

**ABERDEEN  
CITY AND  
SHIRE**

*Strategic Development  
Planning Authority*

**UNAUDITED  
ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31 MARCH 2017**

## ANNUAL ACCOUNTS 2016/17

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## **MANAGEMENT COMMENTARY**

### **Introduction**

The "Strategic Development Planning Authority" (SDPA) was designated by Scottish Government Ministers on 25 June 2008 under the Planning etc. (Scotland) Act 2006. The SDPA has 12 members, with six being appointed by both Aberdeen City and Aberdeenshire Councils. The Chair and Vice Chair of the SDPA rotate on a 2 yearly cycle.

The Designation Order required Aberdeen City and Aberdeenshire Councils to jointly prepare and keep under review a strategic development plan for a strategic development plan area. The terms of reference agreed by the two Councils required that, prior to the start of work on a strategic development plan, the SDPA would take forward work on a structure plan commenced by the two Councils in early 2007. The Aberdeen City and Shire Structure Plan was approved by Scottish Ministers in August 2009.

Since then, work has focused on its implementation, monitoring and the preparation of the Aberdeen City and Shire Strategic Development Plan (SDP) which was approved by Scottish Ministers on 28 March 2014. It is a robust and visionary plan for the future development of the area, identifying the need for a significant increase in historic levels of housing and commercial development as well as the infrastructure required to deliver it.

### **Progress against Performance Indicators**

A performance report is provided each year which considers the achievements of the SDPA in the year. The influence of a Strategic Development Plan has a longer timescale than one year and annual indicators of performance are not considered appropriate. There is close analysis of key trend areas over time to consider the appropriateness of the plan.

The Strategic Development Plan, Housing Land Audit and Employment Land Audit all highlight the aspirational nature of the SDPA. Significant quantities of land are now available to the development industry as a result of the strategic framework set by the SDPA.

The Plan targets national recognition for schemes and award winning schemes are being identified to the SDPA on a regular basis.

The SDPA has been awarded a number Plain English Campaign "Crystal Marks" which recognises the quality of the communications issued. Regular use of the SDPA's website through its E-update system allows interested parties access to the most up to date information and the website is highly rated by major search engines.

No performance indicators have been specifically identified to measure financial performance. However, the SDPA agrees a budget in advance of each year and considers a detailed budget monitoring report with a forecast for the year of income and expenditure at each meeting. This allows regular and close scrutiny of activities against specific financial targets to take place and is considered adequate for this organisation.

### **Financial Performance Review**

The SDPA's core funding and the support for its strategic programme from partner Councils reflects their continued support. The budget provision was £172,000 (2015/16: £171,000).

## MANAGEMENT COMMENTARY (continued)

### Review of Outturn against Budget for 2016/17

The outturn for 2016/17 was within budget because of recruitment difficulties and a reduced need to employ third party contractors for discrete elements of work. The total operating expenses were £150,176 which is £21,824 less than budget. In anticipation of a potentially significant Legal Expenses charge in 2017/18 the actual surplus of £40,824 was transferred to Reserves.

Fuller details of the performance against budget is detailed below.

	2015/16 Actual £000	2016/17 Budget £000	2016/17 Actual £000	% Actual v Budget
Partner Council Requisitions	101	168	191	114%
Other Income	-	4	-	0%
<b>Total Income</b>	<b>101</b>	<b>172</b>	<b>191</b>	<b>111%</b>
Staff Costs	69	113	100	88%
Other Costs	32	59	50	85%
<b>Total Operating Expenses</b>	<b>101</b>	<b>172</b>	<b>150</b>	<b>87%</b>
<b>Net Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>41</b>	

### Principal Risks and Uncertainties

The principal risks facing the SDPA, as with many such bodies, is the reliance on third party funding to support its annual programme.

The relationships with partners are close and each local authority partner has identified indicative budgets for the contributions for the next 5 years and appointed senior members of their staff to act as professional advisors to support the SDPA Manager. This ensures engagement is maintained between parties at a senior corporate level.

We are confident that all material risks facing the SDPA are known and that appropriate measures are in place to overcome or at least mitigate the impact that these may have on the continued operation of the SDPA.

## **MANAGEMENT COMMENTARY (continued)**

### **Principal Risks and Uncertainties (continued)**

In addition, and particularly relevant to the SDPA, over the last two years the Scottish Government has been reviewing the operation of the planning system in Scotland. The SDPA has been actively involved in the process from the beginning most recently responding to the Scottish Government's 'Places, People and Planning' consultation at its March 2017 meeting. The consultation proposed removing strategic development plans from the planning system and for strategic planners to support more proactive regional partnership working, it further proposed that existing SDPA's either form part of, or are replaced with, partnerships whose membership extends beyond planning. Around 500 responses were submitted in response to the consultation but it won't be until mid-2017 before the Scottish Government announces what it intends to pursue in terms of legislative and structural change.

### **Main Trends and Factors Likely to Affect the Future Development, Performance and Position of the SDPA's Business**

The Strategic Development Plan which has been approved by Scottish Government Ministers outlines the key issues that the SDPA will contribute towards and this will influence the relationships and direction of travel that the SDPA may follow. This is a developing area and the SDPA has developed a structure that allows an agile approach towards positioning itself to accommodate any significant changes affecting this sector and in particular those that have been identified in the wider development plans for the region.

The SDPA, with the explicit financial backing of the partnership Councils, have engaged Legal Counsel in order to contest a legal challenge to the adoption of the supplementary guidance within the SDPA's 'Strategic Transport Fund'. The SDPA lost a legal challenge early in 2016/17 but have been granted leave to appeal to the Supreme Court, with the hearing being set for the 13 June 2017. Before beginning the appeal process the SDPA sought and obtained agreement from both Councils that any potential costs associated with losing the appeal would be underwritten by the Councils, therefore not jeopardising the longer-term financial stability of the SDPA itself.

### **Annual Accounts**

The SDPA 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 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

### **Going Concern**

The budget for 2017/18 with funding levels in line with 2016/17 and indicative budgets for 2018/19 confirm that sufficient funding is available beyond September 2018 and so the Board has a reasonable expectation that the SDPA will continue in operational existence for the foreseeable future. It is therefore considered appropriate to adopt a going concern basis for the preparation of these statements.

## **Audit Information**

The SDPA and Manager at the date of this report confirms that:

- So far as they are aware, there is no relevant audit information of which the SDPA's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a member or officer in order to make themselves aware of any relevant audit information and to establish that the SDPA's auditor is aware of that.

## **Remuneration Paid to the Auditor for Non-Audit Work**

No remuneration was paid to the SDPA's external auditor for non-audit work during 2016/17.

## **Pension Liabilities**

The SDPA does not have staff of its own. All officers are employed by Aberdeenshire Council and are entitled to be members of the Superannuation Scheme which is administered by Aberdeen City Council. This provides staff with defined benefits upon their retirement and the employing Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. There is no liability for pension related costs falling on the SDPA.

## **Events since the End of the Financial Year**

We are not aware of any adjusting event that would have impacted on the reliability of the information presented in this report or financial statements.

## **Future Developments**

Future developments will generally be identified from change in Government or local authority policy, changes in the development plan and / or wider economic changes in the region. Close links are maintained with appropriate government departments and the Strategic Development Plan is regularly refreshed which will ensure that arising issues are identified early enough to allow any appropriate action to be taken to re-position the SDPA and its activities.

Councillor  
Chairman

David Jennings  
Manager

Alan Wood  
Treasurer

20 September 2017

## 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 in respect of earnings etc paid by the SDPA. The SDPA does not make payment to any member of the SDPA, whether elected Member or otherwise appointed, by way of salary, enhanced pension benefits or reimbursement of expenses.

The Treasurer and Clerk to the SDPA do not receive remuneration from the SDPA. The duties of the posts are covered by the post holder's substantive posts in their respective Councils.

The information disclosed in the tables below is subject to independent audit.

### Arrangements for Remuneration

The Manager of the SDPA is treated as a relevant person under the accounts regulations, although he is employed by Aberdeenshire Council, and his remuneration, along with other staff in relation to their role at the SDPA is set by reference to national arrangements agreed by the Scottish Joint Negotiating Committee (SJNC) for Local Authority Services.

SDPA does not pay bonuses or performance related pay. Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally by Aberdeenshire Council and adopted by SDPA. Officers are eligible to join the Local Government Pension Scheme (LGPS).

### 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 Employer. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure below.

### Remuneration of Senior Employees

	Total Remuneration for Year						Total	Total
	Gross salary, fees & allowances	Bonuses	Taxable Expenses	Non-cash expenses & benefits-in-kind	Compensation for loss of office	2016/17	2015/16	
	£'s	£'s	£'s	£'s	£'s	£'s	£'s	
David Jennings: Manager	54,381	-	-	-	-	54,381	53,852	
Totals	54,381	-	-	-	-	54,381	53,852	

## REMUNERATION REPORT (continued)

### Exit Packages

There is a requirement to disclose details of all staff Exit Packages agreed in the year. An Exit Package is the value of all termination benefits which include redundancy costs, pension contributions in respect of added years and any ex gratia and other departure costs. The SDPA has not agreed any Exit Packages in 2016/17 (2015/16 – £Nil).

### Notes

The term senior employee means:

1. Any employee who has responsibility for the management of the SDPA to the extent that the person has the power to direct or control the major activities of the SDPA (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 (4); or
3. Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

### Remuneration of Employees receiving more than £50,000

There is one SDPA employee receiving more than £50,000 remuneration for the year, falling into the £50,000 - £54,999 band. As he is a senior employee he is subject to the full disclosure requirements in the table above.

### Pension Benefits

The term pension benefits covers in-year pension contributions for the employee by the Council and the named person's accrued pension benefits at the reporting date.

### Pension Benefits of Senior Employees

	In-year pension contributions		Accrued annual pension benefits		Accrued pension Lump Sum	
	For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
	£'s	£'s	£'s	£'s	£'s	£'s
David Jennings: Manager	10,496	10,393	14,701	13,327	21,111	20,700
Totals	10,496	10,393	14,701	13,327	21,111	20,700

### Notes:

All employees working for SDPA are eligible to become members of the Local Government Pension Scheme (LGPS).

The LGPS provides defined benefits on retirement. The pension is based on the member's pensionable service (how long he or she has been a member of the LGPS) and his or her pay. For officers with service before 1 April 2015 the pension is based on their final year's salary. For most people, with service up to 31 March 2009, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. For service after the 31 March 2015, the annual pension is calculated by dividing the pensionable pay by 49 and adding this to their cumulative pension account, this in turn will be adjusted in line with the cost of living.

## REMUNERATION REPORT (continued)

Pensions payable are increased annually in line with changes in The Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975.

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. There is no automatic lump sum for service after 31 March 2009. 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 contribution depends on his or her full-time equivalent pay. From 1 April 2009, a five tier contribution system was introduced with contribution from members being based on how much pay falls into each tier. The tiers and rates for 2016-2017 remained the same as the 2015-2016 rates.

The tiers and rates are now as follows:

- Up to and including £20,500 - 5.5%,
- Above £20,500 and up to £25,000 - 7.25%,
- Above £25,000 and up to £34,400 - 8.5%,
- Above £34,400 and up to £45,800 - 9.5%, and
- Above £45,800 - 12%.

The value of the accrued benefits in the above table has 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.

For benefits that have been accrued up to 31 March 2015 that pension will be paid in full upon retirement as long as the member has reached the age of 65. For benefits that are accrued after the 1 April 2015 there may be a reduction if the member retires before their "Normal Pension Age".

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment. The above explanatory notes provide general information on the Local Government Pension Scheme and do not override the provisions of the Scheme.

Councillor  
Chairman  
Strategic Development Planning  
Authority

David Jennings  
Manager

20 September 2017

## **ANNUAL GOVERNANCE STATEMENT**

The Strategic Development Planning Authority 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. This would include making arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this responsibility the Strategic Development Plan Manager and Treasurer have put in place proper arrangements for the governance of resources, approved by the SDPA. The Strategic Development Planning Authority has adopted a Code of Corporate Governance which ensures the accountability and probity of officers. The Code is consistent with the principles and reflects the requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) as set out in Delivering Good Governance in Local Government: Framework (2016).

The governance framework comprises the systems, processes, cultures and values by which the SDPA is directed and controlled, and the activities used to engage with and lead the community. It enables the SDPA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 SDPA'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 Code covers four key areas: Community Focus, Service Delivery, Structures and Processes, and Risk Management and Internal Control. The Treasurer has the responsibility for overseeing the implementation and monitoring of the operation of the Code and reviewing the Code in practice. The Code is subject to regular review.

The system of corporate governance and internal financial control is based on a framework of financial regulations, management information and appropriate delegation with accountability. In particular, the system includes:-

- The SDPA's Scheme of Governance, comprising Standing Orders, Delegations, Financial Regulations and Guidance;
- Management information;
- Performance and risk management;
- Comprehensive financial management systems;
- Periodic and annual financial reports;
- Clearly defined expenditure guidelines; and
- Periodic review of all financial procedures.

The corporate governance and internal control procedures are informed by:-

- Feedback from Councillors and the SDPA Board in carrying out its scrutiny role;
- The work of the Manager within the SDPA;
- Internal Audit & External Audit; and
- Partner and stakeholder feedback.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

### **Review of Effectiveness**

The review of the effectiveness of the governance framework, including the system of internal control, is carried out throughout the year by various means involving:

- Reports to the Board;
- The Head of Legal and Governance who is the statutory Monitoring Officer in terms of the Local Government and Housing Act 1989 and provides legal advice to Councillors and senior officers;
- The Treasurer who has statutory responsibility for the SDPA's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. His responsibilities are set out in the Statement of Responsibilities;
- Internal Audit which is an independent review function of the SDPA and is responsible for the internal audit of all financial and non-financial systems of the SDPA and both Aberdeen City and Aberdeenshire Council; and
- External organisations that carry out independent audits or inspections of the SDPA. These include external audit by auditors appointed by the Accounts Commission.

The SDPA's Code of Corporate Governance and the related systems of internal financial control provide reasonable assurance that objectives will be met. The Strategic Development Planning Authority adheres to the principles of openness, integrity and accountability and takes all reasonable steps to ensure assets are safeguarded, transactions are authorised and properly recorded, procedures are practical and adhered to and that material errors are either prevented or detected within a timely period, and corrective action taken.

Progress continues to be made in respect of risk management. Risk Management is viewed as essential in the context of financial governance. An increase in the awareness and consequences of risk have become more prevalent within the SDPA. The consideration of risk has been recognised in the budget setting report and will be considered in all financial governance procedures.

The SDPA relies on the financial systems of Aberdeenshire Council. Aberdeenshire Council's Chief Internal Auditor has the responsibility to review independently, and report to the Council's Scrutiny and Audit Committee annually on the adequacy and effectiveness of the SDPA's internal control environment. The Chief Internal Auditor reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the internal control system in the year to 31 March 2017. On the basis of the Chief Internal Auditor's report and his review of the SDPA's corporate governance arrangements, we are satisfied that the arrangements provide assurance, are adequate and are operating effectively.

Signed:

Councillor , Chairman

David Jennings, Manager

20 September 2017

## **STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS**

### **The SDPA's Responsibilities**

The SDPA is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this case, that officer is the Treasurer to the SDPA;
- 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);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 20 September 2017.

Councillor ,  
Chairman  
20 September 2017

## **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the SDPA's Annual Accounts in accordance with 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 Treasurer 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).

### **The Treasurer has also:**

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

In preparing the 2016/17 accounts corrections have been made to the 2015/16 figures as approved by the Board on the 21 September 2016, to fully reflect the audit position which included a late adjustment of £23,000 to reduce the level of legal expenses charged to the 2015/16 accounts.

I certify that the Annual Accounts give a true and fair view of the financial position of the SDPA at the reporting date and the transactions of the SDPA for the year ended 31 March 2017.

Alan Wood  
Treasurer

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ABERDEEN CITY  
AND SHIRE STRATEGIC DEVELOPMENT PLANNING AUTHORITY (SDPA) AND THE  
ACCOUNTS COMMISSION FOR SCOTLAND**

**Respective responsibilities of the Treasurer and auditor**

**Scope of the audit of the financial statements**

**Opinion on financial statements**

**INDEPENDENT AUDITOR'S REPORT (continued)**

**Opinion on other prescribed matters**

**Matters on which we are required to report by exception**

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

This Statement shows the movement in the year on reserves held by the SDPA, analysed into 'usable' reserves and 'unusable' reserves. Usable reserves are those that can be applied to fund expenditure subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves 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 line "Adjustments between accounting basis and funding basis under regulations". The SDPA does not have any unusable reserves.

The 'Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the SDPA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Fund  £000	Total Usable Reserves  £000	Unusable Reserves  £000	Total Reserves  £000
<b>Balance at 31 March 2015</b>	<b>104</b>	<b>104</b>	-	<b>104</b>
<b>Total Comprehensive Income and Expenditure</b>	-	-	-	-
<b>Increase / (Decrease) in Year</b>	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>104</b>	<b>104</b>	-	<b>104</b>
Surplus or (Deficit) on provision of services	41	41	-	41
<b>Total Comprehensive Income and Expenditure</b>	<b>41</b>	<b>41</b>	-	<b>41</b>
<b>Increase / (Decrease) in Year</b>	<b>41</b>	<b>41</b>	-	<b>41</b>
<b>Balance at 31 March 2017</b>	<b>145</b>	<b>145</b>	-	<b>145</b>



## BALANCE SHEET AS AT 31 MARCH 2017

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the SDPA. The net assets of the SDPA (assets less liabilities) are matched by the reserves held by the SDPA.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the SDPA may use to provide services. The second category of reserves is unusable reserves, i.e. those that are not able to use to provide services. The SDPA does not have any unusable reserves.

<b>Restated 31 March 2016 £000</b>		<b>Note</b>	<b>31 March 2017 £000</b>
158	Cash and Cash Equivalents	7	145
<b>158</b>	<b>Current Assets</b>		<b>145</b>
(54)	Short Term Creditors	8	(0)
<b>(54)</b>	<b>Current Liabilities</b>		<b>(0)</b>
<b>104</b>	<b>Net Assets</b>		<b>145</b>
104	Usable Reserves		145
-	Unusable Reserves		-
<b>104</b>	<b>Total Reserves</b>		<b>145</b>

Alan Wood, MA (Hons), CPFA  
Treasurer

20 June 2017

## CASH FLOW STATEMENT

The Cash Flow statement shows the changes in cash and cash equivalents of the SDPA during the reporting period. The Statement shows how the SDPA 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 SDPA are funded by way of taxation and grant income or from the recipients of services provided by the SDPA. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the SDPA'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 SDPA.

<b>Restated 2015/16 £000</b>		<b>2016/17 £000</b>	Note
-	Net surplus or (deficit) on the provision of services	-	
<u>27</u>	Adjust net surplus or (deficit) on the provision of services for non cash movements	<u>10</u>	12
<u>27</u>	Net cash flows from Operating Activities	<u>10</u>	
27	Net increase in cash and cash equivalents	10	
<u>131</u>	Cash and cash equivalents at the beginning of the reporting period	<u>135</u>	
<u><u>158</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>145</u></u>	

No interest was received in either the current or prior year.

There were no investing or financing activities in either the current or prior year.

## **NOTES TO THE ACCOUNTS**

### **Note 1 Accounting Policies**

#### **General Principles**

The Annual Accounts summarises the SDPA's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The SDPA is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, of which section 12 of the Local Government in Scotland Act 2003 require 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 2016/17 and the Service Reporting Code of Practice 2016/17 (SERCOP), 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 historical cost.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **Accruals and Income and Expenditure**

Income and Expenditure activities are accounted for in the year in which they take place, not simply when cash payments are made or received.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

SDPA's Financial Assets are held as cash and cash equivalents.

#### **Financial Liabilities**

The SDPA's liabilities are shown as Creditors in the Balance Sheet and are for less than 12 months, they are initially measured at fair value and are subsequently carried at amortised cost, which equates to the actual cash value at 31 March 2017.

#### **Requisitions and Contributions**

Requisitions and contributions relating to revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income & Expenditure Statement as income except where the grant or contribution has a condition(s) (as opposed to restriction) that the SDPA has not satisfied, in which case it is recognised as a Creditor.

#### **Cash and Cash Equivalents**

The SDPA uses Aberdeenshire Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund. This balance is repayable on demand and therefore treated as a cash equivalent and is included in the Balance Sheet at amortised cost, which equates to the actual cash value at 31 March 2017.

## **NOTES TO THE ACCOUNTS (continued)**

### **Note 1 Accounting Policies (continued)**

#### **Employee Benefits**

##### **Benefits Payable During Employment**

The SDPA does not directly employ staff but only reimburses the employing authority, Aberdeenshire Council, for staff costs paid including any pension related costs as they are incurred.

##### **Post-Employment Benefits**

Employees of the Council working for the SDPA are entitled to be members of the Superannuation Scheme which is administered by Aberdeen City Council. This provides staff with defined benefits upon their retirement, earned as employees work for the SDPA.

However, the arrangements for the Superannuation scheme mean that liabilities for these benefits cannot be identified specifically to the SDPA. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to SDPA's employees in the year.

##### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used with all overhead costs identified within the SDPA accounts, with the exception of:

Corporate and Democratic Core – costs relating to the SDPA's status as a democratic organisation.

##### **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 (the Balance Sheet date) and the date when the financial statements are authorised for issue.

There are two types of events:

- a) those that provide evidence of conditions that existed at the Balance Sheet date (adjusting events after the reporting period); and
- b) those that provide evidence of conditions that arose after the Balance Sheet date (non-adjusting events after the reporting period).

The accounts are adjusted to reflect adjusting events after the reporting period and are not adjusted to reflect non-adjusting events after the reporting period. Where a non-adjusting event would have a material effect, disclosure is made in the notes of the nature of the events and the estimated financial effect.

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

## **NOTES TO THE ACCOUNTS (continued)**

### **Note 1 Accounting Policies (continued)**

#### **Reserves**

The nature of SDPA operations precludes it from creating reserves other than a General Fund. This Fund or general reserve captures all assets and liabilities that are not assigned to a special purpose fund.

#### **Value Added Tax**

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable.

### **Note 2 Accounting Standards that have been issued but have not yet been adopted**

The adoption of the following accounting standards by the Code in 2017/18 will result in changes in accounting policy:

- IAS 26 Retirement Benefit Plans

It is not anticipated that these changes will have a material effect for SDPA.

### **Note 3 New Accounting Standards effective in 2016/17**

The following new standards, amendments and interpretations became effective in 2016/17 for the first time.

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement.

There is no material impact on the financial statements as a result of the above.

## NOTES TO THE ACCOUNTS (continued)

### Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Treasurer has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- There is a degree of uncertainty about future levels of funding for local government and hence to funding for the SDPA. However, the Treasurer has determined that the level of uncertainty is not yet sufficient to provide an indication that the activities of the SDPA might be affected by the need to reduce levels of service provision. On this basis the Annual Accounts continue to be prepared on a going concern basis.

### Note 5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts do not contain any estimated figures that are based on assumptions made by the SDPA about the future or that are otherwise uncertain.

### Note 6 Events after the Balance Sheet Date

The Annual Accounts were authorised for issue by the Treasurer to the SDPA on 20 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 7 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	<b>Restated 2015/16 £000</b>	<b>2016/17 £000</b>
Temporary Investment in the Aberdeenshire Council Loans Fund	158	145
	<hr/> 158	<hr/> 145

### Note 8 Short Term Creditors

	<b>Restated 2015/16 £000</b>	<b>2016/17 £000</b>
Other Local Authorities	52	-
Other Entities and Individuals	2	-
	<hr/> 54	<hr/> -

## NOTES TO THE ACCOUNTS (continued)

### Note 9 Reserves

Movements in the SDPA's usable reserves are detailed in the Movement in Reserves Statement. The SDPA does not have any unusable reserves.

### Note 10 External Audit Costs

The SDPA has incurred the following costs in relation to the audit of the Annual Accounts.

	<b>2015/16</b> <b>£000</b>	<b>2016/17</b> <b>£000</b>
Fees payable in respect of external audit Services	4	1

### Note 11 Requisition Income

The SDPA credited the following requisitions to the Comprehensive Income and Expenditure Statement.

	<b>2015/16</b> <b>£000</b>	<b>2016/17</b> <b>£000</b>
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	69	95
Requisition from Aberdeenshire Council	62	95
	<hr/> 131	<hr/> 190
Charged to/(Returned to) constituent authorities		
Aberdeen City Council	(18)	-
Aberdeenshire Council	(12)	-
	<hr/> (30)	<hr/> -
Net Requisitions	<hr/> 101	<hr/> 190

### Note 12 Cash Flow – operating activities

Adjustment to surplus or deficit on the provision of services for non-cash movements

	<b>2015/16</b> <b>£000</b>	<b>2016/17</b> <b>£000</b>
Net Surplus/(Deficit) on the Provision of Services	-	-
Adjust net surplus or deficit on the provision of services for non-cash movements		
(Decrease) / Increase in Creditors	27	(54)
Decrease in Debtors	-	-
Net Cash Flows from Operating Activities	<hr/> 27	<hr/> (54)

## NOTES TO THE ACCOUNTS (continued)

### Note 13 Related Parties

The Authority is required to disclose material transactions with related parties, which are bodies or individuals that have the potential to control or influence the Authority, or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers of the Statements to assess the extent to which the Authority may have been constrained in its ability to operate independently, or may have secured the capacity to limit another party's ability to bargain freely with the SDPA.

#### Members

Members have direct control over the SDPA's financial and operational policies and decision making. No allowances or fees have been paid to Members in 2016/17 and there were no contracts awarded in which a Member had an interest.

#### Aberdeen City Council & Aberdeenshire Council

Aberdeen City Council & Aberdeenshire Council have a significant element of control over the general operations of the SDPA. They provide a significant element of funding through two specific grants and the elected Members that they appoint to the managing Board of the SDPA can exert significant influence on its operations and decision making processes. The amounts relating to each Council are detailed below.

	Amounts received from		Amounts paid to		Amounts due to/(from) as at 31 March	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2016 £000	2017 £000
Aberdeenshire Council	62	95	70	101	12	-
Aberdeen City Council	69	95	-	-	18	-

#### Officers

The management of the SDPA is disclosed in the remuneration report on pages 23-25 of this document. These officers have the responsibility for planning, directing or otherwise controlling the activities of the SDPA. Their scope of control is determined by reference to the scheme of delegation and financial regulations adopted by the SDPA. The SDPA is satisfied that appropriate controls are in place to manage and monitor the activities of the key management personnel.

## **NOTES TO THE ACCOUNTS (continued)**

### **Note 14 Financial Instruments**

The SDPA's financial instruments comprise solely of creditors. All of these are for less than 12 months and are measured at fair value and subsequently carried at amortised cost which equates to the actual cash value at 31 March 2017.

There are no gains or losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments.

Nature and Extent of Risks Arising from Financial Instruments:

The SDPA has no material exposure to any of the following financial risks:

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

The SDPA has reviewed all financial risks and does not believe that it is required to make any provision within the financial statements for any financial risk exposure.

### **Note 15 Pension Scheme Accounted for as a Defined Contribution Scheme**

The SDPA's staff are on secondment from Aberdeenshire Council and as such are entitled to be members of the Superannuation Scheme which is administered by Aberdeen City Council. This provides staff with defined benefits upon their retirement, and the SDPA contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

It is neither appropriate nor possible for the SDPA to identify a share of the underlying liabilities in the scheme attributable to its staff. For the purposes of the annual accounts it is therefore accounted for as a defined contribution scheme.

In 2016/17, the SDPA reimbursed Aberdeenshire Council with £14,525 (£10,393 in 2015/16) in respect of superannuation contributions representing 19.3% of pensionable pay (2015/16: 19.3%). The employing authority is responsible for all pension payments related to "added years" it has awarded, together with related increases. There are no awards in respect of staff seconded to SDPA.

## **GLOSSARY OF TERMS**

### **EXPENDITURE**

#### **Administration Costs:**

Includes telephone, printing, stationery, advertising, postage, and training expenses.

#### **Corporate Democratic Core (CDC):**

These are costs associated with democratic representation and costs relating to the corporate management of the SDPA.

### **INCOME**

#### **Requisitions:**

Funding received from the constituent authorities.

### **OTHER**

#### **SeRCOP**

Service Reporting Code of Practice

#### **CIPFA**

The Chartered Institute of Public Finance and Accountancy

#### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

#### **IFRS**

International Financial Reporting Standard

#### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom

### **FAIR VALUE**

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For land and buildings, fair value is the amount that would be paid for the asset in its existing use.

### **ECONOMIC COST**

The total cost of performing an activity or following a decision or course of action.