflation and contract indexation including RPI indices used to calculate the uplift. These indices may fluctuate and create uncertainty over the carrying value of the liability and future funding requirement.

Effect if actual result differs from assumptions - Where changes in inflation or indexation assumptions affect the measurement of the PPP/ PFI liability, the carrying amount of the liability may be adjusted. Where changes affect future unitary charge payments only, this will affect the Council's future funding requirement rather than the carrying value at the reporting date.

Increase in indices above those assumed in the funding model would also require the Council to identify and allocate additional funding to the scheme. An estimated 0.5% increase in the unitary rate used in the model would result in an increase of £0.402m in unitary charge payments over the remaining term of the arrangement. Detail on PFI and similar contracts can be found in Note 19.

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Continued)

The following item relates to a recognised liability at 31 March 2026 where the timing and amount of settlement are uncertain, but where the significant risk of material adjustment is expected to arise beyond the next financial year rather than within the next 12 months:

Provision – Asset Decommissioning
The Council has made a provision of £9.89m for asset decommissioning costs relating to a number of assets owned by Aberdeenshire Council.

The provision is an estimate of costs to dismantle, remove items and to restore the related sites for the Energy from Waste facility, household waste recycling centres, waste transfer sites, landfill sites and quarries. As decommissioning will occur at uncertain future dates, actual costs may vary from the estimate. The provision is reviewed annually to reflect updated cost estimates, site usage, environmental obligations and expected timing of decommissioning activity.

Effect if actual result differs from assumptions - The associated decommissioning costs were not settled in 2025/26, but the obligation exists to settle these costs in future years. Changes in cost estimates, timing assumptions or regulatory requirements may result in future adjustments to the provision. In accordance with LASAAC accounting guidance issued in September 2014, the Council capitalises the relevant decommissioning costs and funds them from borrowing.

Detail on the Decommissioning Provision can be found in Note 26.

Note 5 – Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Total 2024/25 £'000		Total 2025/26 £'000
545,946	Employee Expenses	544,170
667,596	Other Service Expenses	651,233
3,120	Support Service Recharges	3,193
115,355	Depreciation, Amortisation & Impairment	108,325
43,804	Interest Payments	44,778
(101)	Loss on Investments	(101)
-	Loss on Disposal of Non- Current Assets & AHfs	737
1,375,720	**Total Expenditure**	**1,352,335**
(370,073)	Fees, Charges & Other Service Income	(373,494)
(1,246)	Interest & Investment Income	(1,889)
(302,076)	Income from Council Tax and Business Rates	(316,920)
(622,356)	Government Grants & Contributions	(661,045)
(105)	Gain on Disposal of Non- Current Assets & AHfs	-
(1,295,856)	**Total Income**	**(1,353,348)**
79,864	**Surplus on the Provision of Services**	**(1,013)**

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2025/26	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £000	Total Usable Reserves £000	Total Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation of non current assets	(49,582)	(15,873)	-	(65,455)	65,455
Charges for impairment of non current assets	(1,266)	(5,500)	-	(6,766)	6,766
Revaluation losses on PPE and AHfs	(11,330)	(7)	-	(11,337)	11,337
Movements in the market value of Investment Properties	101	-	-	101	(101)
Amortisation of intangible assets	(148)	(4)	-	(152)	152
Grants and contributions used to fund capital expenditure	42,158	1,716	-	43,874	(43,874)
Movement in the Donated Assets Account	80	-	-	80	(80)
Revenue expenditure funded by Capital under Statute	(6,308)	-	-	(6,308)	6,308
Amounts of non current assets and AHfs written off on disposal or sale as part of the gain on disposal to the CIES	(3,709)	(320)	-	(4,029)	4,029
Temporary Statutory Accounting Flexibility - Use of Capital Grant to Fund Capital Investment in the Housing Capital Programme	-	-	-	-	-
Statutory Flexibility for Service Concession Arrangements	(6,206)	-	-	(6,206)	6,206
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	26,819	3,944	-	30,763	(30,763)
Capital expenditure charged against the General Fund and HRA balances	2,958	9,136	-	12,094	(12,094)
Adjustment involving the Capital Grants and Receipts Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	5,630	-	(5,630)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	4,475	4,475	(4,475)
Transfer of sale proceeds on disposals of non-current assets	2,890	322	-	3,212	(3,212)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	781	(7)	-	774	(774)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(32,527)	(1,783)	-	(34,310)	34,310
Employer's pensions contributions and direct payments to pensioners payable in the year	43,997	2,509	-	46,506	(46,506)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	828	(41)	-	787	(787)
Total Adjustments	**15,166**	**(5,908)**	**(1,155)**	**8,103**	**(8,103)**

Note 6 – Adjustments between Accounting Basis and Funding Basis Under Regulations (Continued)

2024/25	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserves £000	Total Usable Reserves £000	Total Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation of non current assets	(47,268)	(16,273)	-	(63,541)	63,541
Charges for impairment of non current assets	(1,770)	(16,131)	-	(17,901)	17,901
Revaluation losses on PPE and AHfS	(19,600)	2	-	(19,598)	19,598
Movements in the market value of Investment Properties	101	-	-	101	(101)
Amortisation of intangible assets	(235)	(12)	-	(247)	247
Grants and contributions used to fund capital expenditure	31,588	9,416	-	41,004	(41,004)
Movement in the Donated Assets Account	90	-	-	90	(90)
Revenue expenditure funded by Capital under Statute	(5,115)	-	-	(5,115)	5,115
Amounts of non current assets and AHfS written off on disposal or sale as part of the gain on disposal to the CIES	(1,861)	(488)	-	(2,349)	2,349
Temporary Statutory Accounting Flexibility - Use of Capital Grant to Fund Capital Investment in the Housing Capital Programme	-	-	-	-	-
Statutory Flexibility for Service Concession Arrangements	(5,497)	-	-	(5,497)	5,497
Insertion of items not debited or credited to the CIES:					
Statutory provision for the repayment of debts	23,904	3,377	-	27,281	(27,281)
Capital expenditure charged against the General Fund and HRA balances	3,040	7,600	-	10,640	(10,640)
Adjustment involving the Capital Grants and Receipts Unapplied Account:					
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	3,254	-	(3,254)	-	-
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	4,214	4,214	(4,214)
Transfer of sale proceeds on disposals of non-current assets	1,872	492	-	2,364	(2,364)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	641	191	-	832	(832)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 34)	(41,517)	(2,326)	-	(43,843)	43,843
Employer's pensions contributions and direct payments to pensioners payable in the year	43,362	2,333	-	45,695	(45,695)
Adjustment involving the Employee Statutory Adjustment Account:					
Movement in annual leave earned but not used by 31 March	(1,402)	(4)	-	(1,406)	1,406
Total Adjustments	**(16,413)**	**(11,823)**	**960**	**(27,276)**	**27,276**

The 2024/25 table has been updated to reflect a presentational change introduced in 2025/26, whereby depreciation and impairment adjustments are shown separately.

Note 7 – Usable Reserves and Earmarked Balances

The table below details the amounts transferred between the General Fund Working Balance and Earmarked Reserves to finance expenditure during 2025/26:

	Balance at 31 March 2024 £'000	Transfers Out 2024/25 £'000	Transfers In 2024/25 £'000	Balance at 31 March 2025 £'000	Transfers Out 2025/26 £'000	Transfers In 2025/26 £'000	Balance at 31 March 2026 £'000
Earmarked Balances:							
Affordable Housing - LTE and Second Homes Council Tax	**(8,922)**	1,729	(2,671)	**(9,864)**	25	(2,125)	**(11,964)**
Earmarked Grants	**(14,945)**	3,562	(2,721)	**(14,104)**	1,577	(2,919)	**(15,446)**
Total Earmarked Balances	**(23,867)**	**5,291**	**(5,392)**	**(23,968)**	**1,602**	**(5,044)**	**(27,410)**
Other Commitments:							
Devolved School Management (DSM) inc Projects	**(2,880)**	2,508	-	**(372)**	893	(1,800)	**(1,279)**
Pupil Equity Funding	**(294)**	294	(451)	**(451)**	-	(247)	**(698)**
Regeneration and Priority Town Reserve	**(1,959)**	1,744	-	**(215)**	24	-	**(191)**
Tackling Poverty and Inequalities Reserve	**(2,943)**	1,587	(132)	**(1,488)**	871	(1)	**(618)**
Repairs and Maintenance Fund	**(500)**	-	-	**(500)**	-	-	**(500)**
Digital Strategy Reserve	**(948)**	482	-	**(466)**	415	(89)	**(140)**
Local Authority Covid Economic Recovery Fund (LACER)	**(853)**	1,276	(853)	**(430)**	216	(111)	**(325)**
Risk & Inflation Reserve	**(2,768)**	2,869	(3,122)	**(3,021)**	9,165	(25,072)	**(18,928)**
Transformation Reserve	**(35,796)**	14,453	-	**(21,343)**	-	(4,005)	**(25,348)**
Transformation Payback Reserve	**-**	-	-		-	(1,419)	**(1,419)**
Place Strategy Reserve	**-**	1,400	(1,400)	**-**	-	-	**-**
EFW Reserves	**-**	-	-	**-**	-	(2,488)	**(2,488)**
Other Commitments (each less than £500,000)	**(899)**	548	(609)	**(960)**	403	(454)	**(1,011)**
Total	**(49,840)**	**27,161**	**(6,567)**	**(29,246)**	**11,987**	**(35,686)**	**(52,945)**
Total Commitments	**(73,707)**			**(53,214)**			**(80,355)**
General Fund Working Balance	**(6,911)**			**(9,000)**			**(9,070)**
Total General Fund Balance	**(80,618)**			**(62,214)**			**(89,425)**

Explanatory Note of Reserves:

- **General Fund Balance –** The General Fund Balance increased by £27.211m in 2025/26 giving a balance at the end of the year of £89.425m. Once the commitments of £80.355m shown above are set against this, a working balance of £9.070m remains at 31 March 2026. The level of balances held within the General Fund is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.
- **Affordable Housing – Long Term Empty (LTE) & Second Homes Council Tax** – Scottish Government legislation requires that a proportion of income collected from Council Tax on second homes and long term empty properties is utilised to fund Affordable Housing. This reserve represents the balance of funds collected compared to those used.
- **Earmarked Grants** – The balance held relates to situations where the paying agency allows retention of unspent grant. In order to recognise that the grant is ring-fenced, the element of the balance relating to the unspent grant has been earmarked.

Note 7 – Usable Reserves and Earmarked Balances (Continued)

- **Devolved School Management (DSM)** – Amounts carried forward by schools permitted under DSM Scheme. For 2025/26 this also incorporates the Devolved School Management Projects reserve which holds Ring-fenced amounts carried forward by schools for specific projects.
- **Pupil Equity Funding (PEF)** – Scottish Government Funding to improve attainment in schools. Monies drawn down when spent in schools.
- **Regeneration and Priority Town Reserve** – This reserve was created to focus on economic regeneration of Fraserburgh, Peterhead, Banff and Macduff as part of a 5 year strategy.
- **Tackling Poverty and Inequalities Reserve** – Reserve set up to support the agenda of reducing poverty and inequalities.
- **Repairs and Maintenance Reserve** – Reserve to provide for any unexpected pressures on the Repairs and Maintenance budgets.
- **Digital Strategy Reserve** – Reserve aimed at improving efficiencies, making council services accessible to customers, removing barriers which impact on ability to transform service delivery, building digital confidence through the workforce and supporting capacity building/strengthening resilience.
- **Local Authority Covid Economic Recovery Fund (LACER)** – LACER Funding was received from Scottish Government in 2021/22 to be utilised to support economic recovery from the pandemic. New LACER projects were agreed at Council 26 September 2024 and so the balance remaining is to be utilised to support these projects.
- **Risk & Inflation Reserve** – Reserve established to mitigate financial pressures arising from risks, inflation, and pay awards within the General Fund. This includes £2m re-purposed as part of the 2026/27 budget from the Integration Joint Board (IJB) underwrite shortfall originally set aside for 2025/26 and not utilised.
- **Transformation Reserve** – Reserve created due to a change in accounting for service concession arrangement, to be utilised to fund Transformation Projects over the next 1-5 years.
- **Transformation Payback Reserve –** Reserve created in 2025/26 to re-pay amounts previously drawn down from transformation reserve in accordance with reserves policy. Not available for distribution.
- **Place Strategy Reserve –** New Place Strategy Reserve initially created as part of the 2024/25 budget setting process to provide resources to deliver the Place Strategy. In February 2025 Aberdeenshire Council agreed to fully draw down this reserve to contribute towards the forecast over budget position for 2024/25.
- **Energy from Waste (EFW) Reserve –** Income received in relation to the EFW contract has been earmarked within a dedicated reserve to mitigate against the risk of increased costs pending the re-tender of the contract.
- **Other Commitments** – Number of minor commitments with balances less than £500,000 each.

Note 8 – Financing and Investment Income and Expenditure

An analysis of Financing and Investment Income and Expenditure is set out in the table below:

2024/25 £'000		2025/26 £'000
42,768	Interest payable and similar charges	43,560
1,036	Net interest on net defined benefit liability (asset)	1,218
(101)	Income and expenditure in relation to investment properties and changes in their fair value	(101)
(1,246)	Interest Receivable and Similar Income	(1,889)
1,087	Increase/(Decrease) in Provision for Bad Debts	3,034
43,544	**Total**	**45,822**

Note 9 – Taxation and Non-Specific Grant Income

An analysis of Taxation and Non-Specific Grant Income is set out in the table below:

2024/25 £'000		2025/26 £'000
(170,446)	Council Tax Income	(186,531)
(131,630)	Business Rates	(130,389)
(469,553)	Non-Ring-Fenced Government Grants	(507,877)
(44,258)	Non-Specific Grant Income – Capital	(49,504)
(815,887)	**Total**	**(874,301)**

Note 10 – Agency Services

The Council is the billing authority for Non-Domestic Rates (NDR) in Aberdeenshire and, in this role, acts as an agent of the Scottish Government. During 2025/26, the Council billed £137.4 million (2024/25 £136.6 million restated) on behalf of the Scottish Government. After provisions for bad and doubtful debts, and prior year adjustments, the Council contributed £133.8 million to the National Non-Domestic Rates Pool (2024/25 £132.8 million restated) and received back from the pool £130.4 million in income (2024/25 £131.6 million).

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water from households within the authority. During 2025/26 the Council collected £55.376 million (2024/25 £50.145 million) on behalf of Scottish Water. During 2025/26 the Council received £883,000 for providing this service (2024/25 £872,000).

Business Improvement District Levies (BIDS) are collected by the Council on behalf of the BIDS projects within Aberdeenshire. One BIDS project was active during 2025/26 (Inverurie). During 2025/26 the Council collected £92,000 (2024/25 £94,000) on behalf of the BIDS project. The Council received a fee associated with BIDS collections at a rate of 3% of the total Levy charged. The Council received £3,000 for these fees in 2025/26 (2024/25 £3,000).

Through the Aberdeen City Region Deal, Aberdeenshire Council, Aberdeen City Council and regional partners, together with the UK and Scottish Governments are committed to jointly investing £826 million to secure the Region's economic vision. More information on the deal can be found in the latest annual report Aberdeen City Region Deal Annual Report April 2024 - March 2025.

Aberdeenshire Council acts as the Accountable Body for the Aberdeen City Region Deal Joint Committee which includes the role of providing a bank account, processing grant claims for relevant expenditure, and transferring funds received from Scottish Government to third party partners. A total of £18.345 million was transferred to third parties in 2025/26 (2024/25 £24.232 million) on behalf of the Scottish Government.

The Council administers Thank You Payments to hosts participating in the Homes for Ukraine scheme on behalf of the UK Government. These payments are reimbursed by the UK Government in arrears, following the submission of a claim form for the relevant period in which the payments were made. In 2025/26, the Council distributed £251,000 in Thank You Payments to hosts (2024/25 £371,000). During the same period, the Council received £423,000 from the UK Government to fund these payments (2024/25 £409,000). The Council does not receive any funding to cover the administrative costs of delivering this service, and no surplus is generated from its operation.

The Council acts as an agent for pension funds to which its employees are entitled to contribute. It collects employee pension contributions on behalf of these funds. In 2025/26, the Council collected £32.086 million in employee pension contributions (2024/25 £31.244 million).

Additionally, the Council acts as an agent for various employee benefit schemes by collecting payments through salary sacrifice arrangements. These schemes include the Cycle to Work Scheme, Home and Electronics, Childcare Scheme, and Lease Car Scheme. In 2025/26, the Council collected £2.544 million from employees for these schemes (2024/25 £2.166 million).

Note 10 – Agency Services (Continued)

The Council acts as the accountable body for the North East Investment Zone (NEIZ) Joint Committee and is responsible for receiving and administering funding from the UK and Scottish Governments. During 2025/26 the Council received £2.866 million (2024/25 £nil). During 2025/26 £277,000 of this funding was utilised for administration costs of providing this service (2024/25 £nil). The remaining £2.589 million (2024/25 £nil) is held on behalf of the NEIZ. No payments were made to third parties during 2025/26. A balance of £2.589 million remains held at 31 March 2026 and will be distributed in future years.

Fraserburgh Harbour Commissioners successfully applied for a grant from the Scottish Government's Just Transition Fund. The award of £2.472 million is for the purposes of ground investigation works at Fraserburgh Harbour to unlock further phases of the North Breakwater extension and wider Fraserburgh Harbour development. A grant agreement was entered into between the Council and the Scottish Government. A pass-through agreement was subsequently entered into between the Council and the Fraserburgh Harbour Commissioners. Aberdeenshire Council has received the funding from the Scottish Government which is to be drawn down in arrears by Fraserburgh Harbour Commissioners. No spend has been incurred in 2025/26 (2024/25 £nil) and no surplus has been generated as the £2.472 million grant will be drawn down in future years.

Note 11 – External Audit Costs

The Council incurred fees of £535,000 (2024/25 £528,000*) payable to Audit Scotland for the statutory audit of the Annual Accounts by Grant Thornton UK LLP. These fees include £12,000 (2024/25 £13,000) in relation to audit requirements for the charities' accounts of Local Authorities.

* Prior year restated due to £2,000 additional charge from Audit Scotland for the 2024/25 audit by Grant Thornton UK LLP.

Note 12 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2024/25 £'000		2025/26 £'000
1,229,110	**Opening Capital Financing Requirement**	**1,278,476**
	Capital Investment	
100,412	Property, Plant and Equipment	83,409
71	Intangible Assets	36
23,774	Right of Use Asset/PPP Remeasurement Recognised in Year	3,591
5,115	Revenue Expenditure Funded by Capital under Statute	6,308
	Sources of Finance	
(2,364)	Capital Receipts	(3,212)
(45,218)	Government Grants and Other Contributions	(48,349)
	Sums Set Aside from Revenue:	
(10,640)	Capital Financed from Current Revenue	(12,094)
(8,747)	Repayment of PPP/Finance Leases	(10,366)
(888)	Repayment of Right of Use Leases	(1,130)
(17,646)	Loans Fund Principal Repayments	(19,267)
5,497	Service Concession Arrangements	6,206
1,278,476	**Closing Capital Financing Requirement**	**1,283,608**
	Explanation of movements in year	
21,030	Increase/(Decrease) in Underlying Need to Borrow (Supported by Government Financial Assistance)	(3,501)
17,224	Increase in PPP/PFI Finance Lease Obligations	1,349
5,616	Increase in Right of Use Lease Obligations	1,143
5,497	Service Concession Arrangements	6,206
49,367	**Increase in Capital Financing Requirement**	**5,197**

Note 13 – Property, Plant and Equipment (PPE)

Movements in 2025/26	Council Dwellings £'000	Other Land and Buildings** £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000
Cost or Valuation								
At 31 March 2025	**542,127**	**1,544,880**	**244,474**	**1,444**	**37,223**	**13,851**	**2,383,999**	**247,297**
Opening balance reclassification - PFI/PPP Remeasurement	**-**	**17,224**	**-**	**-**	**-**	**-**	**17,224**	**17,224**
At 1 April 2025	**542,127**	**1,562,104**	**244,474**	**1,444**	**37,223**	**13,851**	**2,401,223**	**264,521**
Additions	19,019	15,165	14,526	151	21,715	(7)	**70,569**	3,160
Accumulated Depreciation & Impairment Written Out	-	(55,167)	-	-	-	(122)	**(55,289)**	(8,453)
Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve	-	16,774	-	-	-	(287)	**16,487**	(6,548)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	-	(10,849)	-	-	-	(488)	**(11,337)**	(6,750)
Derecognition – Disposals	-	(1,723)	(27,167)	-	(216)	(967)	**(30,073)**	-
Assets Reclassified (to)/from AHfs	-	-	(77)	-	-	(3,035)	**(3,112)**	-
Transfers or Reclassifications of Assets	13,161	3,833	(936)	25	(17,464)	1,381	**-**	-
At 31 March 2026	**574,307**	**1,530,137**	**230,820**	**1,620**	**41,258**	**10,326**	**2,388,468**	**245,930**
Accumulated Depreciation and Impairment								
At 1 April 2025	**(44,734)**	**(6,819)**	**(113,021)**	**(16)**	**(14,434)**	**(2,535)**	**(181,559)**	**1**
Depreciation Charge	(17,478)	(47,253)	(18,145)	-	-	(72)	**(82,948)**	(7,104)
Accumulated Depreciation written out	-	50,120	-	-	-	122	**50,242**	7,104
Accumulated Impairment written out	-	5,042	-	-	-	-	**5,042**	1,349
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(4,553)	(1,073)	-	-	(1,140)	-	**(6,766)**	(564)
Impairment Losses recognised in the RR	(7,226)	(1,886)	-	-	-	-	**(9,112)**	(785)
Derecognition - Disposals	-	395	26,951	-	216	923	**28,485**	-
Assets Reclassified (to)/from AHfs	-	-	77	-	-	-	**77**	-
Other Movements in Depreciation & Impairment	(7,501)	(1,010)	932	(3)	8,543	(961)	**-**	-
At 31 March 2026	**(81,492)**	**(2,484)**	**(103,206)**	**(19)**	**(6,815)**	**(2,523)**	**(196,539)**	**1**
							-	
Net Book Value at 31 March 2026	**492,815**	**1,527,653**	**127,614**	**1,601**	**34,443**	**7,803**	**2,191,929**	**245,931**

**The opening balance has been updated by £17.224m to reflect a correction to the accounting treatment of the 2024/25 PFI/PPP remeasurement. No prior year adjustment is required.

Note 13 – Property, Plant and Equipment (Continued)

Movements in 2024/25	Council Dwellings £'000	Other Land and Buildings** £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000
Cost or Valuation								
At 1 April 2024	**495,038**	**1,516,050**	**238,384**	**1,406**	**73,637**	**10,079**	**2,334,594**	**264,996**
Additions	21,434	16,397	10,296	38	33,577	180	**81,922**	2,226
Accumulated Depreciation & Impairment Written Out	-	(41,683)	(2,748)	-	-	(466)	**(44,897)**	(6,809)
Revaluation (Decreases)/Increases Recognised in the Revaluation Reserve	-	65,421	3,045	-	-	(2,326)	**66,140**	(12,896)
Revaluation (Decreases)/Increases Recognised in the Deficit on the Provision of Services	-	(15,690)	(1,542)	-	-	(2,366)	**(19,598)**	(220)
Derecognition – Disposals	-	(205)	(1,699)	-	(25)	(636)	**(2,565)**	-
Assets Reclassified (to)/from AHfS	-	-	-	-	-	(2,322)	**(2,322)**	-
Transfers or Reclassifications of Assets	25,655	4,590	(1,262)	-	(69,966)	11,708	**(29,275)**	-
At 31 March 2025	**542,127**	**1,544,880**	**244,474**	**1,444**	**37,223**	**13,851**	**2,383,999**	**247,297**
Accumulated Depreciation and Impairment								
At 1 April 2024	**(331)**	**(4,933)**	**(99,661)**	**(16)**	**(15,593)**	**(1,753)**	**(122,287)**	**-**
Depreciation Charge	(17,486)	(43,532)	(19,049)	-	-	(57)	**(80,124)**	(6,808)
Accumulated Depreciation written out	-	41,659	2,748	-	-	466	**44,873**	6,809
Accumulated Impairment written out	-	29	-	-	-	-	**29**	-
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	(4,660)	(458)	-	-	(12,777)	(5)	**(17,900)**	-
Impairment Losses recognised in the RR	(8,031)	(203)	-	-	(278)	(8)	**(8,520)**	-
Derecognition - Disposals	-	205	1,696	-	25	444	**2,370**	-
								-
Other Movements in Depreciation & Impairment	(14,226)	414	1,245	-	14,189	(1,622)	**-**	-
At 31 March 2025	**(44,734)**	**(6,819)**	**(113,021)**	**(16)**	**(14,434)**	**(2,535)**	**(181,559)**	**1**
							-	
Net Book Value at 31 March 2025	**497,393**	**1,538,061**	**131,453**	**1,428**	**22,789**	**11,316**	**2,202,440**	**247,298**

** The IFRS16 adjustment of £17.224m relating to PPP ROU Assets is included in 'Other Land and Buildings', however is considered as part of the valuation of the overall asset and therefore does not necessarily correspond to the net change in asset value.

Note 13 – Property, Plant and Equipment (Continued)

Infrastructure asset values are disclosed in accordance with the Scottish Government's Finance Circular 6/2025 Statutory Override - Accounting for Infrastructure Assets.

The Council has applied both statutory overrides:

- For accounting periods commencing from 1 April 2021 until 31 March 2026, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- For the accounting periods from 1 April 2010 to 31 March 2026, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part. The approach is set out in Note 1, Significant Accounting Policies.

Infrastructure Assets	**2024/25 £'000**	**2025/26 £'000**
Net Book Value at 1 April	350,926	382,628
Additions	18,490	14,188
Transfers or Reclassifications of Assets	29,275	-
Depreciation	(16,063)	(17,312)
Other Movements in Depreciation & Impairment	-	-
Net Book Value at 31 March 2026	**382,628**	**379,504**

	2024/25 £'000	**2025/26 £'000**
Infrastructure Assets	382,628	379,504
Other PPE Assets	2,202,440	2,191,929
Total PPE Assets	**2,585,068**	**2,571,433**

At 31 March 2026, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2025/26 and future years. The major commitments amounting to £133.504m are listed below. Similar commitments at 31 March 2025 were £28.594m.

Project Title	**£'000**
Peterhead Community Campus	101,209
Peterhead Cultural Quarter – Levelling Up	22,554
Meldrum Grange – Design and Build	2,047
Macduff Marine Aquarium – Levelling Up	1,849
City Region Deal – Digital	1,036
Fraserburgh St Andrews Nursery Refurbishment (1140 Hours)	909
City Region Deal – Transport	898
Commitments on Projects < £500K	3,002
Total	**133,504**

Note 13 – Property, Plant and Equipment (Continued)

Revaluations

The Council operates a rolling programme to ensure that all property, plant, and equipment (PPE) subject to fair value measurement are revalued at least once every five years. Valuations are undertaken both internally and with the support of external specialists. Market reviews are conducted to confirm that asset groups do not require revaluation earlier than the scheduled five-year cycle. Land and building valuations are performed in line with the methodologies and estimation bases prescribed by the professional standards of the Royal Institution of Chartered Surveyors. For vehicles, plant, and equipment, valuations are derived from current market prices where an active second-hand market exists, or from the latest list prices adjusted to reflect the asset's condition.

The significant assumptions applied in estimating the fair values are:

- No investigation has been carried out to determine the presence of contamination, deleterious or hazardous materials of any of the properties;
- Original documents of title and lease documentation have not been read;
- The assets and their values are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by any that statutory notice, and that neither the construction of the properties nor their condition, use or intended use was, is or will be unlawful or in breach of any covenant;
- Mechanical and electrical installations and other specialist installations and services have not been tested;
- No access audit has been undertaken to ascertain compliance with the Equality Act 2010; and
- Where a building is either listed or is in a conservation area, this will be identified in any individual report or on the valuation schedules.

	Council Dwellings £'000	Other Land & Buildings £'000	Other PPE £'000	Total £'000
Carried at Historical Cost	-	9,422	220,485	**229,907**
Valued at fair value as at:				
31 March 2026	-	20,666	473	**21,139**
31 March 2025	-	1,416,301	61,072	**1,477,373**
31 March 2024	574,307	17,596	1,547	**593,450**
31 March 2023	-	50,831	335	**51,166**
31 March 2022	-	15,321	112	**15,433**
Total Cost or Valuation	**574,307**	**1,530,137**	**284,024**	**2,388,468**

Note 14 – Heritage Assets

Reconciliation of the carrying value of Heritage Assets Held by the Council

	Human History £'000	Archaeology £'000	Fine Art £'000	Total Assets £'000
Cost or Valuation at 31 March 2025	**1,494**	**320**	**668**	**2,482**
Revaluations	-	-	-	-
Cost or Valuation at 31 March 2026	**1,494**	**320**	**668**	**2,482**

Human History

A small number of archaeological items on loan to National Museums Scotland were valued by them in 2011 on the basis Museum Service's Acquisition & Disposal Policies of current sale room prices. One item, the Deskford Carnyx, has been valued at £750,000 in view of its national importance.

In addition, the following assets are included in the Balance Sheet:

- Hareshowe Farm, Aden Country Park which was valued at £170,000 in 2023/24 and is valued every 5 years; and
- Kindrochit Castle, Braemar, is included at £214,000, being the historical cost of the improvements carried out in 2014/15 and 2015/16; and
- 18 Neolithic carved stone balls are included at a value of £360,000. These have been revalued in 2016/17 and the value is based on similar items that have been sold at auction in recent years. The value of £20,000 per stone ball is a median value.

Three items have been valued at a combined total of £80,000, and these are not reported on the Balance Sheet.

Archaeology

The Archaeology item is the Vertical Area Photograph Collection, which has been valued at £320,000 and is shown in the Balance Sheet.

Further Information on Museums Collections is shown in the Annex.

Fine Art

The Fine Art items include a painting by Sir David Wilkie which was valued by John Milne, Fine Art Auctioneers in 2014. The Council also holds certain items which the Curators regard as particularly important to the collections e.g. Fine Art, coin collection, the Banff silver collection, much of the numismatics collection and the arms and armour. Most of these items were acquired by the Museum Service in the late 19th century and some have recently been valued at £402,000 for the coin collection and £146,000 for the silver collection, which are now reported in the Balance Sheet as a revaluation.

Note 15 – Investment Properties

No material items of income and expenditure in relation to investment properties have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2024/25 £'000		2025/26 £'000
660	Balance at 1 April	761
101	Net Gains from Fair Value Adjustments	101
-	Reclassified as Property, Plant and Equipment	-
761	**Balance at 31 March**	**862**

Fair Value Measurement

Details of the Council's Investment Properties and information about the fair value hierarchy is shown in the following table:

Other Significant Observable Inputs (Level 2) 2024/25 £'000	Recurring fair value measurements using:	Other Significant Observable Inputs (Level 2) 2025/26 £'000
25	Residential (Market Rental) Property	55
525	Residential Development Land	525
205	Commercial Development Land	275
6	Agricultural Land	7
761	**Balance at 31 March**	**862**

There were no transfers between Levels during the year.

Valuation Techniques Used to Determine Level 2 for Investment Properties

The fair value for the Investment Properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Aberdeenshire area. Market conditions are such that similar properties are purchased and sold actively and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. In estimating the fair value of the Council's Investment Properties, the highest and best use of the properties is their current use. There has been no change in the valuation technique used during the year for Investment Properties.

Note 15 – Investment Properties (Continued)

Valuation Process for Investment Properties

The fair value of the Council's Investment Properties is measured annually at each reporting date. All valuations are carried out either internally or externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Head of Finance on a regular basis regarding all valuation matters.

Note 16 – Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PPE. The intangible assets include purchased licenses. The Council does not have any internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. All software suites used by the Council have been assigned a useful life of five years.

The movement on Intangible Asset balances during the year is as follows:

2024/25 £'000		2025/26 £'000
	Balance at 1 April:	
4,740	Gross carrying amounts	4,811
(4,105)	Accumulated amortisation	(4,352)
635	**Net Carrying amount at 1 April**	**459**
71	Additions - Purchases	36
-	Disposals	(2,472)
(247)	Amortisation for the year	(152)
-	Other Changes - Accumulated Amortisation Written Out	2,470
459	**Net carrying amount at 31 March**	**341**
	Comprising:	
4,811	Gross carrying amounts	2,375
(4,352)	Accumulated amortisation	(2,034)
459	**Net carrying amount at 31 March**	**341**

Note 17 – Assets Held for Sale (AHfS)

AHfS are assets that are available for immediate sale in their present condition, their sale is highly probable, management are committed to a plan to sell the assets, an active programme to locate a buyer and complete the plan has been initiated, the assets are being actively marketed for sale at prices that are reasonable in relation to their current value and the sales are expected to be completed within one year from the date of classification as Held for Sale. The movement in AHfS balances is as follows:

2024/25 £'000		2025/26 £'000
1,997	**Balance Outstanding at 1 April**	**2,165**
	Assets Newly Classified as Held for Sale:	
2,322	Property, Plant and Equipment	3,035
(2,154)	Assets Sold	(2,392)
2,165	**Balance Outstanding at 31 March**	**2,808**

Note 18 – Leases

The Council as Lessee

The council's lease contracts comprise leases of operational land and buildings, plant and equipment and vehicles.

Right of Use Assets

The table below shows the change in the value of right-of-use assets held under leases by the authority:

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	PFI/PPP Assets £'000	Total £'000
Balance at 1st April 2025	**4,382**	**1,234**	**-**	**5,616**
Additions	322	2,077	1,349	3,748
Revaluations	30	29	-	59
Depreciation and Amortisation	(374)	(839)	-	(1,213)
Disposals	(21)	(81)	-	(102)
IFRS 16 remeasurement adjustment (PFI/PPP)	-	-	(1,349	(1,349)
Balance at 31st March 2026	**4,339**	**2,420**	**-**	**6,759**

Note 18 – Leases (Continued)

Right of Use Assets – Nomination and Void Agreements (Peppercorn leases)

The Council has entered into nomination and void agreements with several Housing Associations, under which it has the right to nominate individuals to occupy specific housing units for social care purposes. Under this arrangement, the Council only pays rent during periods when the property is void. The arrangement has been assessed as falling within the scope of IFRS 16 and is classified as a peppercorn lease due to the consideration being significantly below fair value, consistent with the Council's public service objectives.

In accordance with the CIPFA Code of Practice and relevant adaptations for the public sector, right-of-use assets under peppercorn leases are required to be measured at current value in existing use. However, despite all reasonable efforts, a reliable valuation of the right-of-use asset could not be obtained. The nature of the lease, the specialist configuration of the properties for vulnerable service users, and the lack of comparable market data precluded the use of standard valuation techniques such as market value or depreciated replacement cost.

As a result, the Council has measured the right-of-use asset at nil value. This treatment is permitted under the Code where fair value information is not obtainable. The lease liability has similarly not been recognised, given the absence of lease payments except in void periods.

The Council has disclosed this position in line with its accounting policies and professional valuation advice and will reassess the availability of valuation information in future reporting periods.

Transactions under Leases

The authority incurred the following expenses and cash flows in relation to leases:

2024/25 £'000	Comprehensive Income and Expenditure Statement	2025/26 £'000
275	Interest Expense on Lease Liabilities	295
68	Expense relating to Short Term Leases	806
251	Expense relating to Exempt Leases of low-value items	281
14	Multiple Exempt Lease commitments excluded from Lease Liabilities	-

2024/25 £'000	Cash Flow Statement	2025/26 £'000
1,566	Interest Expense on Lease Liabilities	1,426
288	Cash payments for interest portion of lease liabilities	295
68	Short term lease payments where exemptions taken	828
314	Low value lease payments where exemptions taken	279
14	Multiple exempt lease payments excluded from Lease Liabilities	-

Note 18 – Leases (Continued)

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected payments):

2024/25 £'000	Maturity Analysis	2025/26 £'000
1,109	Less than one year	1,793
2,335	One to five years	2,982
9,047	More than five years	8,791
12,491	Total undiscounted Liabilities	**13,566**

The Council as Lessor - Finance Leases

The Council has leased out a number of properties on a finance lease basis. The gross investment in the leases is made up of the minimum lease payments receivable over the remaining term and the residual value at the end of the lease. The gross investment is made up of the following amounts:

2024/25 £'000		2025/26 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1	Current	1
420	Non-current	419
3,004	Unearned finance income	2,949
3,425	**Gross investment in the lease**	**3,369**

The minimum lease payments will be received over the following periods:

Minimum Lease Payments 2024/25 £'000	Finance Lease Liabilities 2024/25 £'000		Minimum Lease Payments 2025/26 £'000	Finance Lease Liabilities 2025/26 £'000
56	23	Not later than one year	56	23
225	93	Later than one year and not later than five years	225	93
3,143	1,657	Later than five years	3,087	1,690
3,424	**1,773**	**Total**	**3,368**	**1,806**

Although there is a possibility that worsening financial circumstances might result in lease payments not being made, the Council has made no specific bad debt provision in relation to finance leases, albeit a general provision is made in relation to this area of the Council's activity.

In 2025/26, £14,000 contingent rents were receivable by the Council (2024/25: £14,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 18 – Leases (Continued)

The Council as Lessor - Operating Leases

The Council leases out property under operating leases for the following purposes:

- for economic development purposes to provide suitable affordable accommodation for local businesses; and
- for community activity purposes to provide suitable facilities for local community groups.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2024/25 £'000		2025/26 £'000
3,015	Not later than one year	3,263
10,314	Later than one year and not later than five years	11,560
21,151	Later than five years	20,428
34,480	**Total**	**35,251**

In 2025/26, £449,000 contingent rents were receivable by the Council (2024/25: £330,000). The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 19 – Private Finance Initiatives (PFI) and Similar Contracts

Education PFI Schemes

The Council is committed to four PFI and Similar Contracts. Details of the contracts can be found in Note 1 and the Annex. The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in the assets value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment (PPE) balance in Note 13.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contracts at 31 March 2026 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Obligations Payable	Repayment of Liability £'000	Interest Charges £'000	Service Charges £'000	Total Unitary Charge £'000
2026/27	12,036	5,239	14,553	31,828
Between 2027/28 and 2030/31	29,814	15,300	45,695	90,809
Between 2031/32 and 2034/35	15,103	12,732	12,625	40,460
Between 2036/37 and 2040/41	17,076	7,183	15,104	39,363
Between 2041/42 and 2044/45	13,306	1,995	9,589	24,890

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to the contractor for capital expenditure is as follows:

Total Liability 2024/25 £'000		Total Liability 2025/26 £'000
(87,742)	Balance Outstanding at 1 April	(96,278)
(16,141)	Remeasurement on IFRS16 Transition	-
(103,883)	Revised Opening Balance Outstanding at 1 April	(96,278)
8,685	Payments During the Year	10,292
(1,080)	Revaluation of IFRS 16 in year	(1,349)
(96,278)	**Balance Outstanding at 31 March**	**(87,335)**

Note 19 – Private Finance Initiatives (PFI) and Similar Contracts (Continued)

In 2022 the Scottish Government issued Finance Circular 10/2022, which detailed temporary flexibilities available to Local Authorities in how they account for Service Concession Arrangements entered into prior to April 2022. It allows Councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the Council and ongoing annual savings for a period.

The Council has applied this permitted flexibility on an annuity basis over 50 years. This approach best represents the consumption of the assets over their useful lives. The annuity method is considered a prudent approach as it reflects the time value of money (the impact of inflation) as well as providing a charge that is better matched to how the benefits of the asset are consumed over its useful life – it reflects the fact that an asset's deterioration is slower in the early years of life and accelerates towards the latter years. The period used is 50 years, which is consistent with the useful life of similar assets on the Council's balance sheet.

The current unitary charge repayments to contractors will continue until the end of each contract, however, the use of this flexibility results in ongoing savings for a period of time. At the end of each contract, the unitary charge is no longer paid but reprofiled debt calculations continued to be charged to the General Fund until the debt liability has been extinguished.

	Current Repayment £000	Revised Repayment £000	(Reduction)/Cost £000
Payable in 2026/27	8,265	1,189	7,076
Payable between 2027/28 and 2030/31	20,207	5,556	14,651
Payable between 2031/32 and 2035/36	14,981	9,182	5,799
Payable between 2036/37 and 2040/41	17,761	12,557	5,204
Payable between 2041/42 and 2045/46	12,653	17,259	(4,606)
Payable between 2046/47 and 2050/51	-	23,840	(23,840)
Payable between 2051/52 and 2055/56	-	18,333	(18,333)
Payable between 2056/57 and 2060/61	-	12,815	(12,815)
Payable between 2061/62 and 2065/66	-	16,098	(16,098)
Payable between 2066/67 and 2069/70	-	11,464	(11,464)
	73,867	**128,293**	**(54,426)**

The reprofiling of the debt liability repayments increases the Capital Financial Requirement (CFR) by £6.206m. This increase in the CFR will continue to be reduced by the revised payments after each contract has expired until the end of the revised period. The statutory adjustment for March 2026 has the following impact on the 2025-26 Balance Sheet (Capital Adjustment Account) and the Movement in Reserves Statement.

2024/25 £'000		2025/26 £'000
5,497	Capital Adjustment Account	6,206
(5,497)	Movement in Reserves Statement	(6,206)
-	**Balance Outstanding at 31 March**	-

Note 20 – Financial Instruments

Table 1: Categories of Financial Instruments

The Financial Instruments disclosed in the Balance Sheet are made up of the following categories:

Long Term 2024/25 £'000	Current 2024/25 £'000	Balance Sheet Category		Long Term 2025/26 £'000	Current 2025/26 £'000
			Financial Assets		
77	-	Investments	Financial Assets at amortised cost	77	-
6,434	21,855	Debtors	Financial Assets at amortised cost	6,246	23,274
-	29,660	Cash and Cash Equivalents	Financial Assets at amortised cost	-	20,436
6,511	**51,515**		**Total Financial Assets**	**6,323**	**43,710**
			Financial Liabilities		
(1,005,735)	(92,890)	Borrowing	Financial liabilities at amortised cost	(981,125)	(72,911)
(8,295)	-	Finance Leases	PFI and finance lease liabilities	(7,876)	(1,506)
(86,178)	-	PFI and PPP Liabilities	PFI and finance lease liabilities	(75,299)	-
	(10,100)	PFI and PPP Liabilities	PFI and finance lease liabilities	-	(12,036)
(2,480)	(80,783)	Creditors*	Financial liabilities at amortised cost	(2,424)	(85,743)
(1,102,688)	**(183,773)**		**Total Financial Liabilities**	**(1,066,724)**	**(172,196)**

*At 31 March 2026 accrued interest of £7.993m (£9.031m at 31 March 2025) on borrowing is included in the current creditors figure at 31 March 2026 of £85.743m.

The current creditors figure has been adjusted to exclude £27.062m (£24.866m at 31 March 2025) of statutory contractual items.
The current debtors figure has been adjusted to exclude £61.487m (£58.339m at 31 March 2025) of statutory contractual items.

Material Soft Loans Made by the Council

The Council has made one soft loan which is deemed to be material (i.e. over £500,000). This is an interest free loan of £3.618m to Osprey Housing (previously known as Aberdeenshire Housing Partnership) to construct, manage, maintain and the general development of new housing for rental or low cost home ownership.

Valuation assumptions – The interest rate at which the fair value of this soft loan has been made is arrived at by taking the Council's prevailing cost of borrowing at the point of recognition (5.25%) and adding an allowance for the risk that the loan might not be repaid by Osprey Housing, in this case a zero rate. The debt is amortised over the loan period and the fair value will rise until the repayment of the loan commences in 2026. The fair value of the loan is £3.141m (2024/25 £3.103m) hence the decrease in the discounted amount during the year was £0.163m (2024/25 £0.155m).

Note 20 – Financial Instruments (Continued)

Table 2: Income, Expense, Gains and Losses

31 March 2026	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
Interest Expense	(43,370)	-	**(43,370)**
Gains	-	(870)	**(870)**
Fee Expense	(190)	-	**(190)**
Total Expense in Surplus or Deficit on the Provision of Services	**(43,560)**	**(870)**	**(44,430)**
Interest Income	-	1,889	**1,889**
Total Income in Surplus or Deficit on the Provision of Services	**-**	**1,889**	**1,889**
Net Gain/(Loss) for the Year	**(43,560)**	**1,019**	**(42,541)**

Comparative Figures 31 March 2025	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets Measured at Amortised Cost £'000	Total £'000
Interest Expense	(42,568)		**(42,568)**
Gains		401	**401**
Fee Expense	(200)		**(200)**
Total Expense in Surplus or Deficit on the Provision of Services	**(42,768)**	**401**	**(42,367)**
Interest Income	-	1,246	**1,246**
Total Income in Surplus or Deficit on the Provision of Services	**-**	**1,246**	**1,246**
Net Gain/(Loss) for the Year	**(42,768)**	**1,647**	**(41,121)**

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by current and long term debtors and creditors are carried in the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2026 of 6.02% to 6.48% for loans from the PWLB and 5.04% to 6.30% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 20 – Financial Instruments (Continued)

To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. The valuation basis adopted in this report uses **Level 2 Inputs** – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. In order to highlight the changes in the accounting code relating to the measurement of fair value, the data disclosed below details both the premature repayment and new loan rates to discount the future cash flows.

The value of liabilities is as follows:

- Premature repayment rates fair value is £736.073m (2024/25 £793.008m) and the carrying amount is £933.371m (2024/25 £970.724m).
- New loan rates fair value is £652.256m (2024/25 £704.160m) and the carrying amount is £933.371m (2024/25 £970.724m).

The value of liabilities with a 1% increase in discount rates is as follows:

- Premature repayment rates fair value of £664.309m
- New loan rates fair value is £597.299m

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders above current market rates.

Note 21 – Nature and Extent of Risks Arising from Financial Instruments

The Council's management of the treasury risks focuses on the unpredictability of financial markets and seeks to protect the resources available to fund services by:

- complying with the requirements of the CIPFA Treasury Management Code of Practice;
- the adoption of a Treasury Management Strategy which includes the Council's Investment Strategy, and compliance with the treasury section within the Financial Regulations as part of the Councils Scheme of Governance;
- Treasury Management Strategy 2025/26;
- approving annually in advance prudential and treasury management indicators for the following three years and reporting on performance twice a year.

The Council's activities expose it to a variety of financial risks detailed below: -

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Note 21 – Nature and Extent of Risks Arising from Financial Instruments (Continued)

This risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions unless they meet minimum credit ratings with two major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested in any one financial institution and restricts the countries in which these institutions are located.

The Council has a policy of not lending more than £25,000,000 of its surplus balances to any one institution, with the exception of the Debt Management Office where the limit is not capped and UK government backed institutions and the Council's bankers, where the limit is £30,000,000. The Council currently has its banking services with Virgin Money. Recent results have shown that Virgin Money Group has returned to profitability with rating agencies upgrading their outlook. As with other UK banks, their long and short-term outlooks moved from a negative to stable outlook.

Deposits are with banks and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's Treasury Management Strategy Statement and Prudential Indicators. Investment decisions are considered as part of the daily cash flow management by the Council's Treasury Team who can and do restrict the list further in light of market conditions and advice from the Council's Treasury Management Advisors.

The Annual Investment Strategy is contained within the Council's approved full Treasury Management Strategy.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £17,750,000 (2024/25 £26,350,000), detailed in the following table, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2026 that this was likely to crystallise.

31 March 2025 £'000		31 March 2026 £'000
26,350	Call Accounts	17,750
-	Fixed Term Deposits	-
-	Money Market Funds	-
26,350	**Total**	**17,750**

Credit limits were not exceeded during the reporting period. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The following table summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last three financial years, adjusted to reflect current market conditions.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by the Council.

Note 21 – Nature and Extent of Risks Arising from Financial Instruments (Continued)

	Debtors as at 31 March 2026 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2026 %	Estimated maximum exposure to default and collectability at 31 March 2026 £'000	Estimated maximum exposure at 31 March 2025 £'000
	A	B	C	(A X C)	
Customers	15,122	27.03%	27.03%	4,087	3,029
Housing Rents	2,435	78.28%	78.28%	1,906	2,052
	17,557			**5,993**	**5,081**

The customers' historical experience of default rate can be attributed to the majority of debts being older than 180 days when the rate of recovery is expected to decline. The housing rents' historical experience of default rate can be attributed to rent arrears of former tenants as well as current tenants with high levels of arrears where recovery is unlikely.

The past due amount can be analysed by age as follows:

31 March 2025 £'000		31 March 2026 £'0002
4,080	Less than Three Months	6,022
916	Three to Six Months	809
1,124	Six Months to One Year	1,788
1,805	More than One Year	2,555
7,925	**Total**	**11,174**

Liquidity Risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day-to-day obligations to make payments.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as required. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowing from the money markets and the Public Works Loans Board. There is no significant risk that the Council will be unable to meet its commitments under financial instruments.
The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of its Treasury and Investment Strategies, as well as through cash flow management procedures required by the CIPFA Code of Practice.

The Council uses a purpose-built cash flow forecasting tool to determine the maximum period for which funds may be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's Medium Term Financial Strategy and cash flow forecast. The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

Note 21 – Nature and Extent of Risks Arising from Financial Instruments (Continued)

	31 March 2025 £'000	31 March 2026 £'0002
Less than one year	(92,890)	(72,911)
Between one and two years	(45,481)	(46,493)
Between two and five years	(130,298)	(139,261)
Between five and ten years	(213,839)	(210,115)
Between ten and twenty years	(46,423)	(21,723)
More than 20 Years	(569,694)	(563,533)
Total	**(1,098,625)**	**(1,054,036)**

Market Risk – Interest Rate Risk

The Council is exposed to interest rate risk in two ways, the first being the uncertainty of interest paid/ received on variable rate financial instruments and the second being the effect of fluctuations in interest rates of the fair value of a financial instrument.

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair values 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 Comprehensive Income and Expenditure Statement. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher with all other variables held constant, the financial effect would have been as follows:

	31 March 2026 £'000
Increase in interest receivable on variable rate investments	716
Impact on Surplus or Deficit on the Provision of Services	**716**
Share of overall impact debited to the HRA	**223**

Note 21 – Nature and Extent of Risks Arising from Financial Instruments (Continued)

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £77,000 in the Lecht Ski Company Limited. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign Exchange Risk

The Council holds a bank account in Euros in order to meet certain contractual requirements. This account has a maximum balance of approximately £700,000, therefore has limited exposure to foreign exchange risk and in turn mitigates risk to the Council through payment default.

Note 22 – Inventories

	Consumable Stores/ Finished Goods 2025/26 £'000	Maintenance Materials/ Raw Materials 2025/26 £'000	Client Services/ Work in Progress 2025/26 £'000	Total 2025/26 £'000
Balance at 1 April	**3,834**	**2,218**	**1,592**	**7,644**
Purchases	2,909	3,356	2,988	9,253
Recognised as an Expense in Year	(3,707)	(3,470)	(3,291)	(10,468)
Adjustment to Inventory	410	171	242	823
Balance at 31 March	**3,446**	**2,275**	**1,531**	**7,252**

	Consumable Stores/ Finished Goods 2024/25 £'000	Maintenance Materials/ Raw Materials 2024/25 £'000	Client Services/ Work in Progress 2024/25 £'000	Total 2024/25 £'000
Balance at 1 April	**4,121**	**2,021**	**3,014**	**9,156**
Purchases	4,067	3,718	3,200	10,985
Recognised as an Expense in Year	(3,977)	(3,666)	(4,915)	(12,558)
Adjustment to Inventory	(377)	145	293	61
Balance at 31 March	**3,834**	**2,218**	**1,592**	**7,644**

Note 23 – Debtors

Balance at 31 March 2025 £'000	Cumulative Soft Loan Adjustment at 31 March 2025 £'000	Fair Value Amortised Costs at 31 March 2025 £'000	Long Term Debtors at 31 March	Balance at 31 March 2026 £'000	Cumulative Soft Loan Adjustment at 31 March 2026 £'000	Fair Value Amortised Costs at 31 March 2026 £'000
3,743	(640)	3,103	Osprey Housing	3,618	(477)	3,141
2,283	-	2,283	Create Homes Aberdeenshire LLP	2,265		2,265
421	-	421	Leasing	420		420
736	(31)	705	Other Long Term Debtors (each less than £500,000)	601	(25)	576
7,183	**(671)**	**6,512**		**6,904**	**(502)**	**6,402**
		(78)	Repayments due within one year			(156)
		6,434	**Balance at 31 March**			**6,246**

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.

2024/25 £'000	Short Term Debtors	2025/26 £'000
15,256	Central Government Bodies	15,377
2,881	Other Local Authorities	6,437
11,776	NHS Bodies	7,676
428	Public Corporations and Trading Funds	294
49,853	Other Entities and Individuals	54,977
80,194	**Total Short-Term Debtors**	**84,761**

Other entities and individuals in the table above include the following material balances:

2024/25 £'000		2025/26 £'000
21,065	Council Tax Debtors	21,214
10,671	NDR Debtors	15,461
8,193	Trade Debtors	6,929
1,631	Prepayments	1,600
1,327	HRA and General Fund Housing	1,432
600	Developer Obligations	835
1,662	IJB – Adult Care Services	1,912
4,704	Other Debtors	5,594
49,853	**Other Entities and Individuals**	**54,977**

Other debtors are individuals or entities that owe money to Aberdeenshire Council for non-trading reasons. For the year 2025/26 this comprises Service based accruals £4.2m and General Fund Capital accruals £1.4m.

Note 23 – Debtors (Continued)

Impairment Losses

Estimates have been made of possible losses on the non-collection of debts. These estimates have increased the debtors provision figures in accordance with accounting practice. The categories of provision are:

- 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 Council Tax; and
- Housing Rents - Provides for possible losses on housing tenants' rents. At 31 March 2026, the total rent arrears was £2.435m for HRA tenants (2024/25 £2.514m) and £0.339m for General Fund Housing tenants (2024/25 £0.371m)

Debtors Provision	Balance at 31 March 2025 £'000	Adjustment to Provision Made in Year £'000	Balance at 31 March 2026 £'000
General Debtors	(3,029)	(1,058)	(4,087)
Revenues	(17,128)	(2,627)	(19,755)
Housing Rents	(2,395)	188	(2,207)
Total	**(22,552)**	**(3,497)**	**(26,049)**

Council Tax Debtors

Council Tax debtors represent the total amount of Council Tax uncollected, reduced by amounts impaired. The total amount outstanding at 31 March 2026 is £40.969m (31 March 2025 £38.193m). The outstanding amounts have been impaired for doubtful debts of £19.755m at 31 March 2026, (£17.128m 31 March 2025).

The past due but not impaired amount for Council Tax can be analysed by age as follows:

	31 March 2025 £'000	31 March 2026 £'000
Current year outstanding – up to 1 year old	6,128	6,598
Previous year outstanding – More than one year	14,937	14,616
	21,065	**21,214**

Note 24 – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2024/25 £'000		2025/26 £'000
17	Cash held by the Council	17
29,643	Bank Current Accounts	20,419
29,660	**Total Cash and Cash Equivalents**	**20,436**

Note 25 – Creditors

Restated 2024/25 £'000	Short Term Creditors - due within one year	2025/26 £'000
(27,108)	Central Government Bodies	(32,834)
(2,585)	Other Local Authorities	(6,621)
(536)	NHS Bodies	(361)
(655)	Public Corporations and Trading Funds	(858)
	Other Entities and Individuals	
(29,079)	Trade Creditors	(31,392)
(14,112)	Employee Benefits	(13,835)
(6,822)	Receipts in Advance	(5,537)
(1,133)	Interest Payable	(1,109)
(2,777)	Bonds	(2,685)
(20,790)	Other Creditors	(17,573)
(105,597)	**Total Short Term Creditors**	**(112,805)**

2024/25 £'000	Long Term Creditors – due in more than one year	2025/26 £'000
(2,480)	Other Entities	(2,424)
(2,480)	**Total Long-Term Creditors**	**(2,424)**

The 2024/25 comparators have been updated to reflect a presentational change introduced in 2025/26, whereby PFI-PPP Short Term Creditors are now reflected separately within the Balance Sheet. Details can be found in Note 19.

Note 26 – Provisions

The provisions below are for liabilities which exist at 31 March 2026 but are likely to be incurred in financial years 2026/27 and beyond. In estimating the amount in each provision required, the most up to date information available is used to determine a reasonable figure.

	Balance at 31 March 2025 £'000	Provision Made in Year £'000	Provision Utilised in Year £'000	Balance at 31 March 2026 £'000
Asset Decommissioning	(6,656)	(3,234)	-	(9,890)
Other Provisions	(750)	(1,857)	-	(2,607)
Total Provisions	**(7,406)**	**(5,091)**	**-**	**(12,497)**

Asset Decommissioning – The Council has recognised a provision for the future decommissioning and restoration of Energy from Waste plant, Home Recycling Waste Centres, Waste Transfer Sites, Landfill Sites, and Quarries. This reflects the Council's legal and constructive obligations to restore these sites to an environmentally safe condition upon cessation of operations, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The provision has been determined reliably based on:

- Site-specific assessments carried out by internal waste management specialists, with external specialist companies providing guidance on the cost estimates for the provision of the boreholes;
- Estimated costs of dismantling infrastructure and remediating land.
- Current regulatory requirements under environmental legislation and waste licensing conditions;
- Expected timing of decommissioning activities.

The Council review the provision annually to reflect changes in site usage, updated cost estimates, and any changes in legislation or environmental standards. The provision is considered to represent a reasonable and supportable estimate of the Council's future obligations.

Total Provisions are reflected in the Balance Sheet as follows:

2024/25 £'000		2025/26 £'000
(7,406)	Long Term Provisions	(12,497)
(7,406)	**Balance Outstanding at 31 March**	**(12,497)**

Note 27 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26:

31 March 2025 £'000		31 March 2026 £'000
	Credited to Taxation and Non Specific Grant Income	
	Revenue Grant Income	
(469,553)	Revenue Support Grant	(507,877)
(131,630)	NDR Receipts from Pool	(130,389)
	Capital Grant Income	
(20,433)	Scottish Government General Capital Grant	(30,550)
(1,053)	Education – Primary Replacement & Enhancement	(465)
(511)	Education - Secondary Replacement & Enhancement	(160)
(9,416)	Housing Revenue Account	(1,716)
(2,808)	Roads and Transport Services – Network and Traffic Management	(2,072)
(3,179)	UK Shared Prosperity Fund (Capital)	(1,148)
(725)	REFCUS Grant (City Region Deal/Place Based Investment/Rural Community Led Local Development)	(1,795)
(1,232)	Cycling & Walking - Active Travel Grant	(1,807)
(857)	Core Paths	(679)
(3,349)	Levelling Up Fund	(7,307)
(695)	Other Capital Grants (each less than £500,000)	(1,805)
(645,441)	**Total**	**(687,770)**
	Credited to Services	
(1,884)	Scottish Government - Alford Campus	(1,886)
(4,484)	Scottish Government - Inverurie Academy	(4,485)
(655)	Active Schools	(657)
(2,580)	Foundation Apprenticeships	(2,784)
(4,343)	Scottish Attainment Fund	(4,115)
(817)	Scottish Government - Scottish Milk and Healthy Snack Scheme Funding	(643)
(507)	Creative Scotland - Youth Music Initiative	(594)
(823)	Community Mental Health and Wellbeing Funding	-
(341)	Bairn's Hoose Funding	(546)
(3,860)	Scottish Government - Criminal Justice Services Grant	(4,650)
(13,384)	NHS - Social Care Funding	(13,384)
(549)	NHS - Integrated Care Fund	(549)
(13,287)	NHS - Resource Transfer	(13,287)
(1,009)	NHS - Delayed Discharge	(1,009)
(2,602)	NHS - Alcohol and Drugs Partnership Funding	(2,545)
(1,090)	NHS - Contribution for Joint Store Service	(1,159)
(1,359)	NHS - Grampian Contras	(1,571)
(10,315)	Additional share of funding from NHSG - IJB Balance	(6,042)
(480)	Provision of Social Work Services to HMP Grampian	(519)
(3,325)	Scottish Government - Home Energy Efficiency Programme for Scotland	(2,443)
(23,891)	Housing Benefits	(18,436)
(500)	Private Sector Housing Grant	(726)
(1,146)	Nestrans	(1,172)
(755)	Scottish Government - Scottish Crown Estate	(379)
(2,949)	Scottish Government - No One Left Behind (NOLB)	(3,202)
(642)	Scottish Government - Rural Community Led Local Development	(133)
-	Transport Scotland 20mph Project	(1,871)
-	Extended Producer Responsibility Funding (Waste Packaging)	(6,009)
(2,911)	UK Shared Prosperity Fund (Revenue)	(1,256)
(745)	Ukraine Refugee Support	(664)
(739)	Refugee Resettlement Schemes	(571)
(1,688)	Unaccompanied Asylum seeking children	(2,219)
(4,885)	Other Grants (each less than £500,000)	(4,158)
(108,545)	**Total**	**(103,664)**
(753,986)	**Total Grant Income**	**(791,434)**

Note 27 – Grant Income (Continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to giver. The balances at the year end are as follows:

31 March 2025 £'000	Short Term Liabilities - Revenue Grants Receipts in Advance	31 March 2026 £'000
(803)	Crown Estate Coastal Communities Funding	(1,376)
(651)	SSEN Resilience Funding	(482)
-	Scottish Attainment Challenge	(1,189)
-	North East Investment Zone	(1,872)
(388)	Other grants (each less than £500,000)	(1,059)
(1,842)	**Total**	**(5,978)**

31 March 2025 £'000	Long Term Liabilities – Capital Grants Receipts in Advance	31 March 2026 £'000
(21,894)	Developer Obligations	(23,924)
(21,894)	**Total**	**(23,924)**

31 March 2025 £'000	Long Term Liabilities – Revenue Grants Receipts in Advance	31 March 2026 £'000
-	Extended Producer Responsibility (Waste Packaging)	(3,521)
-	**Total**	**(3,521)**

Note 28 – Unusable Reserves

The Unusable Reserves can be analysed as follows:

2024/25 £'000		2025/26 £'000
(1,038,799)	Revaluation Reserve	(1,025,198)
(279,285)	Capital Adjustment Account	(275,878)
4,924	Financial Instruments Adjustment Account	4,150
28,109	Pensions Reserve	27,278
13,694	Employee Statutory Adjustment Account	12,908
(1,271,357)	**Total**	**(1,256,740)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost; or
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2024/25 £'000	Revaluation Reserve	2025/26 £'000
(1,016,630)	**Balance at 1 April**	**(1,038,799)**
(66,140)	Upward Revaluation of Assets	(33,711)
8,516	Downward Revaluation of Assets and Impairment Losses Not Charged to the Deficit on the Provision of Services	9,114
(57,624)	**Surplus or Deficit on Revaluation of Non-Current Assets and Assets Held for Sale not posted to the Deficit on the Provision of Services**	**(24,597)**
33,666	Difference Between Fair Value Depreciation and Historical Cost Depreciation	35,953
1,789	Accumulated Gains on Assets Sold or Scrapped	2,245
(1,038,799)	**Balance at 31 March**	**(1,025,198)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Note 28 – Unusable Reserves (Continued)

2024/25 £'000	Capital Adjustment Account	2025/26 £'000
(306,050)	**Balance at 1 April**	**(279,285)**
	Reversal of items relating to Capital Expenditure debited or credited to the CIES:	
81,442	Charges for Depreciation and Impairment of Non-Current Assets	72,221
19,598	Revaluation losses on PPE and AHfs	11,335
247	Amortisation of Intangible Assets	152
5,115	Revenue Expenditure Funded by Capital Under Statute	6,308
2,259	Amounts of Non-Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the CIES	3,949
(1,789)	Adjusting amounts written out of the Revaluation Reserve	(2,245)
106,872		**91,720**
	Capital Financing Applied in the Year:	
(2,364)	Use of Capital Receipts to finance new Capital Expenditure	(3,212)
(41,004)	Capital Grants and Contributions credited to the CIES that have been applied to Capital Financing	(43,874)
(4,214)	Application of Grants to Capital Financing from the Capital Grants & Receipts Unapplied Account	(4,475)
(27,281)	Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(30,763)
5,497	Service Concession Arrangements	6,206
(10,640)	Capital Expenditure charged against the General Fund and HRA Balances	(12,094)
(80,006)		**(88,212)**
(101)	**Movements in the Market Value of Investment Properties debited or credited to the CIES**	**(101)**
(279,285)	**Balance at 31 March**	**(275,878)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2026 will be charged to the General Fund over the next 31 years.

2024/25 £'000	Financial Instruments Adjustment Account	2025/26 £'000
5,756	**Balance at 1 April**	**4,924**
(632)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(480)
(200)	Amount by which Finance Costs charged to the CIES are different from Finance Costs Chargeable in the Year in accordance with statutory requirements	(294)
4,924	**Balance at 31 March**	**4,150**

Note 28 – Unusable Reserves (Continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2024/25 £'000	Pensions Reserve	2025/26 £'000
34,857	**Balance at 1 April**	**28,109**
(4,896)	Actuarial (gains) or losses on pensions assets and liabilities	11,365
43,843	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	34,310
(45,695)	Employer's pensions contributions and direct payments to pensioners payable in the year	(46,506)
28,109	**Balance at 31 March**	**27,278**

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2024/25 £'000	Employee Statutory Adjustment Account	2025/26 £'000
12,288	**Balance at 1 April**	**13,694**
(12,288)	Settlement or cancellation of accrual made at the end of the preceding year	(13,694)
13,694	Amounts accrued at the end of the current year	12,908
1,406	**Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**(786)**
13,694	**Balance at 31 March**	**12,908**

Note 29 – Events after the Balance Sheet Date

The unaudited accounts were issued on 30 June 2026, and the audited accounts were authorised for issue on 29 October 2026 by Mary Beattie, FCCA, Head of Finance, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973.

There have been no material events since the date of the balance sheet which necessitate the revision of the figures in the Annual Accounts or notes.

Note 30 – Contingent Liabilities

Guarantor in relation to North East Scotland Pension Fund (NESPF)

Aberdeenshire Council act as guarantor to NESPF for admission agreements with, Outdoor Access Trust (formerly Cairngorms Outdoor Access Trust), Robertson's Facility Management (Aberdeenshire) and Community Integrated Care (formally Inspire). Should any of these employers terminate from the fund following the last member leaving the scheme or the organisation ceasing to exist they would be required to pay any termination payment due. Following recovery of this payment, the Council would then subsume all assets and liabilities held for the existing employer. If, for any reason, NESPF were unable to recover all or part of the termination fee, this too would be subsumed by the Council. The potential values guaranteed are subject to a range of actuarial assumptions.

Guaranteed Minimum Pension (GMP) Equalisation

The Council participates in defined benefit pension arrangements that include benefits relating to periods when schemes were contracted out of the State Earnings Related Pension Scheme (SERPS). Pension schemes that were contracted-out on a salary-related basis between 6 April 1978 and 5 April 1997 are required to provide Guaranteed Minimum Pension (GMP) benefits to members.

Following legal judgments and subsequent government guidance regarding the equalisation of pension benefits for the effect of unequal GMP retirement ages, pension schemes continue to assess and implement GMP equalisation and, where appropriate, GMP conversion exercises.

There remains potential for additional liabilities and administrative costs to arise for the Council in relation to these matters. However, due to the complexity of the calculations and the ongoing nature of scheme reviews, the financial impact cannot yet be reliably estimated.

Energy from Waste (EfW)

The Council is party to ongoing legal discussions relating to the Energy from Waste contract. An arbitration process is underway and the Council considers that any potential financial exposure is uncertain and not currently probable. Consequently, no provision has been recognised within the accounts. The matter is therefore disclosed as a contingent liability at this stage. The Council will continue to monitor the position and will revise its accounting treatment should the assessment of risk change.

Section 36 Planning Appeal – Wind Farm

A Section 36 planning appeal remains ongoing in relation to a proposed Wind Farm development, following the Council's objection to the application. At the balance sheet date, no legal decision has been made, and the Council does not consider any financial outflow arising from the matter to be probable. Accordingly, no provision has been recognised in the financial statements.

Note 30 – Contingent Liabilities (Continued)

Developer Obligations

Discussions are ongoing between the Council and a developer regarding certain developer obligations payments.

As at the balance sheet date, no provision has been recognised in respect of this matter. Any obligation that may arise remains contingent upon the outcome of the ongoing discussions. On the basis of the information presently available, the Council does not consider that a present obligation requiring recognition has been established, nor that any potential financial effect can be measured with sufficient reliability. Accordingly, the matter has been disclosed as a contingent liability.

Litigation against APSE (Association for Public Sector Excellence)

The Council is a member of APSE. Thurrock Council has raised legal proceedings against 23 local authorities (not including Aberdeenshire Council) that are members of APSE in connection with allegations regarding valuations of solar assets. APSE is an unincorporated association and that, as a result, member councils may have exposure in relation to claims connected to the association.

As at the balance sheet date, no provision has been recognised in respect of this matter. This is because the existence, extent and outcome of any potential obligation affecting the Council remain uncertain and cannot presently be measured with sufficient reliability. Accordingly, the matter is disclosed as a contingent liability.

Note 31 – Contingent Assets

Stonehaven Flood Protection

A dispute has been raised against the external contractors. Work on the case is still progressing and until this is settled the amount cannot be recognised in the accounts.

Note 32 – Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an executive agency of 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 2025/26 the Council paid £37.959m in respect of teacher's retirement benefits representing 26% of pensionable pay. (£37.206m and 26% in 2024/25). Contributions remaining payable at the year end were of £3.308m (£3.230m in 2024/25*).

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers pensions' use a notional fund as the basis for calculating the employers' contribution paid by local authorities. However, it is not possible for the Council to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual 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 and added years it has awarded outside the terms of the teachers scheme. For 2025/26 these amounted to £18,596 or 0.01% of pensionable pay (£31,974 and 0.02% in 2024/25).

*The 2024/25 Contributions Payable figure has been amended, as the prior-year figure incorrectly included both employer and employee contributions.

Note 33 – Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes, the North East Scotland Pension Fund (NESPF), administered by Aberdeen City Council and the Scottish Teachers' Pension Scheme, which is administered by the Scottish Government through the Scottish Public Pensions Agency.

North East Scotland Pension Fund (NESPF)
All employees, with the main exception of teachers, are eligible to join this scheme, subject to certain qualifying criteria. This is a funded defined benefit final salary scheme, which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Scottish Teachers' Pension Scheme
This scheme meets the definition of a defined benefit scheme, but it is accounted for on the same basis as a defined contribution scheme as described in note 32.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations.

Public Service Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 regulates the governance of the pension fund and in compliance with these regulations the Pension Board comprises of representation from Employers, Unions and Elected members.

Principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and the Housing Revenue Account the amounts required by statute as described in the Significant Accounting Policy on Employee Benefits (note 1.5).

Discretionary Post-Retirement Benefits

Discretionary Post Retirement Benefits on early retirement are an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities.

Note 33 – Defined Benefit Pension Schemes (Continued)

Transactions Relating to Post-employment Benefits

In relation to the Local Government Pension Scheme the Council recognises the cost of retirement benefits in the reported 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 post employment benefits is reversed out in the General Fund via the Movement in Reserves Statement.

At the most recent valuation of the Fund as at 31 March 2023, the Fund's assets were sufficient to cover 126% of its liabilities. This is known as the funding level. The funding objective is to achieve and maintain a funding level of 100% of liabilities. In line with the Funding Strategy Statement (which can be found at www.nespf.org.uk).

The valuation looks at the normal cost of benefits that will be built up over the year after the valuation date, using a set of assumptions. This is used to calculate a Primary Contribution Rate, which is 20.2% for the Fund. The actuaries have updated the average employer contribution rate payable at the valuation date to 14% of pensionable pay, which implies a secondary contribution of 6.2% of projected pensionable pay at the valuation date

Each employer's position is assessed separately and individual rates set for each employer over the three year period to 31 March 2027. The Council's contribution rate will be 16% over the three year period. With the Primary Contribution Rate set at 20.3%, this implies a deficit recovery contribution of 4.3% of projected pensionable pay at the valuation date.

Under the terms and conditions of the scheme, the Council has agreed to act as guarantor for four admitted bodies. Should any of these employers terminate from the fund following the last member leaving the scheme or the organisation ceasing to exist they would still be required to pay any "ongoing" termination payment due. Following recovery of this payment, the Council would then subsume all assets and liabilities held for the existing employer. If, for any reason, NESPF were unable to recover all or part of the termination fee, this too would be subsumed by the Council and considered by the scheme actuary during the triennial valuation process.

In the event that the Council withdraws from the scheme, the Council's share of the deficit will be calculated at that point in time. At 31 March 2026, the Council makes up 42.30% (2024/25: 42.76%) of the total membership of the scheme.

Virgin Media Pension Case – Potential Impact on LGPS

In June 2023, the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others that certain historical amendments to pension schemes made without the required actuarial confirmation under regulation 42 of the Contracting-out Regulations 1996 were invalid. This decision was upheld by the Court of Appeal in July 2024. While the case concerned a private occupational pension scheme, its implications for public service schemes, including the LGPS, remain uncertain.

Legislation addressing this matter was enacted through the Pensions Act 2026 (the Act) in April 2026. The Act allows the retrospective validation of "potentially remediable alterations" (PRAs) arising from the Virgin Media case. There remains uncertainty as to whether the case does apply to the LGPS. The expectation is that MHCLG will provide clarification on the next steps for the LGPS. The Fund will continue to monitor this with their legal advisers, but it is not

Note 33 – Defined Benefit Pension Schemes (Continued)

possible at present to estimate the potential impact, if any, on the scheme. Management has applied judgement in concluding that no adjustments have been made to the defined benefit obligation in these financial statements, pending legal clarification. The potential impact cannot be reliably quantified at this stage due to the absence of complete historical data and the ongoing legislative process. Management does not consider the issue to be material to the financial position of the employer at this time, but this will be kept under review.

The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

NESPF 2024/25 £'000	Teachers Additional Unfunded Pensions 2024/25 £'000	Total 2024/25 £'000		NESPF 2025/26 £'000	Teachers Additional Unfunded Pensions 2025/26 £'000	Total 2025/26 £'000
			Cost of Services:			
42,553	-	42,553	Current Service Cost	31,887	-	31,887
254	-	254	Past Service Costs (including curtailments)	1,205	-	1,205
			Financing and Investment Income and Expenditure:			
431	605	1,036	Net Interest Expense	517	701	1,218
43,238	**605**	**43,843**	**Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services**	**33,609**	**701**	**34,310**
			Other Post Employment Benefit charged to the CIES			
(201,650)	308	(201,342)	Remeasurement of the net defined benefit liability comprising: Actuarial gains and losses arising on changes in financial assumptions	(45,019)	(117)	**(45,136)**
196,446	-	196,446	Adjustment for IFRIC14 Net asset reduction	56,501	-	**56,501**
38,034	**913**	**38,947**	**Total Post Employment Benefit charged to the CIES**	**45,091**	**584**	**45,675**
			Movement in Reserves Statement			
(43,238)	(605)	(43,843)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code	(33,609)	(701)	**(34,310)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
44,510	-	44,510	Employers' Contributions Payable to the Scheme	45,351	-	**45,351**
-	1,185	1,185	Retirement Benefits Payable to Pensioners	-	1,155	**1,155**

The change in the net pension's liability is analysed into the following components:

Current service cost: The increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.

Note 33 – Defined Benefit Pension Schemes (Continued)

Past service cost: The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES as part of the Business Services Committee expenditure.

Net interest on the net defined benefit liability: The change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on the assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

Re-measurements : Comprising the return on plan assets (excluding amounts included in Net interest on the Net Defined Benefit Liability) which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and Actuarial Gains and Losses which 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 – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

Effect of asset ceiling: The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. An asset ceiling test is performed to determine the limit on the amount of the net pension asset that can be recognised.

Contributions paid to the North East Scotland Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Note 33 – Defined Benefit Pension Schemes (Continued)

Assets and Liabilities recognised in the Balance Sheet

LGPS 2024/25 £'000	Teachers Additional Unfunded Pensions 2024/25 £'000	Total 2024/25 £'000		LGPS 2025/26 £'000	Teachers Additional Unfunded Pensions 2025/26 £'000	Total 2025/26 £'000
(1,316,044)	-	(1,316,044)	Present value of the funded obligation	(1,348,053)	-	(1,348,053)
2,006,574	-	2,006,574	Fair value of plan assets	2,135,107	-	2,135,107
(690,530)	-	(690,530)	Net asset reduction applied	(787,054)	-	(787,054)
-	**-**	**-**	**Net funded asset/(liability) arising from defined benefit obligations**	**-**	**-**	**-**
(15,451)	(12,658)	(28,109)	Present value of the unfunded obligations	(15,191)	(12,087)	(27,278)
(15,451)	**(12,658)**	**(28,109)**	**Net asset/(liability) arising from defined benefit obligations**	**(15,191)**	**(12,087)**	**(27,278)**

IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The actuaries have calculated the limit on surplus in the Council's Local Government Pension Scheme and concluded that the asset ceiling is Nil. The calculation is based on the present value of service cost less contributions with primary contributions assessed in perpetuity and secondary contributions assessed separately over the remaining recovery period. An adjustment to the defined benefit plan asset has been made in accordance with IAS19 and IFRIC 14. Unfunded benefit obligations have been excluded from the asset ceiling calculations as they do not form part of the funded scheme surplus and cannot be set off against any net defined benefit asset.

Note 33 – Defined Benefit Pension Schemes (Continued)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

LGPS 2024/25 £'000	Teachers Additional Unfunded Pensions 2024/25 £'000	Total 2024/25 £'000		LGPS 2025/26 £'000	Teachers Additional Unfunded Pensions 2025/26 £'000	Total 2025/26 £'000
(1,499,486)	(12,930)	(1,512,416)	Opening Balance at 1 April	(1,331,495)	(12,658)	(1,344,153)
(42,553)	-	(42,553)	Current Service Cost	(31,887)	-	(31,887)
(72,695)	(605)	(73,300)	Interest Cost	(76,915)	(701)	(77,616)
(15,303)	-	(15,303)	Contributions from Scheme Participants	(15,302)	-	(15,302)
			Remeasurement gains/(losses):			
30,978	(1,056)	29,922	Actuarial experience gains/(losses)	(11,546)	(55)	(11,601)
222,031	850	222,881	Actuarial gains/(losses) arising from changes in financial assumptions	52,545	243	52,788
(17,546)	(102)	(17,648)	Actuarial gains/(losses) arising from changes in demographic assumptions	(6,715)	(71)	(6,786)
63,333	1,185	64,518	Benefits Paid	59,276	1,155	60,431
(254)	-	(254)	Past Service Cost (including curtailments)	(1,205)	-	(1,205)
(1,331,495)	**(12,658)**	**(1,344,153)**	**Closing Balance at 31 March**	**(1,363,244)**	**(12,087)**	**(1,375,331)**

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

LGPS 2024/25 £'000	Teachers Additional Unfunded Pensions 2024/25 £'000	Total 2024/25 £'000		LGPS 2025/26 £'000	Teachers Additional Unfunded Pensions 2025/26 £'000	Total 2025/26 £'000
1,948,579	-	1,948,579	Opening fair value scheme assets at 1 April	2,006,574	-	2,006,574
95,328	-	95,328	Interest Income	116,421	-	116,421
(33,813)	-	(33,813)	Remeasurement gains/(loss): The return on plan assets, excluding the amount included in the net interest expense	10,735	-	10,735
44,510	1,185	45,695	Contributions from employer	45,351	1,155	46,506
15,303	-	15,303	Contributions from employees into the scheme	15,302	-	15,302
-	-	-	Loss on Settlements	-	-	-
(63,333)	(1,185)	(64,518)	Benefits paid	(59,276)	(1,155)	(60,431)
2,006,574	**-**	**2,006,574**	**Closing fair value of scheme assets at 31 March**	**2,135,107**	**-**	**2,135,107**

Note 33 – Defined Benefit Pension Schemes (Continued)

Reconciliation of the effect of the asset ceiling:

LGPS Funded Benefits 2024/25 £'000		LGPS Funded Benefits 2025/26 £'000
(471,020)	Opening Balance at 1 April	(690,530)
(219,510)	Effect of asset ceiling	(96,524)
(690,530)	**Closing Balance at 31 March**	**(787,054)**

North East Pension Scheme Assets Comprised:

Asset category	Sub-category	Quoted (Y/N)	31 March 2025 £'000	%	31 March 2026 £'000	%
Equity Securities:	Other	Y	996,062	49.6%	1,089,205	51.0%
Debt Securities:	UK Government	Y	128,382		135,723	
	Other	N	-		29,565	
	SUBTOTAL - Debt		128,382	6.4%	165,288	7.7%
Private Equity:	All	N	144,804	7.2%	152,684	7.2%
Private Debt:	All	N	27,351	1.4%	-	0.0%
Real Estate:	UK Property	N	137,202		143,119	
	Overseas Property	N	8,132		6,802	
	SUBTOTAL - Real Estate		145,334	7.2%	149,921	7.0%
Investment Funds and Unit Trusts:	Bonds	Y	221,521		247,906	
	Infrastructure	N	166,047		169,855	
	SUBTOTAL - Investment Funds		387,568	19.3%	417,761	19.6%
Derivatives:	Other	N	39,433		39,132	
	SUBTOTAL - Derivatives		39,433	2.0%	39,132	1.8%
Cash:	Cash instruments	N	137,639	6.9%	121,116	5.7%
Total			2,006,574	100.0%	2,135,107	100.0%
	Effect of Asset Ceiling		(690,530)		(787,054)	
Total			**1,316,044**		**1,348,053**	

Note 33 – Defined Benefit Pension Schemes (Continued)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method and assets are measured at their fair value. An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2023. The next triennial valuation will be based on the Fund as at 31 March 2026.

The significant assumptions used by the actuary have been:

LGPS 2024/25	Teachers Additional Unfunded Pensions 2024/25		LGPS 2025/26	Teachers Additional Unfunded Pensions 2025/26
		Mortality Assumptions:		
		Longevity at 65 for Current Pensioners:		
20.9	20.9	Men	21.3	21.3
23.3	23.3	Women	23.5	23.5
		Longevity at 65 for Future Pensioners:		
22.2	-	Men	22.6	-
25.1	-	Women	25.2	-
2.75%	-	Rate of Inflation	3.00%	-
4.25%	-	Rate of Increase in Salaries	4.50%	-
2.75%	2.80%	Rate of Increase in Pensions	3.00%	3.00%
5.80%	5.80%	Rate for Discounting Scheme Liabilities	6.30%	6.30%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Note 33 – Defined Benefit Pension Schemes (Continued)

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Member life expectancy (increase or decrease in 1 year)	54,530	(54,530)
Pension increase rate (increase or decrease by 0.1%)	20,323	(20,323)
Salary increase rate (increase or decrease by 0.1%)	1,670	(1,670)
Real discount rate (increase or decrease by 0.1%)	(22,015)	22,015

Funding Strategy Statement

The Pension Committee's long term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2023 and the results indicate that overall the assets represented 124% of projected accrued liabilities at the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment returns is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However, the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment returns from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The asset proportions of the Fund at 31 March 2026, with March 2025 in brackets were: equity securities 52.7% (49.6%), debt securities 7.4% (6.4%), private equity 6.8% (7.2%), private debt 0.0% (1.4%), real estate 6.7% (7.2%), investment funds and unit trusts 19.0% (19.3%), derivatives 1.8% (2.0%) and cash 5.7% (6.9%).

Impact on the Council's Cash Flows

The next triennial valuation is due as at 31 March 2026.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2027 is £41.145m. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2023 valuation is 18 years.

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, the Council has the following additional liabilities arising from the pension deficit:

Total 2024/25 £'000	Aberdeenshire Share 2024/25 £'000		Total 2025/26 £'000	Aberdeenshire Share 2025/26 £'000
(176)	(78)	Grampian Valuation Joint Board	(140)	(63)

Further information regarding this deficit can be found in the annual report and accounts of the Grampian Valuation Joint Board.

Note 34 – Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from the Scottish Government are set out in the analysis provided within note 27. This note also provides details of grant income from the Scottish Government that were not recognised in the CIES as of 31 March 2026, due to unmet grant conditions.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of Councillors' allowances paid in 2025/26 is shown in the Remuneration Report. During 2025/26 Councillors have been involved with 360 outside bodies, 112 of which are in a decision-making role and 248 in an observational role. During 2025/26, works and services to the value of £23.990m were commissioned from organisations in which 41 Councillors' had an interest (2024/25 £26.365m and 47 Councillors). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £307,886 were awarded to organisations in which 9 Councillors or their close family members had positions on the governing body (2024/25 £500,083 and 18 Councillors). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Councillors did not take part in any discussion or decision relating to the grants.

Details of all the declarations of interest are recorded in the Register of Councillors' Interest, open to public inspection at Woodhill House Reception, Westburn Road, Aberdeen, AB16 5GB during office hours or is available on the Council's website.

(Declaration of Interests) Please note the current declaration of interests refer to the forms submitted by members who were elected as a result of the Local Elections on 5 May 2022.

Officers – Key Management Personnel

The salaries of the Key Management Personnel of the Council are disclosed in the Council's Remuneration report. These officers have responsibility for planning, directing and controlling the activities of the Council. Their scope of influence is determined by the Scheme of Delegation and Financial Regulations. During 2025/26 there were no material amounts commissioned from companies in which Chief Officials and their family members had an interest and no grant payments of material value. On this basis the Council is satisfied that appropriate controls are in place to manage and monitor the influence of the Council's Key Management Personnel. Details of Chief Officers declarations of interest are recorded in the Register of Interests for Chief Officers which is available on the Council's website.

(Chief Officer Register of Interests)

Note 34 – Related Parties (Continued)

Joint Ventures and Other Entities Controlled or significantly Influenced by the Authority

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 Non-Domestic 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 2026, the total comprehensive income and expenditure statement shows a deficit of £36,000 (2024/25 surplus of £362,000) and net assets of £1,525,000 (2024/25 net assets £1,562,000). The Board is funded by requisitions from the three Councils.

The nature of transactions included within the Council's financial statements are shown in the following table:

2024/25 Expenditure £'000	2024/25 Income £'000	2024/25 Debtors £'000	Nature of transaction	2025/26 Expenditure £'000	2025/26 Income £'000	2025/26 Debtors £'000
2,049	(140)	140	Requisition Payments and Debtor/Income adjustment for expected rebate based on unaudited GVJB accounts	2,285	(100)	100

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. These accounts will also be published on the GVJB website in accordance with statutory publication requirements.

(https://www.grampian-vjb.gov.uk)

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 2026, the total comprehensive income and expenditure statement was a surplus of £0.409m (2024/25 deficit of £1.101m) and the net assets were £3.436m (2024/25 net assets £3.027m). The two Councils fund the Partnership. The nature of transactions included within the Council's financial statements are shown in the following table:

Note 34 – Related Parties (Continued)

2024/25 £'000	Nature of transaction	2025/26 £'000
1,774	Expenditure - Requisition Payment and Capital Funding	1,600
(1,951)	Income – Various works completed by the Council, contributions to joint projects and payment for support services provided by the Council	(1,313)
(177)	**Net Income and Expenditure**	**287**
2,329	Debtors balance held - Owed to Council	1,188
(246)	Creditors balance held – Owed by Council	(420)
2,083	**Net Assets**	**768**

A copy of the accounts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB. These accounts will also be published on the Nestrans website in accordance with statutory publication requirements.

(https://www.nestrans.org.uk/about-nestrans/organisation/documents-statement-of-accounts/)

Trusts and Endowments and Common Good Funds

The Council acts as Trustee for 358 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 2026, the net assets were £8.146m (2024/25 £7.431m) for Trusts and £6.919m (2024/25 £9.138m) for Common Good Funds. The Trusts and Common Good Funds had £4.303m (2024/25 £4.271m) invested in the Council's loans fund at 31 March 2026.

Further detail is provided in the summary of the accounts for the Trusts and Common Good Funds.

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

Aberdeenshire Integration Joint Board

Aberdeenshire Integration Joint Board (the Board) of Aberdeenshire Health and Social Care Partnership was established as a Body by Scottish Ministers on 6 February 2016. Its purpose is to improve the wellbeing of the people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. Five of the ten Voting Board members are appointed by Aberdeenshire Council and are Councillors. Five Non-Voting Board members are employees of the Council, one of these is a stakeholder representative.

Note 34 – Related Parties (Continued)

For the year end 31 March 2026, the total comprehensive income and expenditure statement shows a surplus of £11.735m (2024/25 breakeven position with a deficit of £24.399m covered by additional funding from the partners). This comprised of Earmarked Reserves of £3.734m and a General Reserve of £8.001m.

The Board is funded by the Council and NHS Grampian.

In the year, the following Aberdeenshire Council financial transactions were made in relation to integrated health and social care functions:

2024/25 £'000	Nature of transaction	2025/26 £'000
	Expenditure	
165,632	Contribution Made to Aberdeenshire Integration Board	171,706
10,645	Additional Funding	1,372
176,277	**Total**	**173,078**
	Income	
(234,825)	Services Commissioned from Aberdeenshire Council	(231,189)
16,835	Service Income	20,333
(217,990)	**Total**	**(210,856)**

A copy of the accounts can be obtained from the IJB Chief Finance and Business Officer, c/o Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB. The IJB Annual Accounts are also published on the Council's website in accordance with statutory publication requirements.

(Aberdeenshire Integration Joint Board – Annual Accounts - Aberdeenshire Council)

SEEMIS Group LLP

SEEMIS Group LLP provides a standard management information system for Scottish education. SEEMIS Group LLP is a limited liability partnership owned by all 32 Scottish local authorities including Aberdeenshire Council. For the most recent available accounts, the year ended 31 March 2025, the loss for the year was £59,973 (2023/24 profit of £760,825), the total comprehensive expense for the year was £355,743 (2023/24 £1,038,087) and net assets were £868,030 (2023/24 £1,283,746). During 2025/26 £325,728 was paid by the Council to SEEMIS Group LLP for providing a management information system for education and for membership fees and charges (2024/25 £313,689).

Create Homes Aberdeenshire LLP

Create Homes Aberdeenshire is a joint venture between Create Homes Aberdeenshire Limited and Aberdeenshire Council. It is supported by the Scottish Government and aims to provide high quality accommodation whilst keeping the rent at a reasonable and affordable cost. The draft accounts are indicative as the deadline for submission is 31 December 2026. For the year ended 31 March 2026, the profit and loss account shows an indicative profit of £58,000 (2024/25 restated £42,000) and the net assets as an indicative £288,000 (2024/25 restated £230,000). The 2024/25 amounts have been restated here as the figures quoted in the

Note 34 – Related Parties (Continued)

Council's 2024/25 accounts were from the Create Homes draft accounts. These figures changed before the final Create Homes accounts were submitted.

The nature of the Council's transactions in the year and balances at the year-end relating to Create Homes Aberdeenshire LLP are in the table below:

2024/25 £'000	Nature of transaction	2025/26 £'000
(222)	Income - Loan Interest, Management, Maintenance and Insurance	(224)
(222)	**Net Income and Expenditure**	**(224)**
2,341	Debtors - Long Term Loan and adjustment for outstanding Management and Insurance Income	2,265
(32)	Creditor - Rental income collected on behalf of Create Homes still to be transferred	(34)
2,309	**Net Assets**	**2,231**

Note 35 – Cash Flow Statement – Operating Activities

2024/25 £'000		2025/26 £'000
(79,864)	**Net (Deficit)/Surplus on the Provision of Services**	**1,013**
	Adjust net surplus or deficit on the provision of services for non cash movements	
115,108	Depreciation and Impairment	108,174
19,598	Downward / (Upward) Revaluations	11,337
247	Amortisation	152
(160)	Soft Loans (non subsidiary) - Interest adjustment credited to CIES during year	(168)
(51)	Adjustments for Effective Interest Rates	(108)
(2,099)	Increase/(Decrease) in Interest Creditors	(1,038)
1,429	Increase/(Decrease) in Creditors	13,616
(25)	(Increase)/Decrease in Interest and Dividend Debtors	(50)
(692)	(Increase)/Decrease in Debtors	(6,194)
1,512	(Increase)/Decrease in Inventories	392
(714)	(Increase)/Decrease in Finance Lease Liabilities	1,083
(1,854)	Movement in Pension Asset / Liability	(12,201)
633	Contributions to/ (from) Provisions	5,091
2,259	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,949
(101)	Movement in Investment Property Values	(101)
135,090		**123,934**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(44,258)	Capital Grants credited to surplus or deficit on the provision of services	(49,504)
(2,363)	Proceeds from the sale of property plant and equipment and intangible assets	(3,211)
(46,621)		**(52,715)**
8,605	**Net Cash Flows from Operating Activities**	**72,232**

The cash flows for operating activities include the following items:

2024/25 £'000		2025/26 £'000
1,061	Interest Received	1,671
(44,918)	Interest Paid	(44,706)

Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced account for the provision and maintenance of Council owned houses. It is managed and monitored separately from the Council's General Fund. The figures are also included in the Council's Core Financial Statements, but there is a requirement to present it separately as a supplementary statement in the Annual Accounts.

2024/25 £'000	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	2025/26 £'000	Notes Ref
	Expenditure		
26,840	Repairs and Maintenance	26,292	
10,730	Supervision and Management	10,970	
38,267	Depreciation, Amortisation and Impairment of Non-Current Assets	26,573	
12,734	Other Expenditure	11,183	
88,571	**Total Expenditure**	**75,018**	
	Income		
(64,286)	Dwelling Rents	(68,052)	
(1,254)	Non-dwelling Rents	(1,311)	
(6,656)	Other Income	(6,012)	
(72,196)	**Total Income**	**(75,375)**	
16,375	**Net Cost of HRA Services as Included in the CIES**	**(357)**	
247	HRA Services' Share of Corporate and Democratic Core	285	
5	HRA Share of Other Amounts Included in the Whole Council's Net Cost of Services but Not Allocated to Specific Services	16	
16,627	**Net Expenditure for HRA Services**	**(56)**	
	HRA Share of the Operating Income and Expenditure Included in the CIES		
(4)	(Gain)/Loss on Sale of HRA Non Current Assets	(2)	
11,906	Interest Payable and Similar Charges	12,465	
(926)	Interest and Investment Income	(982)	
24	Net Interest on Net Defined Benefit Liability (Asset)	30	
(9,416)	Non-specific Grant Income	(1,716)	
695	Movement in Allowance for Bad Debts	1,384	
18,906	**(Surplus)/Deficit for the Year on HRA Services**	**11,123**	
	HRA Notes		2-5

2024/25 £'000	MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	2025/26 £'000	Notes Ref
(2,300)	**Balance on the HRA at 1 April**	**(2,800)**	
18,906	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	11,123	
(5,854)	Depreciation charged to the Revaluation Reserve	(5,190)	
(11,823)	Adjustments Between Accounting Basis and Funding Basis Under Statute	(5,908)	6~
1,229	Net Decrease/(Increase) before transfers to/from reserves	25	
(1,729)	Transfer (from)/to reserves	(25)	1
(500)	Movement in Year on the HRA	-	
(2,800)	**Balance on the HRA at 31 March**	**(2,800)**	

~ Refers to note 6 to the Council's Financial Statements

Housing Revenue Account (continued)

HRA Note 1 – Transfer to (from) Reserves

2024/25 £'000		2025/26 £'000
(1,729)	Transfer from General Fund	(25)
(1,729)	**Total**	**(25)**

HRA Note 2 – Housing Stock

The Council's housing stock at 31 March 2026 was 13,540 (13,443 at 31 March 2025) in the following categories:

2024/25	Types of dwellings:	2025/26
1,500	- Sheltered Housing	1,499
83	- 1 apartment	82
3,944	- 2 apartment	3,979
5,156	- 3 apartment	5,173
2,579	- 4 apartment	2,620
181	- 5 + apartment	187
13,443	**Total Housing Stock as at 31 March**	**13,540**

The Council's housing stock includes 1 property (2024/25: 1) that is not in the ownership of the Council.

HRA Note 3 – Rent Arrears

Rent arrears at 31 March 2026 were £2.435m (£2.514m at 31 March 2025).

HRA Note 4 – Impairment of Debtors

In 2025/26 an impairment of £1.906m was provided in the Balance Sheet for irrecoverable rents, a decrease of £0.146m from the provision in 2024/25.

HRA Note 5 – Void Properties

The loss on void properties in 2025/26 was £1.996m compared to a loss on void properties of £1.921m in 2024/25.

Council Tax Income Account

The Council Tax Income Account shows the gross income raised from Council taxes levied and deductions made under Statute. The resultant net income is transferred to the CIES of the Council.

Council Tax is a property based tax which relates to the capital value of domestic properties as determined by the Assessor. The Assessor publishes a Valuation List which contains information on each property and the band to which it has been assigned. All the properties in the Valuation List are liable for Council Tax, but some may be exempt from payment or may attract a discount depending on whether they are unoccupied, the number of persons in occupation and/or the status of the persons resident.

The statement below also includes any residual Community Charges collected.

2024/25 £'000		2025/26 £'000
(198,816)	**Gross Council Tax Levied and Contributions in Lieu**	**(221,027)**
	Less:	
9,749	Council Tax Reduction Scheme	10,995
18,483	Other Discounts and Reductions	21,323
864	Write Off of Uncollectable Debts and Allowance for Impairment	966
29,096		**33,284**
1,945	Adjustments to Previous Years'	3,336
(2,671)	Second Homes Council Tax – In Year	(2,124)
(170,446)	**Transfer to CIES**	**(186,531)**

CT Note 1 – Council Tax Charges

The Council Tax Charges are set out below:

Band	Property Value	2024/25 Proportion of Band D	2024/25 Council Tax	2025/26 Proportion of Band D	2025/26 Council Tax
A	Up to £27,000	0.6667	£928.95	0.6667	£1,021.84
B	£27,001 – £35,000	0.7778	£1,083.77	0.7778	£1,192.15
C	£35,001 – £45,000	0.8889	£1,238.60	0.8889	£1,362.45
D	£45,001 - £58,000	1.0000	£1,393.42	1.0000	£1,532.76
E	£58,001 - £80,000	1.3139	£1,830.80	1.3139	£2,013.88
F	£80,001 - £106,000	1.6250	£2,264.31	1.6250	£2,490.74
G	£106,001 - £212,000	1.9583	£2,728.78	1.9583	£3,001.66
H	Above £212,000	2.4500	£3,413.88	2.4500	£3,755.26

CT Note 2 – Calculation of Council Tax Base 2025/26

BAND	Band A*	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Properties	20,560	16,400	14,793	18,978	23,070	18,057	11,868	658	**124,384**
Less:									
Exemptions	1,510	765	568	480	390	236	119	9	**4,077**
Discount - 25%	2,795	1,935	1,506	1,630	1,454	820	409	18	**10,567**
Discount - 50%	152	115	103	105	82	47	35	3	**642**
Number of chargeable dwellings subject to disabled reduction	-47	-60	-13	-101	66	48	101	6	**0**
Number of adjusted chargeable dwellings	16,150	13,645	12,629	16,864	21,078	16,906	11,204	622	**109,098**
Ratio to Band D	0.6667	0.7778	0.8889	1.0000	1.3139	1.6250	1.9583	2.4500	
Number of Band D equivalents for RSG purposes	10,762	10,613	11,226	16,864	27,694	27,472	21,941	1,524	**128,096**
Contributions in lieu in respect of class 17 and 24 dwellings: Band D equivalents in the financial year 2025/26									**17**
Less: Adjustment to base for Council Tax Reduction Scheme									**7,173**
COUNCIL TAX BASE 2025/26									**120,940**
COUNCIL TAX BASE 2024/25									**120,463**

Non Domestic Rate Income Account

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from rates and deductions made under Statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

The occupiers of non-domestic properties are liable to pay rates which are assessed on their property's rateable value. Each property is assigned a rateable value by the Assessor, which is published in the Valuation Roll. The Non-Domestic Rates poundage which is used to calculate the amounts of rates payable is set by the Scottish Government.

In 2025/26 the rate poundage was 49.8p (49.8p in 2024/25). Properties with a rateable value of over £100,000 attract a Higher Property Rate of 7p on top of the poundage (6.1p in 2024/25). Properties with a rateable value of between £51,000 and £100,000 attract an Intermediate Property Rate of 5.6p on top of the standard poundage (4.7p 2024/25).

Reliefs and Exemptions are available for certain properties. A list of Reliefs and Exemptions can be viewed on Aberdeenshire Council Website.

The rates collected during the year are shown in the table below. Any difference between the rates collected and the amount the Council is guaranteed to receive under the National Pooling arrangements is adjusted and redistributed back to local authorities along with the Revenue Support Grant.

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business rates income and encourage new business start-up. The Scottish Government set a target for each Council and the Council retains 50% of any additional income above the target. This scheme was temporarily suspended for 2020/21, 2021/22 and 2022/23. In April 2023 the scheme was reintroduced as the Non Domestic Rates Incentivisation Scheme (NDRIS).

2024/25 £'000		2025/26 £'000
(163,046)	Gross Rates Levied and Contributions in Lieu	(165,090)
	Less:	
26,401	Reliefs and Other Deductions	27,298
(115)	Payment/(Refund) of Interest	159
200	Write Off of Uncollectable Debts and Allowance for Impairment	259
(136,560)	Net Non-Domestic Rate Income	(137,374)
3,724	Adjustments to Previous Year's Non-Domestic Rates	3,540
(132,836)	Total Non-Domestic Rate Income (before Council Retentions)	(133,834)
(132,836)	**Contribution to National Non-Domestic Rate Pool**	**(133,834)**
(131,630)	**Sum due from Central Rates Pool**	**(130,389)**
(131,630)	**Income Credited to Comprehensive Income and Expenditure Statement**	**(130,389)**

NDR Note 1 – Rateable Values and Number of Entries at 1 April 2025

As at 1/4/24 Number of Entries	As at 1/4/24 Rateable Value £'000		As at 1/4/25 Number of Entries	As at 1/4/25 Rateable Value £'000
2,004	41,134	Shops	1,999	41,488
96	2,089	Public Houses	94	2,025
1,498	32,861	Offices (Including Banks)	1,497	32,082
204	6,718	Hotel, Boarding Houses etc.	204	6,629
3,657	116,977	Industrial and Freight Transport Subjects	3,713	116,068
1,275	12,669	Leisure, Entertainment, Caravans and Holiday Sites	1,209	12,495
377	4,231	Garage and Petrol Stations	376	4,554
57	743	Cultural	57	740
2,262	2,351	Sporting Subjects	2,258	2,350
253	22,236	Education and Training	254	22,276
744	15,130	Public Services Subjects	737	15,032
41	5,960	Communications (Non Formula)	38	5,932
220	1,560	Quarries, Mines etc.	219	1,552
15	18,033	Petrochemical	15	17,602
435	2,592	Religious	437	2,863
142	3,747	Health Medical	140	3,734
1,098	2,121	Other	1,107	2,052
115	4,672	Care Facilities	112	4,652
14	48	Advertising	13	43
46	9,920	Undertaking	48	10,059
14,553	**305,792**	**Total**	**14,527**	**304,228**

Note: The Revaluation Roll came into force on 1 April 2017 and contains revised rateable values. National revaluations previously took place every five years, this changed to every three years from 1 April 2023.

Trusts and Endowments

Trusts and Endowments for which the Council is the sole Trustee are subsidiaries of the Council. A summary of their accounts is presented below.

The Council administers 358 Trusts and Endowments, mainly of an Educational and Social Work nature. An Income and Expenditure Statement, Balance Sheet, a summary of the balances of the Trusts at 31 March 2026 and details of how these balances were invested at that date are shown below.

Income and Expenditure Account for the Year Ended 31 March 2026

All Trusts 2024/25 £'000	Charitable Trusts 2024/25 £'000	Expenditure	All Trusts 2025/26 £'000	Charitable Trusts 2025/26 £'000	Notes Ref
62	60	Administrative Costs	63	63	
202	195	Donations, Grants etc.	185	164	
1	-	Other Costs	-	-	
265	**255**	**Total Expenditure**	**248**	**227**	
		Income			
(263)	(178)	Investment Income	(240)	(165)	
(88)	(82)	Other Income	(66)	(63)	2
(351)	**(260)**	**Total Income**	**(306)**	**(228)**	
(86)	**(5)**	**(Surplus)/Deficit for the year**	**(58)**	**(1)**	

Balance Sheet as at 31 March 2026

All Trusts 2024/25 £'000	Charitable Trusts 2024/25 £'000	Current Assets	All Trusts 2025/26 £'000	Charitable Trusts 2025/26 £'000	Notes Ref
3	-	Other	2	-	
4,884	3,520	Investments	5,541	3,924	
2,661	1,198	Loans Fund Balance	2,624	1,104	
7,548	**4,718**	**Total Current Assets**	**8,167**	**5,028**	
		Current Liabilities			
(117)	(113)	Creditors	(21)	(18)	
7,431	**4,605**	**Net Current Assets**	**8,146**	**5,010**	
7,431	**4,605**	**Total Net Assets**	**8,146**	**5,010**	
		Financed by:			
(6,087)	(4,258)	Capital	(6,739)	(4,658)	
(1,344)	(347)	Revenue Balance	(1,407)	(352)	
(7,431)	**(4,605)**	**Reserves**	**(8,146)**	**(5,010)**	
		Trusts & Endowments Notes			1

The audited accounts were issued on 29 October 2026.

Mary Beattie

Mary Beattie, FCCA
Head of Finance
29 October 2026

Trusts and Endowments – Continued

Summary of Funds as at 31 March 2026

Total Funds 2024/25 £'000	Charitable Trusts 2024/25 £'000		Total Funds 2025/26 £'000	Charitable Trusts 2025/26 £'000	Notes Ref
		Education Trusts			
4,045	4,045	Aberdeenshire Educational Trust	4,445	4,445	
		Other Trusts			
2,152	456	General	2,376	456	
191	104	Libraries	200	109	
		Endowment Funds			
567	-	Educational Endowments	617	-	
476	-	Social Work Endowments	508	-	
7,431	**4,605**	**Total**	**8,146**	**5,010**	

TF Note 1 – Purpose and Administration of Trusts

The money earned from the investments of the Trusts is used for the prevention or relief of poverty; the advancement of education; the advancement of health; the advancement of citizenship or community development; the advancement of the arts, heritage, culture or science; the advancement of public participation in sport, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; the advancement of environmental protection or improvement; and the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage. This may be done through the provision of 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.

With the exception of the 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 2026 and the resultant gain on revaluation has been credited to the various Trusts in proportion to their holding in the Central Fund.

TF Note 2 – Administrative Costs

With effect from 1 April 2013, Administrative Costs are no longer charged to the Trusts and Endowments in accordance with the decision of Policy and Resources Committee on 20 September 2012. These are shown as a donated service in the accounts, with matching income and expenditure.

TF Note 3 – Further Details

A full analysis of all individual Trusts and the Common Good Funds and Charities' Statement of Recommended Practice compliant accounts for the Charitable Trusts can be obtained from the Head of Finance, Aberdeenshire Council, Woodhill House, Westburn Road, Aberdeen, AB16 5GB.

The Charitable Trusts Accounts are also published on the Council's website in accordance with statutory publication requirements.

Charitable Trusts - Annual Accounts - Aberdeenshire Council

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. The Accounts for the Common Good Fund are presented below.

Income and Expenditure Account for the Year Ended 31 March 2026

Net Expenditure 2024/25 £'000		Net Expenditure 2025/26 £'000
1	Donations, Grants etc.	11
95	Depreciation	173
7	Repairs to Assets	14
103	**Expenditure**	**198**
(20)	Rental Income	(22)
(82)	Interest Receivable and Similar Income	(70)
-	Grants Receivable	-
(102)	**Income**	**(92)**
1	(Surplus)/Deficit on the Provision of Services	106
(95)	Transfer from Revaluation Reserve	(173)
(94)	**Decrease/(Increase) in the Year**	**(67)**

Balance Sheet as at 31 March 2026

2024/25 £'000		2025/26 £'000
7,441	Property, Plant and Equipment	5,151
7,441	**Long Term Assets**	**5,151**
17	Short Term Investments	20
1,680	Cash and Cash Equivalents	1,751
1,697	**Current Assets**	**1,771**
-	Creditors	(3)
-	**Current Liabilities**	**(3)**
9,138	**Net Assets**	**6,919**
	Usable Reserves:	
(1,310)	Revenue	(1,378)
(380)	Capital	(380)
	Unusable Reserves:	
(7,448)	Revaluation Reserve	(5,161)
(9,138)	**Total Reserves**	**(6,919)**

The audited accounts were issued on 29 October 2026.

Mary Beattie

Mary Beattie, FCCA
Head of Finance
29 October 2026

CG Note 1 – Accounting Policies

The Accounts of the Common Good Funds have been prepared using the same accounting policies as the Council's Accounts. The only exception to this is in relation to accounting adjustments as there is no statutory mitigation for the Common Good Funds. However, depreciation relating to the revalued portion of non-current assets is offset against the Revaluation Reserve.

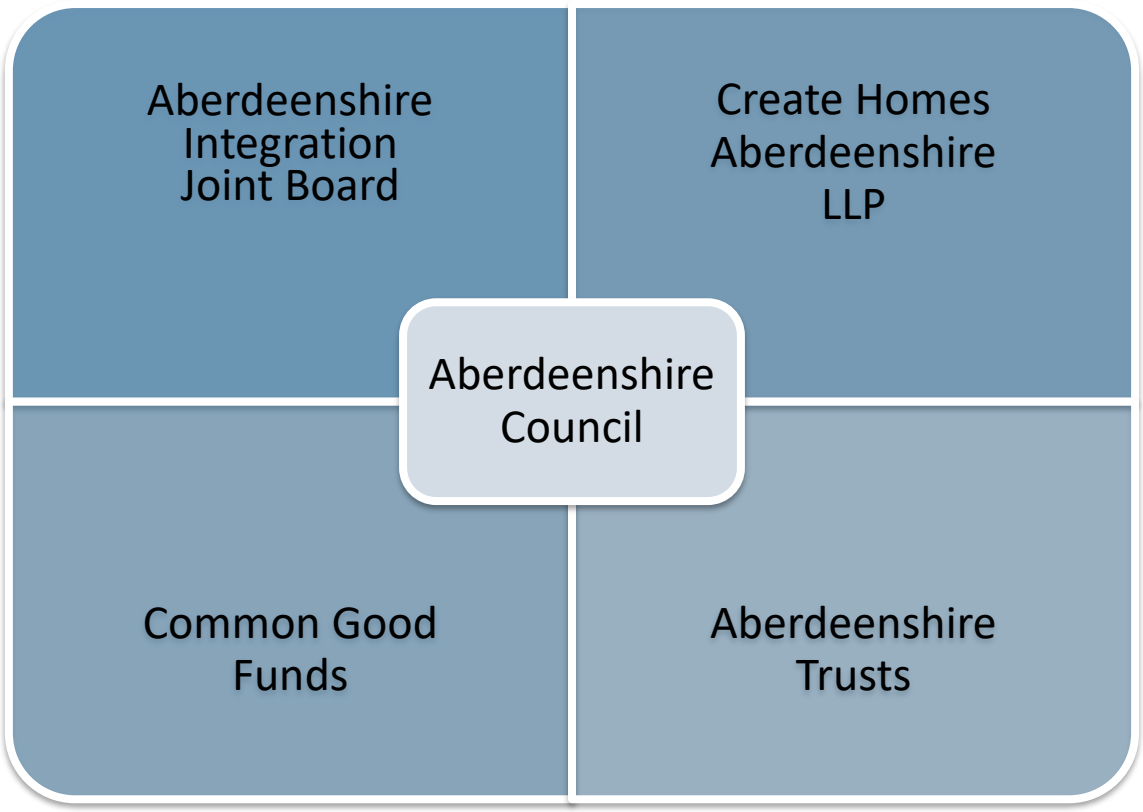
CG Note 2 – Summary of Balances

The balances in the Common Good Funds are as follows:

Total Funds 2024/25 £'000		Total Funds 2025/26 £'000
1,348	Macduff	331
3,900	Banff	2,787
4	Rosehearty	4
6	Portsoy	6
4	Aberchirder	4
73	Fraserburgh	76
522	Peterhead	538
113	Turriff	110
5	Oldmeldrum	5
2,629	Inverurie	2,504
28	Kintore	29
117	Stonehaven	122
64	Inverbervie	66
132	Laurencekirk	133
152	Huntly	162
41	Banchory	42
-	Ballater	-
9,138	**Total**	**6,919**

Group Accounts

The Council has the requirement to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality.



The following Group Accounts and associated notes include detail regarding the consolidation of Aberdeenshire Council, Aberdeenshire Trusts, Common Good Funds, Create Homes Aberdeenshire LLP and Aberdeenshire Integration Joint Board.

Group Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2026

Gross Expenditure 2024/25 £'000	Income 2024/25 £'000	Net Expenditure 2024/25 £'000	Aberdeenshire Services	Gross Expenditure 2025/26 £'000	Income 2025/26 £'000	Net Expenditure 2025/26 £'000	Notes Ref
94,357	(34,534)	59,823	Business Services	85,160	(29,069)	56,091	
520,802	(314,438)	206,364	Communities	509,588	(311,231)	198,357	
490,180	(25,602)	464,578	Education and Children's Services	495,868	(25,291)	470,577	
135,173	(31,848)	103,325	Infrastructure Services	134,696	(31,217)	103,479	
88,571	(72,080)	16,491	Housing Revenue Account	75,018	(75,256)	(238)	
1,847	-	1,847	Other Operating Expenditure/(Income) – Full Council	3,557	(4,975)	(1,418)	
1,330,930	**(478,502)**	**852,428**	**SERVICE TOTALS**	**1,303,887**	**(477,039)**	**826,848**	
265	(405)	(140)	Charitable Trusts and Endowments	248	(343)	(95)	
254	(197)	57	Common Good Fund	269	(265)	4	
164	(438)	(274)	Create Homes - Subsidiary	165	(457)	(292)	
1,331,613	**(479,542)**	**852,071**	**COST OF SERVICES**	**1,304,569**	**(478,104)**	**826,465**	
-	**(105)**	**(105)**	**Other Operating (Income)/Expenditure**	**737**	**-**	737	
44,658	**(1,254)**	**43,404**	**Financing and Investment Income and Expenditure**	**49,997**	**(2,423)**	47,574	5
-	**(815,887)**	**(815,887)**	**Taxation and Non-Specific Grant Income**	**-**	**(874,301)**	**(874,301)**	
1,376,271	**(1,296,788)**	**79,483**	**(Surplus)/Deficit on Provision of Services**	**1,355,303**	**(1,354,828)**	**475**	
238,246	(238,246)	-	Share of (surplus) or deficit on the provision of services of Associates and Joint Ventures	255,800	(261,668)	(5,868)	
1,614,517	**(1,535,034)**	**79,483**	**Group (Surplus)/Deficit**	**1,611,103**	**(1,616,496)**	**(5,393)**	
-	(57,624)	(57,624)	Surplus on revaluation of Non Current assets and AHfS	-	(24,598)	(24,598)	
-	(4,896)	(4,896)	Actuarial (gains)/losses on pension assets/liabilities	-	11,365	11,365	
-	**(62,520)**	**(62,520)**	**Other Comprehensive (Income) and Expenditure**	**-**	**(13,233)**	**(13,233)**	
1,614,517	**(1,597,554)**	**16,963**	**Total Comprehensive (Income) and Expenditure**	**1,611,103**	**(1,629,729)**	**(18,626)**	

* The 2024/25 comparative figures have been amended to correct the allocation of IJB income and expenditure; this presentational correction has no impact on the net IJB position previously reported.

Group Balance Sheet as at 31 March 2026

2024/25 £000		2025/26 £000	Note Ref
2,597,613	Property, Plant and Equipment	2,581,540	6
5,616	Property, Plant and Equipment - Right of Use	6,759	
2,482	Heritage Assets	2,482	
761	Investment Properties	862	
-	Investment in Joint Venture	5,868	
459	Intangible Assets	341	
77	Long Term Investments	77	
4,169	Long Term Debtors	4,000	7
2,611,177	**Long Term Assets**	**2,601,929**	
4,904	Short Term Investments	5,563	8
2,165	Assets Held for Sale	2,808	
7,644	Inventories	7,252	
80,125	Short Term Debtors	84,751	7
30,346	Cash and Cash Equivalents	21,167	9
125,184	**Current Assets**	**121,541**	
(92,890)	Short Term Borrowing	(72,911)	
(105,697)	Short Term Creditors	(112,809)	10
-	Lease Creditors - Short Term	(1,503)	
(10,100)	PFI & PPP Liablilities - Short Term	(12,036)	
(1,842)	Revenue Grants Receipts in Advance	(9,499)	
(210,529)	**Current Liabilities**	**(208,758)**	
(1,005,735)	Long Term Borrowing	(981,125)	
(5,553)	Long Term Creditors	(5,425)	10
(7,406)	Provisions	(12,497)	
(28,109)	Pension Liabilities	(27,278)	
(8,295)	Lease Creditors	(7,876)	
(86,178)	PFI & PPP Liablilities - Long Term	(75,299)	
(21,894)	Capital Grants Receipts in Advance	(23,924)	
(1,163,170)	**Long Term Liabilities**	**(1,133,424)**	
1,362,662	**Net Assets**	**1,381,288**	
(78,677)	Usable Reserves	(107,540)	11
(4,838)	Share of Usable Reserves of Subsidiary and Joint Venture	(11,505)	
(1,271,357)	Unusable Reserves	(1,256,740)	
(7,790)	Share of Unusable Reserves of Subsidiary and Joint Venture	(5,503)	
(1,362,662)	**Total Reserves**	**(1,381,288)**	11

The audited accounts were issued on 29 October 2026.

Mary Beattie

Mary Beattie, FCCA
Head of Finance
29 October 2026

Group Movement in Reserves Statement for the Year Ended 31 March 2026

	Aberdeenshire Council Usable Reserves £'000	Group Entities Usable Reserves £'000	Total Group Usable Reserves £'000	Aberdeenshire Council Unusable Reserves £'000	Group Entities Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance as at 31 March 2024 Carried Forward	**(97,599)**	**(4,588)**	**(102,187)**	**(1,269,779)**	**(7,659)**	**(1,277,438)**	**(1,379,625)**
Movement in Reserves During 2024/25							
Total Comprehensive Income and Expenditure	79,864	(250)	79,614	(62,520)	(131)	(62,651)	16,963
Depreciation Charged to Revaluation Reserve	(33,666)	-	(33,666)	33,666	-	33,666	-
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(27,276)	-	(27,276)	27,276	-	27,276	-
Decrease/(Increase) before Transfers to Statutory Reserves	**18,922**	**(250)**	**18,672**	**(1,578)**	**(131)**	**(1,709)**	**16,963**
Transfers to/(from) Statutory Reserves	-	-	-	-	-	-	-
Balance as at 31 March 2025	**(78,677)**	**(4,838)**	**(83,515)**	**(1,271,357)**	**(7,790)**	**(1,279,147)**	**(1,362,662)**
Movement in Reserves During 2025/26							
Total Comprehensive Income and Expenditure	(1,013)	(6,667)	(7,680)	(13,233)	2,287	(10,946)	(18,626)
Depreciation Charged to Revaluation Reserve	(35,953)	-	(35,953)	35,953	-	35,953	-
Adjustments Between Accounting Basis and Funding Basis Under Regulations	8,103	-	8,103	(8,103)	-	(8,103)	-
Decrease/(Increase) before Transfers to Statutory Reserves	**(28,863)**	**(6,667)**	**(35,530)**	**14,617**	**2,287**	**16,904**	**(18,626)**
Transfers to/(from) Statutory Reserves	-	-	-	-	-	-	-
Balance as at 31 March 2026 Carried Forward	**(107,540)**	**(11,505)**	**(119,045)**	**(1,256,740)**	**(5,503)**	**(1,262,243)**	**(1,381,288)**

Group Cash Flow Statement for the Year Ended 31 March 2026

2024/25 £'000		2025/26 £'000
(79,483)	**Net deficit on the provision of services**	**(475)**
134,811	Adjust net deficit on the provision of services for non cash movements	125,539
(46,621)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(52,787)
8,707	**Net Cash Flows from Operating Activities**	**72,277**
	Investing Activities:	
(109,315)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(82,322)
-	Purchase of Short and Long Term Investments	-
2,363	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	3,211
46,032	Other Receipts from Investment Activities	53,567
(60,920)	**Net Cash Flows from Investing Activities**	**(25,544)**
	Financing Activities:	
242,048	Cash Receipts of Short Term and Long Term Borrowing	170,025
(7,426)	Cash Payments for the Reduction of the Outstanding Liabilities Relating to the Finance Leases and On Balance Sheet PFI Contracts	(11,423)
(166,462)	Repayments of Short Term and Long Term Borrowing	(214,514)
68,160	**Net Cash Flows from Financing Activities**	**(55,912)**
15,947	**Net (Decrease)/Increase in cash and cash equivalents**	**(9,179)**
14,399	Cash and cash equivalents at 1 April	30,346
30,346	**Cash and cash equivalents at 31 March**	**21,167**

Notes to the Group Accounts

Note 1 – Group - Nature of Consolidation and Aligning Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line-by-line basis.

Joint Ventures have been incorporated using the gross equity method. The accounting periods for all entities are from 1 April 2025 to 31 March 2026.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors and creditors.

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity.

The accounting policies of all group members are materially the same as those of the single entity, except with regards to Create Homes Aberdeenshire LLP and Common Good Funds. Aberdeenshire Council revalue its assets at least once every 5, whilst Create Homes hold them at historic cost, net of depreciation. As at 31 March 2023 the assets of Create Homes were revalued and a consolidated adjustment of the £342,000 increase to the value of the Create Homes fixed assets was included within the Group Accounts. The Accounts of the Common Good Funds have been prepared using the same accounting policies as the Council's Accounts. The only exception to this is in relation to accounting adjustments as there is no statutory mitigation for the Common Good Funds. However, depreciation relating to the revalued portion of non-current assets is offset against the Revaluation Reserve.

Note 2 – Group – Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries and joint ventures.

Aberdeenshire Council has an interest in a number of Subsidiaries, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Trust and Common Good Funds 100% and Create Homes Aberdeenshire LLP 99.999%. Included as Joint Venture is the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

Notes to the Group Accounts

Note 2 – Group – Disclosure of Interest in Other Entities (Continued)

Subsidiaries

Trust Funds

The Council is responsible for the administration of various trusts for which it is the sole trustee. The trusts have been created by bequest or evolved through history and are utilised for a variety of benefits such as education, social work, health, recreation and other charitable purposes. The money earned from the investments of the Trusts is used to assist those in need. This may be done by the provision of grants, prizes and dux medals for school children and requisitions for clients in Social Work homes.

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. The funds must be used for the overall benefit of the people who live in that area.

Create Homes Aberdeenshire LLP

Create Homes Aberdeenshire LLP is a limited liability partnership, originally constituted between Aberdeenshire Council and the Scottish Futures Trust (SFT), supported by the Scottish Government as guarantor, to deliver Mid-Market rent properties within the local authority area. The original governance documents for Create Homes always envisaged an exit by SFT and during 2023/24 this exit was implemented. This involved the re-financing of existing borrowing by Create Homes. As a LLP, corporate law requires a minimum of 2 members therefore, it was agreed that the rights and obligations held by SFT would be transferred to a new company, Create Homes Aberdeenshire MMR Limited, ultimately controlled by the Council.

Joint Ventures

Aberdeenshire Integration Joint Board (IJB)

Aberdeenshire Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Aberdeenshire Council and NHS Grampian. The contribution provided by Aberdeenshire Council to the IJB in 2025/26 was £173.078m (2024/25 £176.277m). The IJB Board comprises ten voting members with five (50%) made up of Aberdeenshire Council Elected Members.

Note 3 – Group – Financial Impact of Consolidation

The effect of inclusion of the subsidiaries and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £17 million (2024/25, increase of £13 million).

Notes to the Group Accounts

Note 4 – Group – Entities Not Consolidated

On the grounds of materiality, the North East Transport Partnership (NESTRANS), Grampian Valuation Joint Board, Create Homes Aberdeenshire MMR Limited and Scotland Excel have been excluded from the foregoing Group Accounts.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is 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 Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2025/26, Aberdeenshire Council contributed £122,000 (2024/25, £117,000) towards the core costs of the organisation. The unaudited accounts for 2025/26 show a surplus of £414,000 (2024/25, £1.101m deficit) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance. The accounts for 2025/26 are in the process of being audited.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2025/26, Aberdeenshire Council contributed £178,000 (2024/25, £178,000) towards the cost of these services. This represents Aberdeenshire Council's share at 4.50%.

Create Homes Aberdeenshire MMR Ltd is a limited company, established in 2023/24 to preserve the LLP status of Create Homes Aberdeenshire LLP. Whilst it would be classed as a subsidiary, there is no expectation of it holding any assets, or incurring any income or expenditure.

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 Non-Domestic 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 2026, the total comprehensive income and expenditure statement shows a deficit of £36,000 (2024/25 surplus £362,000) and net assets of £1.525m (2024/25 net assets £1.562m). The Board is funded by requisitions from the three Councils.

Note 5 – Group – Financing and Investment Income and Expenditure

An analysis of Financing and Investment Income and Expenditure is set out in the table below:

2024/25 £'000		2025/26 £'000
42,768	Interest payable and similar charges	43,560
1,036	Net interest on net defined benefit liability (asset)	1,218
(101)	Income and expenditure in relation to investment properties and changes in their fair value	(101)
(1,122)	Interest Receivable and Similar Income	(1,766)
1,087	Increase/(Decrease) in Provision for Bad Debts	3,034
(132)	Investment Losses/(Gains) on Charitable Trusts and Endowments	(657)
(132)	Investment Losses/(Gains) on Common Good Fund	2,286
43,404	**Total**	**47,574**

Note 6 – Group – Property Plant and Equipment

The Group Balance held within Property, Plant and Equipment is made up of the following:

2024/25 £'000		2025/26 £'000
2,585,068	Council Property, Plant and Equipment	2,571,433
7,441	Common Good Fund	5,151
5,104	Create Homes	4,956
2,597,613	**Total**	**2,581,540**

Create Homes PPE Value as shown in the Group Balance Sheet is made up of the following:

2024/25				2025/26		
Property £'000	Furniture and White Goods £'000	Total £'000		Property £'000	Furniture and White Goods £'000	Total £'000
5,107	**260**	**5,367**	Cost	**5,107**	**260**	**5,367**
(96)	(197)	(293)	Opening Depreciation	(210)	(223)	(433)
(114)	(26)	(140)	Depreciation Charge for the Year	(114)	(26)	(140)
4,897	**37**	**4,934**	**Net Book Value per Create Homes Accounts**	**4,783**	**11**	**4,794**
170	-	170	Revaluation	162	-	162
5,067	**37**	**5,104**	**Group Accounts Net Book Value**	**4,945**	**11**	**4,956**

Note 7 – Group – Debtors

Short Term 2024/25 £'000	Long Term 2024/25 £'000		Short Term 2025/26 £'000	Long Term 2025/26 £'000
80,194	6,434	Council Debtors	84,761	6,246
38	-	Create Homes Debtors	44	-
(107)	(2,265)	Exclude Intra Group	(54)	(2,246)
80,125	**4,169**	**Total**	**84,751**	**4,000**

Note 8 – Group – Short Term Investments

2024/25 £'000		2025/26 £'000
17	Common Good Funds	20
4,887	Trust Funds	5,543
4,904	**Total**	**5,563**

Note 9 – Group – Cash and Cash Equivalents

2024/25 £'000		2025/26 £'000
29,660	Council	20,436
686	Create Homes	731
30,346	**Total**	**21,167**

Note 10 – Group - Creditors

Short Term 2024/25 £'000	Long Term 2024/25 £'000		Short Term 2025/26 £'000	Long Term 2025/26 £'000
(105,597)	(2,480)	Council Creditors	(112,805)	(2,424)
(117)	-	Trust Funds	(21)	-
-	-	Common Good Funds	(3)	-
(90)	(5,338)	Create Homes Creditors	(34)	(5,247)
107	2,265	Exclude Intra Group	54	2,246
(105,697)	**(5,553)**	**Total**	**(112,809)**	**(5,425)**

Note 11 – Group - Reserves

Usable 2024/25 £'000	Unusable 2024/25 £'000		Usable 2025/26 £'000	Unusable 2025/26 £'000
(78,677)	(1,271,357)	Council	(107,540)	(1,256,740)
(4,770)	-	Trust Funds	(5,522)	-
(10)	(7,448)	Common Good Funds	(7)	(5,161)
(58)	(342)	Create Homes	(108)	(342)
-	-	IJB	(5,868)	-
(83,515)	**(1,279,147)**	**Total**	**(119,045)**	**(1,262,243)**

Glossary

1. Accruals: The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

2. Administration Costs: Includes telephone, printing, stationery, advertising and postage.

3. Allocations and Charges to Other Accounts: For services provided by one service to another.

4. Amortisation: The writing off of the expenditure on an asset or the income from a grant over a fixed period.

5. Assets Held for Sale: Usually restricted to property or disposal groups that are expected to be sold within 12 months.

6. Non-Domestic Rates: A charge levied on commercial properties and collected by the Council. The rate is set by the Scottish Government.

7. Capital Expenditure: This is expenditure incurred in creating or acquiring a non-current asset, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Capital expenditure is normally financed by borrowing over a period of years or by utilising the income from the sale of existing assets.

8. Cash and Cash Equivalents: Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. 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.

10. Compensated Absences: Periods during which an employee does not provide services to the employer, but employee benefits continue to be paid. Typical employee benefits include annual leave, sick leave, maternity leave, jury service, military service.

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. Corporate & Democratic Core & Non-Distributed Costs: Corporate & Democratic Core relates to those activities in which the 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.

13. 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.

14. 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).

15. 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.

16. 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.

17. 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.

18. Fees and Charges: Income received for services provided.

19. Financial Instruments: A contract between parties that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

20. 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 the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

21. Heritage Assets: A tangible heritage asset has historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset has cultural, environmental or historical significance which are intangible.

22. 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.

23. 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.

24. International Financial Reporting Standards (IFRS): The accounting standards adopted by the Council in the preparation of its accounts.

25. Investments (Pensions Fund): The investments of the Pensions Fund will be accounted for in the statements of that Fund. However the Council is 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.

26. 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.

27. Net Book Value: The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

28. 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.

29. Non-Current Assets: Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

30. Non-Specific Grant Income: All the grants and contributions receivable that cannot be identified to particular service expenditure.

31. 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.

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

33. 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.

34. Payments to Agencies and Others: Payments made to Government Agencies and similar bodies.

35. Post-Employment 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.

36. Public Works Loans Board (PWLB): A Government Agency which provides long term loans to the Council.

37. 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 monetary value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

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

39. Revenue Support Grant: A block grant received from Government to help finance the cost of the Council's services.

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

41. 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.

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

43. Unusable Reserves: Those reserves that an authority is not able to utilise to provide service.

44. Usable Reserves: Those reserves that contain resources that an authority can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on the exact application of those resources.

Annex

MIRS – Analysis of Capital Reserves

The table below provides an analysis of the capital reserves:

	Capital Receipts Deferred £'000	Capital Fund £'000	Capital Grants & Receipts Unapplied Account £'000	Total Capital Reserves £'000
Balance at 31 March 2024 Carried Forward	**(1,538)**	**-**	**(12,312)**	**(13,850)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants & Receipts Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(3,254)	(3,254)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	4,214	4,214
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	**-**	**-**	**960**	**960**
Transfers to/(from) Statutory Reserves	1	-		1
(Increase)/Decrease in 2024/25	**1**	**-**	**960**	**961**
Balance at 31 March 2025 Carried Forward	**(1,537)**	**-**	**(11,352)**	**(12,889)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations:				
Adjustment involving the Capital Grants & Receipts Unapplied Account:				
Unapplied grants and contributions transferred to the Capital Grants & Receipts Unapplied Account	-	-	(5,630)	(5,630)
Grants used to fund capital expenditure transferred to the Capital Adjustment Account	-	-	4,475	4,475
Capital Receipts transferred to Capital Grants & Receipts Unapplied Account	-	-	-	-
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	**-**	**-**	**(1,155)**	**(1,155)**
Transfers to/(from) Statutory Reserves	1			1
(Increase)/Decrease in 2025/26	**1**	**-**	**(1,155)**	**(1,154)**
Balance at 31 March 2026 Carried Forward	**(1,536)**	**-**	**(12,507)**	**(14,043)**

Annex

Note 14 – Heritage Assets

Further Information on Museums Collections

Live Life Aberdeenshire Museums Service collections are managed in accordance with policies that are approved by the Sub-Committee of Live Life Aberdeenshire. Further information is provided in the Museums Service Collection Development Policy 2025-2030 which was presented to Communities Committee on 4th September 2025 (item 13).

As explained in this document, items in the collection are only disposed of when, in the opinion of the Museums Development Co-Ordinator, Curator, and Conservator and with the approval of the governing body, an item does not align with the collecting principles outlined within the Museums Service Collection Development Policy. The Museum Service maintains a database of items in the collections. The Axiell Collections database records all accessioned items and will ultimately be the Museum Service's final register for the collections. As of 31 March 2026, Live Life Aberdeenshire Museums Service has approximately 25,000 objects recorded in the Axiell Collections database.

In addition to collections held in museums, the following are also regarded as Heritage Assets:

(i) Aikey Brae Stone Circle, Mintlaw

The remains of a recumbent stone circle dating to the Neolithic period (circa 2500BC), is an example of a type of monument unique to the North East of Scotland. There are five erect stones, including the recumbent, still standing which are set on a bank of small stones. The monument is set within a larger fenced area on the edge of a tree plantation. The land is owned by Aberdeenshire Council and is nationally protected as a Scheduled Ancient Monument.

(ii) Rhynie Man, Aberdeenshire Museums Service, Mintlaw

A Class I symbol stone dating to the Early Medieval (Pictish) period (circa 6th- 8th century AD). It is a large grey granite boulder incised with a rare example of a standing figure of a warrior. The stone, which is of international importance, was awarded to the former Grampian Regional Council by Historic Scotland in 1978 following its discovery, is now on public display within Aberdeenshire Museums Service HQ in Mintlaw.

(iii) Vertical Aerial Photograph Collection

This collection consists of three sets of vertical aerial imagery:

- 1977 BKS B&W Image Collection (circa 6000 images)
- 1988 JASair B&W Image Collection (circa 2500 images) and
- 1946 RAF B&W Image Collection (estimate 3000 images)

These image sets are used to assess landscape change, identify new cropmark archaeological sites, and other research activities undertaken by external bodies. The public and other organisations can arrange access to the collections under supervision. The 1977 and 1988 collections were inherited from the former Grampian Regional Council, while the 1946 RAF collection was gifted to the Archaeology Service by the Royal Commission Ancient Historical Monuments Scotland (RCAHMS).

Annex

Note 14 – Heritage Assets (Continued)

The BKS Images can be replaced at an average cost of £30 per image from Fugro-BKS Ltd, making the collection value an estimated £180,000. The JASair images can be replaced at an average cost of £20 per image from RCAHMS, making the collection value an estimated £50,000. The RAF collection can be replaced at an average cost of £30 per image from RCAHMS, making the collection value and estimated £90,000. The total value of the collection is £320,000.

(iv) Photograph and Slide Collection

The slide collection consists of an estimated 23,000 images of archaeological sites taken either on the ground or via the former aerial photography programme undertaken by the Archaeology Service over the years since 1975. The collection is currently undergoing a digitisation programme to allow greater public access to it, and to provide backup as part of the disaster management plan.

To produce physical reproductions of the images would average £0.63 per image, making the collection value an estimated £14,000. However the content of collection would be impossible to replicate given the nature of how it was formed.

Annex

Note 19 – Private Finance Initiatives (PFI) and Similar Contracts

Education PFI Schemes

The Council is committed to four PFI and Similar Contracts. The first contract, which was entered into in 2001, is with Robertson Education (Aberdeenshire) Limited (REAL), a consortium formed by the Robertson Group (Scotland) Limited, to design and construct three schools and an extension to another school in Aberdeenshire and the provision of Educational services to the Council on three of those sites until 17 February 2027 under a Private Finance Initiative (PFI) contract.

The contract involves:

- Design, construction and service provision of a new academy at Oldmeldrum.
- Design, refurbishment and service provision of Banff Primary.
- Design, extension and service provision of Meldrum Primary.
- Design and construction of a Support for Learners Unit at Banff Academy.

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

In respect of the PFI contract, the Council has leased Banff Primary School, Meldrum Primary School and the Meldrum Academy Site to REAL at a nominal rent.

The second contract, which was entered into in 2004, is with Robertson Education (Aberdeenshire 2) Limited (REAL2) to provide Education services on six sites in Aberdeenshire until 2 October 2030. The contract involves the construction or substantial refurbishment and service provision by the Contractor of educational assets, including primary and secondary schools across six different sites. The contract covers the replacement of Kintore, Rosehearty, Longside and Rothienorman Primary Schools and the building of two new schools; Portlethen Academy and a new Primary School at Banchory.

The effective date of service commencement for Longside Primary and Rosehearty Primary was 6 October 2005, for Rothienorman Primary it was 12 December 2005, for Kintore Primary 23 January 2006, Hill of Banchory Primary 26 January 2006, and Portlethen Academy 24 July 2006. The contract will terminate on 2 October 2030.

The third contract, which was entered into in June 2014, is for the design, build and maintenance of a primary school, secondary school and community facility within the Alford Community Campus. The contract is with Galliford Try and the service commencement date was 9 October 2016. The contract will end on 1 October 2040.

The fourth contract, which was entered into in April 2018, is with Hub North Scotland Limited (DBFM Co) to design, build and provide maintenance services to a new Inverurie Community Campus which includes a secondary school, replacement special school facility, community swimming pool, and dry leisure facilities. The service commencement date was 29 February 2020, and the contract will end on 28 February 2045.

Annex

Note 19 – Private Finance Initiatives (PFI) and Similar Contracts (Continued)

The Council has certain exclusive use rights for the use of the schools during school terms. The contracts specify minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or refurbish the schools and maintain them in a minimum acceptable condition. The buildings and any plant and equipment installed in them at the end of the contracts will be transferred to the Council for nil consideration. The Council only has rights to terminate the contracts if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contracts or as a result of breach of contracts.

Commonly Used Abbreviations

Abbreviation	Expansion
AHfS	Assets Held for Sale
NDR	Non-Domestic Rates
BRIS	Business Rates Incentivisation Scheme
CG	Common Good Funds
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
CT	Council Tax
EFA	Expenditure Funding Analysis
HIP	Housing Improvement Plan
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IJB	Integration Joint Board
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
LLP	Limited Liability Partnership
MIRS	Movement in Reserves Statement
MTFS	Medium Term Financial Strategy
NESPF	North East Scotland Pension Fund
NHS	National Health Service
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
PWLB	Public Works Loan Board
REAL	Robertson Education (Aberdeenshire) Ltd
RR	Revaluation Reserve
SLT	Strategic Leadership Team
TF	Trust Funds
The Code	Code of Practice on Local Authority Accounting in the UK 2025/26
VAT	Value Added Tax