

REGISTERED NUMBER: SC432814

BON ACCORD SUPPORT SERVICES LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

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FOR THE YEAR ENDED 31 MARCH 2019**

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BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

DIRECTORS

Tim Gardiner
Alan Grant (resigned 16 November 2018)
Heather Gray
John MacLean
Andrew Newall
Graham Parker
Sandra Ross (resigned 31 August 2018)

REGISTERED OFFICE

Inspire Building
Beach Boulevard
Aberdeen
AB24 5HP

REGISTERED NUMBER SC432814

AUDITOR

Johnston Carmichael LLP
Chartered Accountants and Registered
Auditor
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The Directors present their Strategic Report for the year ended 31 March 2019.

Corporate Overview

Bon Accord Support Services Limited is a wholly owned subsidiary of Aberdeen City Council.

Bon Accord Support Services Limited manages the provision of elderly care, occupational therapy and telecare services to the people of Aberdeen. The company operates throughout the Aberdeen area in private homes, sheltered housing and specialised facilities.

The company is contracted by Aberdeen City Council to provide these services; Bon Accord Support Services Limited sub-contracts the regulated care element of the contract to Bon Accord Care Limited. The contract and companies are structured this way to ensure that the business can operate under normal VAT trading rules. Aberdeen City Council aims to maximise care delivered to the people of Aberdeen within the limits of the contracted sum. Any distributable surplus generated by the company will be returned to Aberdeen City Council or, if the shareholder prefers, reinvested in the company to provide additional care.

Profit & Loss Account

These accounts summarise the financial position for the year to 31 March 2019. The company shows a turnover of £29,076,000 (2017/18, £29,373,000) upon which it recorded a profit after tax on normal operations of £45,000 (2017/18, £214,000).

Once we fully account for the increase in the actuarially assessed pension fund deficit the company records a comprehensive expense for the year of £201,000 (2017/18, £144,000).

The company was asked to deliver £600,000 of new efficiency savings within the contracted sum for 2018/19, calculated after accounting for unavoidable additional costs arising from staff pay increases and increased pension contribution levels. The directors are pleased to report that the savings target was exceeded with a total of £740,000 savings being achieved in the year. This achievement has been all the more satisfying given that our contracted activity targets have been met and quality standard targets (as measured by the Care Inspectorate grading system) have been achieved. During the year the company also achieved accreditations in Investors in People and Investors in Young People for the first time. All in all these achievements reflect the tremendous commitment to the business of our staff and managers.

2019/20 sees the company being targeted with a further efficiency target of £431,000. The directors are pleased to report that they have approved a break-even budget for 2019/20 with an expectation that the company will exceed its savings target. The company's savings plan includes a new management information system which will enable more efficient deployment of resources throughout its new five year contract period, 2019/24.

In 2018/19 we saw a marginal decrease in turnover, £297,000 which can be attributed to reduced activity at Kingswells Nursing Home which the company took on as "Provider of the Last Resort". During 2018/19 the home was refurbished in readiness for relaunching the service as part of the company's main contract going forwards.

Balance Sheet

Readers will note an increase in the net book value of fixed assets in 2018/19 of £126,000. During the year the company refurbished Kingswells Nursing Home with a £147,000 investment in new flooring, decorations and furniture. In tandem with upgrading the fabric of the building, the staff and managers have succeeded in transforming the service and we are delighted to report that the home now meets the required standard and satisfies the Care Inspectorate such that it can now move on from "Provider of the Last Resort" status. With effect from 1 April 2019 Kingswells Nursing Home was transferred to the company's main contract with Aberdeen City Council. The fact that this has been achieved is testament to the high quality and commitment of staff and managers.

Overall the net worth of the company reduced by £201,000 in the year, which is due to the increase in the actuarially assessed pension deficit. Readers are reminded that this is not in any way an immediate cash liability to the company rather it is an assessment of the present value of the company's future obligations under our pension arrangement. Aside from this company net assets improved.

Principal Risks and Uncertainties

The company is almost entirely funded through its core contract with Aberdeen City Council. The financial pressures placed upon public sector bodies present the most significant element of business risk to the company.

Whilst we cannot be certain as to what the UK's relationship with Europe will be like in the years ahead there is a real risk that Brexit will have an adverse impact on the economy and in turn on the funds that are available to public sector services. The Directors consider this to be the main risk posed by Brexit alongside potential supply-chain inflationary pressures (food and energy) and the potential departure of European staff members should they choose to return to their countries of origin.

Financial austerity in the public sector is restricting the level of funding Aberdeen City Council receives now and in the future. As a direct consequence the company is asked to deliver its services in more efficient ways to ensure we can contribute efficiencies that will help ease the financial burden on our main customer (and owner) Aberdeen City Council. The company will always aim to deliver the maximum levels of quality care within the contract sums awarded by our customers.

During 2018/19 the company has been working with the Aberdeen City Health and Social Care Partnership to set out new care pathways and outcomes aligned to its strategic plan. These have now been agreed and form the basis of the company's new contractual arrangement for the next 5 years up to 31 March 2024. The new contract's financial terms include an uplift in 2019/20 and flat funding for the following 4 years. The Board have approved the terms of the new contract and we expect formal signing of the contract to take place imminently.

Over the last few years the Board has put in place several strategic initiatives to deliver real efficiencies whilst maintaining or improving the volume and quality of our services. The company has successfully implemented and bedded in the outcomes of its strategic review of all operations and practices. This review has delivered improved value for money and service quality in the 2 years 2017/19 and will continue to yield material efficiencies in the years to come.

Following on from this review, the focus of the company has now shifted to digital transformation and staff empowerment. To this end the Directors have approved the purchase of a new management information system tailored to our companies' operational needs to provide our managers with the tools to improve our services whilst delivering more efficient staff deployment and other efficiencies which will enable the company to deliver on its new care outcome based contract.

Key Performance Indicators

Bon Accord Support Services Limited is a company wholly owned by Aberdeen City Council with the principal aim of delivering high quality adult social care to the citizens of Aberdeen in the most economic, efficient and effective way to ensure it offers the best value for money to the local taxpayer. To achieve this the company takes a commercial approach across all activities. However, we deliver a public service so considerations of the quality of service we provide, and the responsible treatment of our staff mean that, subject to operating within our contracted sum, we aim to maximise service delivery not business profit. The company targets the maximisation of volume and quality in services we provide to our service users. Any savings made are reinvested in the delivery of our services.

Until now the company agreed the service levels to be provided and the annual cost of those services with the Aberdeen City Health and Social Care Partnership each year. Our objective was then to deliver or surpass those commitments. To generate profit by reducing activity was not acceptable, delivery to or exceeding activity targets within the contracted sum was our principal KPI. This was achieved in 2018/19 with overall requested activity levels met and a loss after tax of £155,000 (2017/18 – profit of £42,000) being generated.

Looking ahead to our new 5 year contract period, 2019/24 the way in which our performance is measured will change. In accordance with the new contract our KPIs will be more outcome focussed and there will be a shift in emphasis towards prevention, early intervention and meeting the needs of our service users rather than delivering activity measured in hours.

In terms of quality our services are externally assessed by the Care Inspectorate who will visit our services (usually un-announced) and audit all aspects of what we do. Following inspection reports any issues and any remedial actions required are highlighted. Various aspects of the services are scored from 1 (unacceptable) to 6 (an exemplar). During the year the Care Inspectorate introduced a new system of inspection audits with the intention of driving up standards throughout the care sector. As a consequence, there has been a rebasing of scores. Also in 2018/19 our Care Inspectorate average score included Kingswells Care Home for the first time. During the year we operated Kingswells as Provider of the Last Resort and as this was the first grading for the facility were scored at 3.0 which was the maximum score possible. Accordingly, our 2018/19 average Care Inspectorate inspection score across our 15 (14 in 2017/18) registered services was 4.3 which compares to 4.4 in 2017/18. A score of 4.3 is "good" under the scoring system and compares favourably to our target of 4.0.

ON BEHALF OF THE BOARD:



JOHN MACLEAN

MANAGING DIRECTOR

DATE:

21 / 6 / 19

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2019.

DIRECTORS

The directors shown below have held office from 1 April 2018 to the date of this report:

Tim Gardiner
Alan Grant (Resigned on 16 November 2018)
Heather Gray
John MacLean
Andrew Newall
Graham Parker
Sandra Ross (Resigned on 31 August 2018)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an on-going basis and provision is made for doubtful debts where necessary.

FUTURE DEVELOPMENTS

Future developments can be found in the Strategic Report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

AUDITOR

The auditor, Johnston Carmichael LLP, will be deemed re-appointed under S487 of the Companies Act 2006.

DIRECTORS LIABILITY INSURANCE

The company has an insurance policy in place underwritten by Zurich Municipal that provides cover for the Directors against any personal liability arising from claims of a management, corporate or employment practices nature. The policy is an annual arrangement with a renewal date of 25 November.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'J Maclean', with a long horizontal line extending to the right.

JOHN MACLEAN

MANAGING DIRECTOR

DATE: 21 / 6 / 19

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2019**

The directors are responsible for preparing the Strategic Report, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BON ACCORD SUPPORT SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Bon Accord Support Services Limited (the 'company') for the year ended 31 March 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report, Report of the Directors and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BON ACCORD SUPPORT SERVICES LIMITED (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BON ACCORD SUPPORT SERVICES LIMITED (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Fiona Kenneth (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
Chartered Accountants and Statutory Auditor
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

Date 21 June 2019

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019**

| | Notes | Normal Operations £'000 | Pension Adjustments £'000 | 2019 £'000 | 2018 £'000 |
|---|----------|-------------------------------|---------------------------------|-----------------|-----------------|
| TURNOVER | 3 | 29,076 | - | 29,076 | 29,373 |
| Cost of sales | | <u>(27,148)</u> | <u>(180)</u> | <u>(27,328)</u> | <u>(27,155)</u> |
| GROSS PROFIT | | 1,928 | (180) | 1,748 | 2,218 |
| Administrative expenses | | <u>(2,347)</u> | <u>(5)</u> | <u>(2,352)</u> | <u>(2,457)</u> |
| | | (419) | (185) | (604) | (239) |
| Other operating income | | <u>428</u> | <u>-</u> | <u>428</u> | <u>345</u> |
| OPERATING (LOSS)/PROFIT | 5 | 9 | (185) | (176) | 106 |
| Interest receivable and similar income | | 18 | - | 18 | 7 |
| Interest payable | | <u>-</u> | <u>(15)</u> | <u>(15)</u> | <u>(4)</u> |
| (LOSS)/PROFIT BEFORE TAX | | 27 | (200) | (173) | 109 |
| Corporation tax | 6 | <u>18</u> | <u>-</u> | <u>18</u> | <u>(67)</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | 45 | (200) | (155) | 42 |

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | Notes | 2019 £'000 | 2018 £'000 |
|--|--------------|-----------------------|-----------------------|
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (155) | 42 |
| Other comprehensive expense | | | |
| Actuarial loss on defined benefit pension scheme | 15 | <u>(46)</u> | <u>(186)</u> |
| Other comprehensive expense for the year | | <u>(46)</u> | <u>(186)</u> |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | <u>(201)</u> | <u>(144)</u> |

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**BALANCE SHEET
31 MARCH 2019**

| | Notes | 2019 £'000 | 2018 £'000 |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 319 | 193 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 412 | 420 |
| Debtors | 9 | 4,916 | 877 |
| Cash in hand | | 3,631 | 5,100 |
| | | <u>8,959</u> | <u>6,397</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | <u>(9,259)</u> | <u>(6,610)</u> |
| NET CURRENT LIABILITIES | | <u>(300)</u> | <u>(213)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 19 | (20) |
| DEFERRED GOVERNMENT GRANTS | 11 | (67) | (73) |
| PENSION LIABILITY | 15 | <u>(894)</u> | <u>(648)</u> |
| NET LIABILITIES | | <u>(942)</u> | <u>(741)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | - | - |
| Retained earnings | 14 | <u>(942)</u> | <u>(741)</u> |
| SHAREHOLDER'S DEFICIT | | <u>(942)</u> | <u>(741)</u> |

The financial statements were approved by the Board of Directors on 21 June 2019 and were signed on its behalf by:



**JOHN MACLEAN
MANAGING DIRECTOR**

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

| | Notes | Share capital £'000 | Retained earnings £'000 | Total £'000 |
|--|--------------|------------------------------------|--|------------------------|
| Balance at 31 March 2017 | | - | (597) | (597) |
| Profit for the year | | - | 42 | 42 |
| Actuarial loss on defined benefit pension scheme | 15 | - | (186) | (186) |
| Balance at 31 March 2018 | | - | (741) | (741) |
| Loss for the year | | - | (155) | (155) |
| Actuarial loss on defined benefit pension scheme | 15 | - | (46) | (46) |
| Balance at 31 March 2019 | | - | (942) | (942) |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. ACCOUNTING POLICIES

Company information

Bon Accord Support Services Limited is a private limited company domiciled and incorporated in Scotland. The registered office and trading address is Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP.

Accounting Convention

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historic cost convention modified to include certain financial instruments at fair value. The principal accounting policies are set out below.

FRS 102 reduced disclosure framework

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it.

The company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) The requirements of Section 7 "Statement of Cash Flows" and Section 3 "Financial Statement Presentation" paragraph 3.17 (d).
- (b) Certain disclosure requirements in relation to financial instruments contained in sections 11 and 12.
- (c) The requirement of Section 33 "Related Party Disclosures" paragraph 33.7.

Going Concern

The company reports a profit on normal operations of £45,000, however once the actuarially assessed pension fund adjustment is included there is a total comprehensive expense for the year of £201,000. The year has been successful in that contracted activity levels have been met, the implementation of our strategic review of operations and service delivery has successfully bedded in and quality standard targets (as measured by the Care Commission grading system) have been achieved. After accounting for unavoidable additional costs, the company delivered additional savings of £740,000, (2017/18 £1,100,000).

It is clear to the Board that public sector finances will come under material pressure for cost reduction in the coming years. Bon Accord Support Services Limited being a wholly owned subsidiary of Aberdeen City Council will do everything possible to assist Aberdeen City Council to meet its financial targets while maintaining activity levels and the highest levels of quality care possible within its financial limitations.

The company's service contract with its main customer Aberdeen City Council was extended until 31 March 2019 to enable the company to work with its commissioning body, the Aberdeen City Health & Social Care Partnership, to set out a new contractual relationship for the 5 years to 2024. The Board have now agreed the terms of the contract with the Aberdeen City Health & Social Care Partnership and expect formal signing of the contract to take place imminently.

The financial terms of the new contract include a £600,000 uplift for 2019/20 and flat funding for the 4 years 2020/2024. The Directors have approved a break-even budget for 2019/20 inclusive of cost savings of £431,000 and are confident that the company will achieve its targets. Work is continuing to develop plans that will deliver the savings required in 2020/24. These plans include a new management information system which will enable more efficient deployment of resources throughout the contract period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

The company continues to show an accumulated deficit at 31 March 2019, this deficit increasing by £201,000 in 2018/19 wholly due to an increase in the actuarially assessed pension fund liability of £246,000. Trading profits generated in the year only partially negate this adverse movement, so we continue to show an overall deficit in shareholder funds arising from the recognition of defined benefit pension scheme liabilities in the balance sheet.

Given this accumulated deficit, the pension liability noted and the anticipated contractual austerity the company has sought written assurance from its sole shareholder, Aberdeen City Council, for its on-going financial support of the company. Aberdeen City Council has formally confirmed its commitment to ensuring that the company can meet all creditors falling legally due.

Having obtained the agreement of Aberdeen City Council to continue to support the company in these circumstances, and recognising the clear intention of our customer to extend the contractual arrangement until 2024, the Directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

Turnover

Turnover represents sales of services, excluding value added tax and is recognised when the company has earned the rights to consideration, in line with when the services are provided.

Tangible Fixed Assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided at rates to write off the cost of fixed assets, less their residual value, over their expected useful lives on the following basis:

| | |
|------------------------------------|-------------|
| Motor vehicles | 5 – 7 years |
| Other fixed assets | 3 - 5 years |
| Property and tenants' improvements | 15 years |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete or slow-moving items.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

1. ACCOUNTING POLICIES – continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Corporation Tax

Bon Accord Support Services Limited is constituted as a private limited company wholly owned by Aberdeen City Council. The company trades with a view to making profits and providing a 5 star service to the citizens of Aberdeen. Aberdeen City Council is entitled to a dividend should a distribution be authorised by the Board from accumulated profits. Given these circumstances Bon Accord Support Services Limited will be liable for Corporation Tax on any taxable profits generated.

Given the losses incurred in recent years and our shareholder's aim to maximise the delivery of the company's services it is unlikely in the medium term that any Corporation Tax will be payable upon the company's core trading activities for Aberdeen City Council. Should the commercial opportunities being developed prove successful, taxable surpluses may be generated in the future. Corporation tax can also be payable on any unearned incomes i.e. interest receivable on bank deposits.

Deferred Tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Operating Leases

Operating lease rentals are charged on a straight-line basis over the term of the lease.

1. ACCOUNTING POLICIES – continued

Government Grants

Any government grants received are matched with the corresponding expenditure in the period the expenditure is recognised.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pension Costs and other Post-Retirement Benefits

The company offers staff membership of a defined benefit pension scheme, the North East Scotland Pension Fund, a Local Government Pension Scheme that provides benefits based upon members average career salary. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate. The expected cost to the company of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees.

In accordance with FRS 102 the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the profit and loss account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between the actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised as assets or liabilities within the company balance sheet.

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements or estimation uncertainties have a significant effect on the amounts recognised in the financial statements:

Defined benefit pension deficit

The NESPF scheme is accounted for as a defined benefit pension scheme using actuarial assumptions. These assumptions involve significant judgements and are based on the advice of the scheme's actuaries. Details of the assumptions are contained in note 15.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019****2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)****Going concern**

The directors' judgement to continue preparing accounts on the going concern basis is explained in note 1. The accounts do not include any adjustments that may arise if the going concern basis was not used.

3. TURNOVER

The directors believe that the company has one class of business, which is the provision of elderly care, occupational therapy and development services to the people of Aberdeen. Turnover consists of revenue originated and delivered in the United Kingdom.

4. STAFF COSTS

| | 2019 | 2018 |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 1,260 | 1,358 |
| Social security costs | 113 | 114 |
| Other pension costs | 185 | 354 |
| | <u>1,558</u> | <u>1,826</u> |

The average monthly number of employees during the year was as follows:

| | 2019 | 2018 |
|--------------------|-------------|-------------|
| Administration | 39 | 34 |
| Modern Apprentices | 4 | 7 |
| | <u>43</u> | <u>41</u> |

5. OPERATING (LOSS)/PROFIT

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| The operating profit is stated after charging: | | |
| Depreciation – owned assets | 21 | 51 |
| Auditor's remuneration | 7 | 7 |
| Other operating leases | 972 | 980 |
| | <u>1000</u> | <u>1038</u> |
| Directors' remuneration | 126 | 165 |
| Directors' fees | 39 | 20 |
| Directors' pension contributions | 21 | 25 |
| | <u>186</u> | <u>210</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|--------------------------------|----------|----------|
| Defined benefit pension scheme | <u>2</u> | <u>2</u> |
|--------------------------------|----------|----------|

Emoluments of highest paid Director:

| | | |
|-------------------------------|------------|------------|
| Aggregate emoluments | 86 | 96 |
| Company pension contributions | 14 | 15 |
| | <u>100</u> | <u>111</u> |

Accrued pension benefits at the year end for the highest paid Director were £14,000 (2018: £9,000).

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019****6. Tax on profit on ordinary activities**

The tax charge is based on the profit for the year and represents:

| | 2019 £'000 | 2018 £'000 |
|---|-----------------------------|-----------------------------|
| UK corporation tax | - | 67 |
| Adjustments in respect of previous periods | <u>(18)</u> | <u>-</u> |
| Tax on results of ordinary activities | <u>(18)</u> | <u>67</u> |
| <p>The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:</p> | | |
| (Loss)/profit on ordinary activities before tax | <u>(171)</u> | <u>109</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 19% (2018: 19%) | (32) | 21 |
| Pension liability adjustment | 22 | (36) |
| Group relief surrendered | 21 | - |
| Other differences | (16) | 20 |
| Effect of changes in tax rates and laws | - | - |
| Movement on deferred tax asset not recognised | <u>(13)</u> | <u>62</u> |
| Tax on results of ordinary activities | <u>(18)</u> | <u>67</u> |
| Tax charge per the accounts | <u>(18)</u> | <u>67</u> |

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019****7. TANGIBLE FIXED ASSETS**

| | Motor Vehicles £'000 | Other fixed assets £'000 | Property and tenants' improvements £'000 | Totals £'000 |
|-------------------------|-------------------------------------|---|---|-------------------------|
| COST | | | | |
| At 31 March 2018 | 43 | 107 | 250 | 400 |
| Additions | - | - | 147 | 147 |
| Disposals | - | (107) | - | (107) |
| At 31 March 2019 | <u>43</u> | <u>-</u> | <u>397</u> | <u>440</u> |
| DEPRECIATION | | | | |
| At 31 March 2018 | 33 | 107 | 67 | 207 |
| Charge for year | 4 | - | 17 | 21 |
| Deprecation on disposal | - | (107) | - | (107) |
| At 31 March 2019 | <u>37</u> | <u>-</u> | <u>84</u> | <u>121</u> |
| NET BOOK VALUE | | | | |
| At 31 March 2019 | <u>6</u> | <u>-</u> | <u>313</u> | <u>319</u> |
| At 31 March 2018 | <u>10</u> | <u>-</u> | <u>183</u> | <u>193</u> |

8. STOCKS

| | 2019 £'000 | 2018 £'000 |
|------------------|-----------------------|-----------------------|
| Goods for resale | <u>412</u> | <u>420</u> |
| | 412 | 420 |

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £'000 | 2018 £'000 |
|-------------------------------------|-----------------------|-----------------------|
| Trade debtors | 34 | 29 |
| Amounts due from group undertakings | 4,839 | 762 |
| Other debtors | <u>43</u> | <u>86</u> |
| | 4,916 | 877 |

Intercompany balances are interest free.

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019****10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | - | 5 |
| Amounts owed to group undertakings | 7,814 | 4,893 |
| Social security and other taxes | 45 | 30 |
| VAT | 862 | 843 |
| Other creditors | 36 | 26 |
| Accruals and deferred income | 502 | 813 |
| | <u>9,259</u> | <u>6,610</u> |

Included in other creditors are pension contributions of £28,308 (2018 – £20,898).

Intercompany balances are interest free.

11. DEFERRED GOVERNMENT GRANTS

| | 2019 | 2018 |
|-------------------|--------------|--------------|
| | £'000 | £'000 |
| Opening balance | 73 | 80 |
| Amortised in year | (6) | (7) |
| Closing balance | <u>67</u> | <u>73</u> |

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND OPERATING LEASES

At the reporting year end date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2019 | 2018 |
|----------------------------|--------------|--------------|
| | £'000 | £'000 |
| Within one year | 92 | 383 |
| Between one and five years | 147 | 216 |
| | <u>239</u> | <u>599</u> |

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019****13. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2019 £'000 | 2018 £'000 |
|----------------|---------------|-----------------------|-----------------------|-----------------------|
| 1 | Ordinary | 100p | - | - |

14. RETAINED EARNINGS

The profit and loss account reserve represents cumulative realisable profits and losses.

15. EMPLOYEE BENEFIT OBLIGATIONS

The company operates a defined benefit pension scheme.

Certain employees of the company are members of North East of Scotland Pension Fund, a Local Government Pension Scheme. Premiums in the year relating to those employees amounted to £188,000 (2018 - £163,000). In the year to 31 March 2019 the employer contribution rate was 16.6% (2018 – 15.2%).

The fund is reviewed every three years by a professionally qualified independent actuary using the projected unit credit actuarial cost method, the rates of contribution payable being determined by the directors on the advice of the actuaries. In the intervening years the actuaries will review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102. The last actuarial valuation was carried out at 31 March 2017. The value of the fund at 31 March 2019 was as follows.

The amounts recognised in the balance sheet are as follows:

| | Defined benefit pension plans | |
|--|--------------------------------------|-----------------------|
| | 2019 £'000 | 2018 £'000 |
| Present value of funded benefit obligation | 2,797 | 2,308 |
| Fair value of plan assets | (1,903) | (1,660) |
| Deficit | 894 | 648 |

A deferred tax asset has not been recognised in respect of the above deficit on the basis that there is insufficient certainty over the availability of future taxable profits.

The amounts recognised in profit and loss are as follows:

| | Defined benefit pension plans | |
|------------------------------|--------------------------------------|-----------------------|
| | 2019 £'000 | 2018 £'000 |
| Current service cost | 370 | 327 |
| Net interest cost | 15 | 4 |
| Administration expenses | 5 | 4 |
| | 390 | 335 |
| Actual return on plan assets | 134 | 119 |

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019****15. EMPLOYEE BENEFIT OBLIGATIONS continued**

Changes in the present value of the defined benefit obligation are as follows:

| | Defined benefit pension plans | |
|------------------------------------|-------------------------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Opening defined benefit obligation | 2,308 | 1,582 |
| Current service cost | 370 | 327 |
| Interest on pension liabilities | 61 | 40 |
| Member contributions | 73 | 72 |
| Actuarial losses on liabilities | - | 198 |
| Actuarial loss on assumptions | 134 | 124 |
| Benefits/transfers paid | (149) | (35) |
| | <u>2,797</u> | <u>2,308</u> |

Changes in the fair value of scheme assets are as follows:

| | Defined benefit pension plans | |
|-------------------------------------|-------------------------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Opening fair value of scheme assets | 1,660 | 1,292 |
| Employer contributions | 190 | 163 |
| Member contributions | 73 | 72 |
| Interest on plan assets | 46 | 36 |
| Re-measurements | 88 | 136 |
| Administration expenses | (5) | (4) |
| Benefits/transfers paid | (149) | (35) |
| | <u>1,903</u> | <u>1,660</u> |

The amounts recognised in the statement of comprehensive income are as follows:

| | Defined benefit pension plans | |
|-------------------------|-------------------------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Actuarial losses | <u>46</u> | <u>186</u> |

BON ACCORD SUPPORT SERVICES LIMITED (SC432814)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018****15. EMPLOYEE BENEFIT OBLIGATIONS continued**

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | Defined benefit pension plans | |
|------------------|-------------------------------|---------------|
| | 2019 | 2018 |
| Equities | 62.7% | 65.7% |
| Government bonds | 6.0% | 7.5% |
| Other bonds | 1.2% | 1.3% |
| Property | 7.3% | 7.3% |
| Cash/liquidity | 4.1% | 1.6% |
| Other | 18.7% | 16.6% |
| | <u>100.0%</u> | <u>100.0%</u> |

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | 2019 | 2018 |
|--------------------------|----------------|----------------|
| Discount rate | 2.5% | 2.7% |
| Future salary increases | 3.7% | 3.7% |
| Future pension increases | 2.3% | 2.3% |
| Rate of CPI inflation | 2.2% | 2.2% |
| Life expectancy | Males | Males |
| Current pensioners | 22.9 years | 22.7 years |
| Future pensioners | 25.8 years | 25.6 years |
| Life expectancy | Females | Females |
| Current pensioners | 25.0 years | 24.9 years |
| Future pensioners | 28.1 years | 27.9 years |

16. RELATED PARTY DISCLOSURES

During the current and previous year, the company was controlled by Aberdeen City Council.

The company is a wholly owned subsidiary of Aberdeen City Council. The results of the company are included within the consolidated accounts of Aberdeen City Council. The company has taken advantage of section 33 of FRS 102 which allows exemption from disclosure of related party transactions with other wholly owned group companies.

17. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Aberdeen City Council, a local authority organisation operating in Scotland. Copies of the audited accounts can be obtained from Aberdeen City Council, Marischal College, Broad Street, Aberdeen or online at www.aberdeencity.gov.uk.

