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To: Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Alphonse, Bonsell, Bouse, McLellan, McRae, Nicoll and Massey.

Town House,
ABERDEEN 3 May 2024

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Committee Room 2 - Town House** on **THURSDAY, 9 MAY 2024 at 2.00 pm**. This is a hybrid meeting and Members may also attend remotely.

The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

ALAN THOMSON
INTERIM CHIEF OFFICER – GOVERNANCE

B U S I N E S S

NOTIFICATION OF URGENT BUSINESS

1.1. There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

2.1. Members are requested to determine that any exempt business be considered with the Press and Public excluded

DECLARATIONS OF INTEREST

3.1. Members are requested to intimate any declarations of interest

DEPUTATIONS

4.1. There are no requests at this time

MINUTE OF PREVIOUS MEETING

- 5.1. Minute of Previous Meeting of 12 February 2024 (Pages 5 - 14)

COMMITTEE PLANNER

- 6.1. Committee Business Planner (Pages 15 - 20)

NOTICES OF MOTION

- 7.1. There are none at this time

REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

- 8.1. There are no referrals at this time

COMMITTEE BUSINESS

Risk Management

- 9.1. ALEO Assurance Hub Workplan and Terms of Reference - COM/24/082
(Pages 21 - 32)

Legal Obligations

- 9.2. Use of Investigatory Powers Quarter 1 Report - COM/24/078 (Pages 33 - 38)

Scrutiny

- 9.3. Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaints - CUS/24/079 (Pages 39 - 46)
- 9.4. Inspection Report of Aberdeen Crematorium by the Senior Inspector of Burial, Cremation and Funeral Directors (Scotland) - CR&E/24/123 (Pages 47 - 58)

Governance, Accounts and Finance

- 9.5. Unaudited Accounts 2023-24 - CORP/24/80 (Pages 59 - 270)

9.6. Public Sector Equality Duty - COM/24/005 (Pages 271 - 278)

9.7. Counter Fraud Activity (Pages 279 - 282)

Internal Audit

9.8. Internal Audit Progress Report - IA/24/006 (Pages 283 - 308)

9.9. JB Hosted Services - AC2415 (Pages 309 - 326)

9.10. Store Stock Control - AC2404 (Pages 327 - 342)

9.11. Secondary Schools Visits - AC2416 (Pages 343 - 366)

9.12. Biodiversity and the Natural Environment - AC2418 (Pages 367 - 384)

9.13. Volunteer Arrangements - AC2420 (Pages 385 - 402)

9.14. Revenue Budget Setting - AC2408 (Pages 403 - 420)

External Audit

9.15. Best Value Thematic Report - EA/24/001 (Pages 421 - 460)

9.16. Housing Benefit Risk Assessment - EA/24/002 (Pages 461 - 484)

9.17. External Audit Annual Report 2022-23 - EA/24/003 (Pages 485 - 514)

9.18. Annual Audit Plan 2023-24 - EA/24/004 (Pages 515 - 536)

EXEMPT/CONFIDENTIAL BUSINESS

10.1. Counter Fraud Activity - Exempt Appendix (Pages 537 - 542)

10.2. Cyber Crime - CUS/24/083 (Pages 543 - 552)

10.3. Cyber Action Plan - AC2417 (Pages 553 - 568)

10.4. Resident X - Briefing Note - IA/24/007 (Pages 569 - 578)

Integrated Impact Assessments related to reports on this agenda can be viewed [here](#)

To access the Service Updates for this Committee please click [here](#)

Website Address: aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Karen Finch, tel 01224 053945 or email kfinch@aberdeencity.gov.uk

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 12 February 2024. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Houghton, Vice-Convenor; and Councillors Allard, Bonsell, Bouse, Copland (as substitute for Councillor McLellan), Graham, Henrickson, Massey and Radley.

Councillor Mrs Stewart was also in attendance.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

DETERMINATION OF EXEMPT BUSINESS

1. The Convenor proposed that the Committee consider item 10.2 (Council Tax Financial Controls) with the press and public excluded from the meeting.

The Committee resolved:-

in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above item so as to avoid disclosure of information of the class described in the following paragraph of Schedule 7(A) to the Act:- article 18 (paragraph 14).

DECLARATIONS OF INTEREST OR TRANSPARENCY STATEMENTS

2. There were no declarations of interest or transparency statements made.

MINUTE OF PREVIOUS MEETING OF 23 NOVEMBER 2023

3. The Committee had before it the minute of their previous meeting of 23 November 2023.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

4. The Committee had before it the Committee Business Planner as prepared by the Interim Chief Officer – Governance (Assurance).

Comments were made in relation to item 5 (SPSO Decisions, Inspector of Crematoria Complaint Decisions) as to whether there was another way to record a standing item not being reported.

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In response to a question relating to items 13 (External Audit Annual Report) and 14 (Best Value Thematic Report), the External Auditor advised that there had been some resource pressures in the first year of their appointment which had resulted in some slippage with the thematic report and the annual report, both of which would be submitted to the April meeting.

In response to a question relating to item 15 (ALEO Assurance Hub Workplan and Terms of Reference), the Interim Chief Officer – Governance (Assurance) advised that this report was one for noting therefore other reports were given priority.

The Committee resolved:-

- (i) to agree to defer item 18 (Public Sector Equality Duty (item 9.4 on today's agenda)) to the next meeting of the Committee;
- (ii) in relation to item 5 (SPSO Decisions, Inspector of Crematoria Complaint Decisions) to note that this was a standing item for the Committee and that the comments would be noted and picked up during the Governance review;
- (iii) in relation to items 13 (External Audit Annual Report), 14 (Best Value Thematic Report) and 15 (ALEO Assurance Hub Workplan and Terms of Reference) to note the update provided from officers; and
- (iv) to otherwise note the content of the business planner.

BUSINESS CONTINUITY ANNUAL REPORT - COM/24/007

5. The Committee had before it a report by the Director of Commissioning which presented the annual assurance report on the Council's Business Continuity arrangements that are required to comply with the requirements of a Category 1 responder under the Civil Contingencies Act 2004.

The report recommended:-

that the Committee note the activities undertaken in 2023 and planned in 2024 to review, exercise and improve the Council's Business Continuity arrangements.

The Committee resolved:-

to approve the recommendation contained in the report.

CORPORATE RISK REGISTER, CLUSTER ASSURANCE MAPS, AND INSPECTIONS PLANNER - COM/24/008

6. The Committee had before it a report by the Director of Commissioning which presented the Corporate Risk Register, Cluster Assurance Maps and Inspections Planner and provided assurance on the Council's overall system of risk management.

The report recommended:-

that the Committee -

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- (a) note the Corporate Risk Register set out in Appendix A and the summary of movements in risk scores set out in the table at section 3.6;
- (b) note the Cluster Assurance Maps provided at Appendix B; and
- (c) note the Inspections Planner provided at Appendix C, note that this is unlikely to include all external scrutiny requirements for 2024 for the reason explained in item 9.5 (Assurance Reporting) on today's agenda and note that this limits the Councils visibility on the balance of management, internal and external assurance required to manage our risk environment.

In response to a question relating to the increase in the Financial Sustainability score, the Chief Officer – Finance advised that looking at the financial settlement for 2024/25, noting the continued single year financial settlement and the Scottish Government's medium term financial documents, the future and sustainability of the local government financial landscape would continue to bring challenges. He further advised that the Council were going through robust financial management processes, working with budget holders and with internal and external audit to ensure that the governance was followed. He stated that the Council were focusing on their financial resilience framework which would be updated and reported as part of the budget process.

In response to a question relating to target dates set for the end of March 2024 and whether these were achievable, the Interim Chief Officer – Governance (Assurance) advised that the risk owners were working towards the target dates and that she was confident that they would either be met or that dates would be updated within the risk registers.

In response to a question relating to risks associated with Supply Chain, the Strategic Commercial Manager advised that there were some procurement pressures with materials, vehicle parts and food and that the market continued to be monitored with the risk score amended where appropriate.

In response to a question relating to the increase in the risk score for Resettlement and Asylum and whether the demand for services would be stabilising or continuing, the Interim Director of Children's and Family Services advised that within education they were seeing a steadying situation in one area and escalating situations in another which were being managed as best as possible.

The Committee resolved:-

- (i) to instruct the Chief Officer – Early Intervention and Community Empowerment to provide an update by email on the risk associated with the Resettlement and Asylum demand ensuring that the differing groups of people were recorded separately; and
- (ii) to otherwise approve the recommendations contained in the report.

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RISK APPETITE STATEMENT - ANNUAL REVIEW - COM/24/009

7. The Committee had before it a report by the Director of Commissioning which presented the Council's updated Risk Appetite Statement.

The report recommended:-

that the Committee -

- (a) approve the updated Risk Appetite Statement, attached at Appendix A; and
- (b) note the progress made towards embedding the Risk Appetite Statement during 2023 and the training and engagement activities planned for 2024.

The Committee resolved:-

- (i) in relation to the Overarching Statement, under Compliance, to note that approvals in advance would be included; and
- (ii) to otherwise approve the recommendations contained in the report.

PUBLIC SECTOR EQUALITY DUTY - COM/24/005

8. In relation to the decision taken at article 4, resolution (i) above, this item had been deferred to the April Committee meeting.

ASSURANCE REPORTING - COM/24/006

9. The Committee had before it a report by the Director of Commissioning which provided information on the requirements for audit and scrutiny activities in 2024 and of the associated pressures on Council resources.

The report recommended:-

that the Committee -

- (a) instruct the Interim Chief Officer – Governance (Assurance) to seek a schedule of external audit reporting in 2024/25 from Audit Scotland by 31st March 2024, including dates for reporting the audited annual accounts and Best Value reports, in order that officers can plan for resourcing these activities, update committee business planners and ensure the requirements to notify the London Stock Exchange are fully met;
- (b) instruct the Interim Chief Officer – Governance (Assurance) to write to the chair of the Strategic Scrutiny Group, comprising Scotland's main public sector scrutiny bodies, to seek a schedule of external scrutiny in 2024/25 to allow Council resources to be allocated accordingly; and
- (c) note the management proposals on the Internal Audit Plan 2024/25 and seek the views of the Chief Internal Auditor on these proposals when considering the Plan at a later point in this agenda.

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In response to questions relating to recommendation (a) above and whether there would be a delay in reporting to the London Stock Exchange (LSE) if the schedule was not provided, the Interim Chief Officer – Governance (Assurance) advised that the timeframes required to be clarified in order for the Council to meet the requirements of reporting for the LSE. The Chief Officer – Finance advised that there were requirements for reporting to the LSE and that there was a significant resource requirement from both the Council and External Audit, therefore it was important that there was a clear reporting structure in place. The External Auditor advised that at the next meeting in April, the Committee would be presented with the Annual Audit Plan which sets out the audit of the 2023/24 accounts.

In response to a question relating to the suggested internal audits which could be delayed or removed from this years Internal Audit Plan and why they were selected, the Interim Chief Officer – Governance (Assurance) advised that those audits were not focusing on the financial controls of the organisation and would be the audits that management would recommend to be removed.

The Committee resolved:-

to approve the recommendations contained in the report.

USE OF INVESTIGATORY POWERS - ANNUAL REPORT 2023 - COM/24/010

10. The Committee had before it a report by the Director of Commissioning which provided an overview of the Council's use of investigatory powers during 2023, particularly focussing on the Committee's role in respect of assurance and sought agreement that the Use of Investigatory Powers Policy remained fit for purpose.

The report recommended:-

that the Committee -

- (a) note the overview of the Council's use of investigatory powers during the calendar year 2023 as set out in the report; and
- (b) agree that the Use of Investigatory Powers Policy remained fit for purpose.

In response to questions relating to the increased number of authorised applications, specifically around age restricted products, and whether these were likely to continue in 2024 and if so whether there were sufficient resources to minimise the impact, Ms Johnstone, Solicitor advised that there was an increasing trend and where Protective Services deem it necessary, they would continue to carry out investigations. She confirmed that there was sufficient resources to undertake the investigations.

The Committee resolved:-

to approve the recommendations contained in the report.

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INTERNAL AUDIT CHARTER - IA/24/003

11. The Committee had before it a report by the Chief Internal Auditor which sought agreement for the continuing use of the current Internal Audit Charter.

The report recommended:-

that the Committee approve the Internal Audit Charter as presented which included minor amendments following the recommendations made as part of the External Quality Assessment.

The Committee resolved:-

to approve the recommendation contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/24/001

12. With reference to article 10 of the minute of its previous meeting, the Committee had before it a report by the Chief Internal Auditor which provided an update on the progress against the approved Internal Audit plans, audit recommendations follow up and other relevant matters for the Committee to be aware of.

The report recommended:-

that the Committee -

- (a) note the progress of the Internal Audit Plan; and
- (b) note the progress that management had made with implementing recommendations agreed in Internal Audit reports.

The Committee resolved:-

to approve the recommendations contained in the report.

IJB COMPLAINTS HANDLING - AC2402

13. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Integrated Joint Board Complaints Handling which was undertaken to ensure that the complaints procedures were being complied with for all matters and that data generated was used by Management to monitor and improve performance.

The report recommended:-

that the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

The Committee resolved:-

to endorse the agreed recommendations for improvement as contained in the internal audit report.

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ATTENDANCE MANAGEMENT - AC2411

14. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Attendance Management which was undertaken to obtain assurance that controls in this area were designed and operating effectively and to determine whether the Council's Absence Improvement Plan was having a positive impact on attendance.

The report recommended:-

that the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

In response to a question regarding whether benchmarking had been undertaken with other organisations, the Interim Chief Officer – People and Organisational Development advised that benchmarking had taken place to look at practice which would be more visible if audited in the future.

In response to a question regarding whether there had been any improvements due to other policies and procedures being implemented, the Interim Chief Officer – People and Organisational Development advised that there had been a significant reduction in statistics following a data cleanse allowing alerts to be issued to managers and preventing multiple records for employees. She explained that advisers had been assigned to hotspots across the organisation to assist managers and that a toolkit for managers had been issued.

In response to a question regarding the statistics and whether these contributed to the performance reports discussed at service committees, the Interim Chief Officer – People and Organisational Development advised that the statistics were produced in the management system and linked into the system used for producing the performance reports.

In response to questions relating to Mental Health and Wellbeing and whether work was being done, specifically for employees working at home where there may be issues identified, the Interim Chief Officer – People and Organisational Development advised that each case would be dealt with individually with a range of tools available to managers to ensure that the best option for the employee was in place.

The Committee resolved:-

to endorse the agreed recommendations for improvement as contained in the internal audit report.

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COVID-19 SPENDING - AC2409

15. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to COVID-19 Spending which was undertaken to obtain assurance over key spending decisions and financial payments in relation to COVID-19.

The report recommended:-

that the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

In response to a questions relating to the different streams of funding and what was the best way to manage similar funds in the future, the Chief Officer – Finance advised that each funding stream had criteria in which it could be used and that although flexibility in some areas was welcome, having very specific criteria was helpful to be able to manage those funds appropriately. He further advised that if a similar situation occurred in the future that the organisation would be able to deploy staff to the areas requiring additional support.

The Committee resolved:-

to endorse the agreed recommendations for improvement as contained in the internal audit report.

VEHICLE AND DRIVER COMPLIANCE - AC2401

16. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Vehicle and Driver Compliance which was undertaken to obtain assurance that adequate procedures were in place to effectively manage the Council's vehicle and driver records, to comply with licence and insurance requirements.

The report recommended:-

That the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

In response to questions relating to the contracts not in place and the risk to the Council, the Chief Officer – Operations and Protective Services advised that for tyres, this was a joint arrangement with Aberdeenshire Council and that discussions were ongoing with the Head of Commercial and Procurement Service to ensure what was in place was compliant. He stated that some suppliers were used for specific vehicle parts and some were in relation to warranties therefore it was challenging to get one supplier for all parts. He explained that the frameworks in place for vehicles don't include the parts therefore a separate framework would be required.

It was noted that updates in relation to this audit would be presented in the Internal Audit Progress report to this Committee and included in the performance reports for the Net Zero, Environment and Transport Committee.

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The Committee resolved:-

to endorse the agreed recommendations for improvement as contained in the internal audit report.

INTERNAL AUDIT PLAN 2024-2027 - IA/24/002

17. The Committee had before it a report by the Chief Internal Auditor which presented the Internal Audit plan for 2024-2027.

The report recommended:-

that the Committee approve the attached Internal Audit Plan for 2024-2027.

In response to a question relating to where the Council were in relation to the number of internal audits, compared to other local authorities, the Chief Internal Auditor advised that other local authorities had different operational models with Aberdeen having a direct comparison with Aberdeenshire and Dundee.

In response to a question as to whether there was flexibility in the number of audits that could be completed, the Chief Internal Auditor advised that the plan presented was comprehensive and that dates for completion of the audits were always agreed with management in advance. He further advised that the Internal Audit progress report would provide the overall progress with the agreed audits.

The Committee resolved:-

to approve the recommendation contained in the report.

In accordance with the decision taken at Article 1 of this minute, the following items were considered with the press and public excluded.

COUNCIL TAX FINANCIAL CONTROLS UPDATE

18. The Committee had before it a report by the Director of Resources which provided information in relation to Council Tax financial controls.

The report recommended:-

that the Council -

- (a) note the content of the report, and the immediate actions taken to address the control failures, as well as the further and ongoing improvements to council financial controls and processes;
- (b) note the Internal Audit Plan 2024/25 to 2026/27, also on this agenda, had specific audits/auditable areas that would provide assurance to the Committee in 2024/25 of the Council Tax control environment, including Council Tax Income (National

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- Fraud Initiative), and wider counter fraud activities under the scope of Prevention of Fraud, Bribery and Corruption and also Procurement Fraud Controls;
- (c) note that the Chief Officer – Finance in consultation with the Corporate Management Team would specifically consider the assurance that could be placed on the Revenues and Benefits control environment as part of the preparation of the 2023/24 Annual Governance Statement, which would be reported to a future meeting of the Committee; and
 - (d) consider the content of the report and agree any further actions required at this time.

The Committee resolved:-

- (i) to instruct the Chief Officer - Finance to update the report and refer it to Full Council in April 2024; and
- (ii) to otherwise approve the recommendations contained in the report.

- **COUNCILLOR RYAN HOUGHTON, Vice Convener**

	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	09 May 2024								
4	Use of Investigatory Powers Quarter 1 Report	to present the use of investigatory powers during Q1	Agenda Item 9.2	Jessica Anderson	Governance	Corporate Services	5.2		
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.	Agenda Item 9.3	Lucy McKenzie	People and Citizens	Corporate Services	6.4		
6	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.	Agenda Item 9.8	Jamie Dale	Governance	Corporate Services	2.2		
7	IJB Hosted Services	The objective of this audit is to obtain assurance that the IJB has adequate arrangements in place to monitor the performance of services hosted on its behalf.	Agenda Item 9.9	Jamie Dale	Governance	Corporate Services	2.2		
8	Secondary Schools Visit	The objective of this audit is to provide assurance schools have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.	Agenda Item 9.11	Jamie Dale	Governance	Corporate Services	2.2		
9	Store Stock Control	The objective of this review is to obtain assurance that stock procedures are adequate and stock movements are adequately accounted for.	Agenda Item 9.10	Jamie Dale	Governance	Corporate Services	2.2		
10	Biodiversity and the Natural Environment	The objective of this audit is to obtain assurance over the monitoring and implementation of the Council's environmental action and any related plans, specifically in relation to biodiversity and the natural environment.	Agenda Item 9.12	Jamie Dale	Governance	Corporate Services	2.2		

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11	Volunteer Arrangements	Internal Audit is reviewing the area of volunteer arrangements to ensure the Council is operating an effective control framework regarding the engagement of volunteering services.	Agenda Item 9.13	Jamie Dale	Governance	Corporate Services	2.2		
12	Revenue Budget Setting	The purpose of this audit is to review procedures used in setting the Council's revenue budget and the wider financial strategy	Agenda Item 9.14	Jamie Dale	Governance	Corporate Services	2.2		
13	Cyber Action Plan	The objective of this audit is to obtain assurance over the implemented control framework in relation to the Council's cyber resilience, specifically in relation to the governance arrangements over the ITHC action plan development and delivery.	Agenda Item 10.3	Jamie Dale	Governance	Corporate Services	2.2		
14	Unaudited Annual Accounts 2023-24	To present the unaudited annual accounts for 23-24 and the Charities Accounts for 23-24	Agenda Item 9.5	Lesley Fullerton	Finance	Corporate Services	4.1		
15	Counter Fraud Activity, 2023	To inform the Committee of counter fraud activity in 2023, as required by the Counter Fraud Policy (2021)	Agenda Item 9.7 Agenda Item 10.1 - exempt appendix	Matthew Dickson	Finance	Corporate Services	4.4, 5.2		
16	External Audit Annual Report 2022-23	To present the External Audit Annual Report	Agenda Item 9.17	Anne MacDonald	Governance	Corporate Services	3.1		
17	Best Value Thematic Report	This report covers the thematic aspect of the Best Value audit requirements. As part of the 2022/23 audits, the Commission has requested auditors to report on the effectiveness of the leadership of the development of the council's strategic priorities.	Agenda Item 9.15	Anne MacDonald	Governance	Corporate Services	3.1		
18	Housing Benefit Risk Assessment	The key objective of the risk assessment is to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in its activities.	Agenda Item 9.16	Anne MacDonald	Governance	Corporate Services	3.1		

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19	Annual Audit Plan 2023-24	To present the External Audit annual audit plan for 2024-25	Agenda Item 9.18	Anne MacDonald	Governance	Corporate Services	3.1		
20	ALEO Assurance Hub Workplan and Terms of Reference	To present the ALEO Assurance Hub Workplan for 2023 including the dates for reporting.	Agenda Item 9.1	Vikki Cuthbert	Governance	Corporate Services	1.3		
21	Public Sector Equality Duty - COM/24/005	To provide management assurance on the Council's compliance with its statutory duties under the Equality Act 2010, specifically in relation to our Public Sector Equality Duty	Agenda Item 9.6	Vikki Cuthbert	Governance	Corporate Services	4.4		
22	Inspection Report of Aberdeen Crematorium by the Senior Inspector of Burial, Cremation and Funeral Directors (Scotland)	This report provides the Committee with the Inspection Report of Aberdeen Crematorium carried out by the Senior Inspector of Burial, Cremation and Funeral Directors on 6 December 2023.	Agenda Item 9.4	Graham Keith	Operations	City Regeneration and Environment	6.4		
23	Cyber Crime	Referred from Communities, Housing and Public Protection Committee - To agree that Cybercrime continues to rise in scale and complexity in Scotland and globally, noting the cyber-attack at Western Isles Council therefore instruct the Chief Officer –Digital and Technology to bring forward a report to the February 2024 Audit, Risk and Scrutiny Committee meeting on how the Council is currently combating Cybercrime	Agenda Item 10.2	Steve Roud	Digital and Technology	Corporate Services	5.2		
24	Resident X Briefing Note	Finance and Resources - 30 Jan 2024 instruct Internal Audit to carry out an investigation into the circumstances described in Appendix 5, and any pertinent matters, using delegated powers and funded through the Marischal Square Development Account, given the financial loss to Aberdeen City Council and potential failure to achieve best value for the public pound, and report back to Audit, Risk and Scrutiny Committee with any recommendation as deemed necessary.	Agenda Item 10.4	Jamie Dale	Governance	Corporate Services	2.2		

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25	27 June 2024								
26	Use of Investigatory Powers Quarter 2 Report	to present the use of investigatory powers during Q2		Jessica Anderson	Governance	Corporate Services	5.2		
27	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		
28	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Corporate Services	2.2		
29	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Corporate Services	2.2		
30	Internal Audit Annual Report 2023-24	To present the Internal Audit Annual Report for 2023-2024		Jamie Dale	Governance	Corporate Services	2.1		
31	Audited Annual Accounts 2023-24	To present the audited Accounts for 2023-24 and the Charities Accounts 23-24		Lesley Fullerton	Finance	Corporate Services			
32	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Corporate Services	1.3		
33	26 September 2024								
34	Use of Investigatory Powers Quarter 3 Report	to present the use of investigatory powers during Q3		Jessica Anderson	Governance	Corporate Services	5.2		

	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER								
	The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
35	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		
	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Corporate Services	2.2		
	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Corporate Services	2.2		
	Information Governance Management Annual Report 2023-24	to present the annual report for the Council's Information Governance		Martin Murchie	Data Insights	Corporate Services	1.4		
39	28 November 2024								
40	Use of Investigatory Powers Quarter 4 Report	to present the use of investigatory powers during Q4		Jessica Anderson	Governance	Corporate Services	5.2		
41	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		
42	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Corporate Services	2.2		
43	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Corporate Services	2.2		
44	Annual Committee Effectiveness Report	To report on the annual effectiveness of the committee		Karen Finch	Governance	Corporate Services	GD 8.5		

	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
45	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Corporate Services	1.3		
46	Annual Accounts 2024-25 - Key Dates	to provide Elected Members with high level information and key dates in relation to the 2024/25 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors		Lesley Fullerton	Finance	Corporate Services	4.1		
47	Date to be Confirmed								

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	9 th May 2024
REPORT TITLE	ALEO Assurance Hub – Workplan and Terms of Reference
REPORT NUMBER	COM-24-082
CHIEF OFFICER	Jenni Lawson
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	Remit - 1.2

1. PURPOSE OF REPORT

To present the ALEO Assurance Hub workplan for 2024 including the dates for reporting.

2. RECOMMENDATIONS

That the Committee –

- 2.1 note the workplan for the ALEO Assurance Hub in 2024 which has been consulted upon with the ALEOs and the relevant Conveners; and
- 2.2 note the Terms of Reference for the ALEO Assurance Hub which have been amended to reflect changes to role titles and to ensure assurance is sought in relation to compliance with the Public Sector Equality Duty.

3. CURRENT SITUATION

- 3.1 The ALEO Assurance Hub is one component of the ALEO Assurance Framework which provides a basis for the Council to oversee and support its arms-length external organisations. The Hub reports twice a year to this Committee to provide assurance that systems and policies are in place in each ALEO to mitigate and manage risks to the organisation and to the Council.
- 3.2 The Hub has in place a Terms of Reference which are reviewed annually. These are attached at **appendix A** to the report. Some minor revisions are included and tracked.
- 3.3 Attached at **appendix B** is a workplan for 2023. The workplan has been agreed with each of the ALEOs.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

4.2 The role of the Hub is to ensure that ALEOs provide assurance that risks, including financial ones are identified and managed. One of the Hub’s primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5. LEGAL IMPLICATIONS

5.1 Legal officers within Commercial and Procurement Services have reviewed ALEO Service Level Agreements which aim, amongst other things, to facilitate the ALEO Assurance Framework. These have been modified to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.

5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council’s credit rating and ensure that the appropriate governance is put in place. This adds to the Council’s existing Bond governance arrangements.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic	Ability of ALEOs to support the Council in meeting its strategic outcomes.	The Assurance Hub process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers.	L	Yes
Compliance	ALEO service level agreements are not up to date and ALEOs are not delivering on Council	Commercial and Procurement Services reviews ALEO service level agreements to ensure they remain robust	L	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	<p>outcomes.</p> <p>GDPR Compliance.</p>	<p>and fit for purpose.</p> <p>The Council has oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements.</p> <p>The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk of governance failure.</p> <p>The Legal Regulatory and Compliance Team provide support and advice to the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to Committee on ALEOs' management of this risk.</p>		
Operational	Failure of ALEOs to deliver services according to agreed Service Level	Monitored by Council which has oversight of ALEO strategic business plans.	L	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
	Agreements			
Financial	Financial failure of ALEOs impacting on the Council and its credit rating.	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor, then reported through the Finance and Resources Committee. One of the Hub's key functions is to provide assurance to Committee on the financial stewardship of Council ALEOs.	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes
Environment/ Climate	No direct risks arising from the report's recommendations		L	Yes

8. OUTCOMES

- 8.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Impact assessment not required. Confirmed by Chief Officer – Governance.
Data Protection Impact Assessment	Not required.

10. BACKGROUND PAPERS

None.

11. APPENDICES

Appendix A – ALEO Assurance Hub Terms of Reference

Appendix B – ALEO Assurance Hub Workplan 2024

12. REPORT AUTHOR CONTACT DETAILS

Vikki Cuthbert

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ALEO Assurance Hub – Terms of Reference

Arms-Length External Organisations (ALEOs) are companies, charities and other bodies that are separate from the Council but subject to its control or influence.

The purpose of the Assurance Hub is to receive assurance from ALEOs that appropriate systems and policies are in place to mitigate and manage risks to the organisation and to the Council. For the avoidance of doubt, the ALEO Assurance Hub shall provide high level, strategic oversight of ALEOs but will not undertake quality checks on the operation of ALEOs.

The Assurance Hub shall promote the principles of accountability and transparency as set out in the Following the Public Pound Guidance.

- 1) The Assurance Hub is one component of the ALEO Assurance Framework which is the basis for how the Council oversees and supports its arms-length bodies. The other elements of the Framework are:
 - a. Regular performance review of ALEOs by Full Council through the submission of annual business plans. The Aberdeen City Integration Joint Board (IJB) shall have an oversight role in relation to Bon Accord Care
 - b. Quarterly financial reporting for ALEOs within the Council's Financial Performance Report to the Finance and Resources Committee to provide assurance on the Council's bond issue and on financial performance;
 - c. Six weekly meetings of the ALEO Strategic Partnership as a forum for senior Council and ALEO representatives to discuss high level strategic issues such as business planning and horizon scanning, in line with the Medium-Term Financial Strategy (MTFS);
 - d. Representatives of the Head of Commercial and Procurement, known as Service Leads are assigned to each ALEO to provide them with a single point of contact at the Council. Service Leads will be the Council's primary liaison officer with ALEOs and will be in regular contact with ALEOs to discuss strategic, operational and performance matters; and
 - e. The Director of Corporate Services acts as a key strategic liaison for all ALEOs.
- 2) The membership of the Hub shall consist of:
 - a. The Assurance Manager;
 - b. The Corporate Risk Lead
 - c. A representative of the Chief Officer - Finance; and
 - d. The Committees Lead (officer).
- 3) The Assurance Manager shall be the Chairperson of the Assurance Hub.
- 4) The Head of Commercial and Procurement or his or her nominee shall be invited to attend meetings as advisers to the Hub as required.
- 5) The Hub may co-opt additional advisors as required.
- 6) The Hub shall receive assurance from each ALEO within its remit at least once a year.
- 7) The Hub shall have the authority to increase or reduce its oversight of ALEOs based on the level of assurance it has received.

- 8) The Hub may invite ALEO representatives to attend Hub meetings to provide information and assurance on relevant matters as requested.
- 9) The Hub shall report its level of assurance on ALEOs to the Audit, Risk and Scrutiny Committee.
- 10) The Hub shall be responsible for setting its own programme of scrutiny in the form of an annual workplan. The Hub shall consult on this with the Risk Board, ALEOs and Conveners and Vice Conveners of the following Committees and Boards:-
 - a. Audit, Risk and Scrutiny;
 - b. Full Council;
 - c. Finance and Resources; and
 - d. Integration Joint Board
- 11) An open invitation shall be extended to the Council's internal and external auditors to attend Hub meetings as appropriate in order for them to meet their audit objectives.
- 12) The Hub shall receive assurance on ALEOs risk management, financial management and governance arrangements through exception reporting and officers will assess ALEO governance and management of risk through a scoring matrix.
- 13) To ensure that risk posed to the Council by ALEO operations is monitored, the Hub shall oversee ALEO risk management arrangements including:
 - a. Risk management policy;
 - b. Management of risk registers;
 - c. Risk identification structures, including horizon-scanning;
 - d. Risk appetite;
 - e. Business continuity planning; and
 - f. ALEO internal and external audit reports.
- 14) To ensure compliance with Following the Public Pound guidance, the Hub shall oversee ALEOs:
 - a. Financial Resilience to ensure oversight of forward planning;
 - b. Financial governance and financial management to provide assurance on stewardship;
 - c. Accounting practices; and
 - d. Financial performance.
- 15) The Hub shall review ALEO decision making structures including:
 - a. Reporting arrangements, including powers reserved to the Board and powers delegated to executive officers;
 - b. Compliance with key governance standards, such as codes of conduct;
 - c. The composition and capacity of the board;
 - d. Transparency and accountability;
 - e. Induction and ongoing training programmes for Board members;
 - f. Ongoing assurance around information governance arrangements and data protection compliance;
 - g. Progress against recommendations made within Audit Scotland's report on *How councils use arms-length organisations*; and
 - h. Compliance with the Public Sector Equality Duty under the Equality Act 2010.
- 16) The Hub shall monitor high level employment practices.

- 17) The Hub shall monitor reports relating to ALEOs from the Council's internal and external auditors and address any recommendations which are within the remit of the Hub's terms of reference. The Hub shall monitor best practice guidance from organisations such as Audit Scotland and the Standards Commission for Scotland on the development of guidance relating to ALEOs.
- 18) The Hub shall monitor co-ordination arrangements between ALEO partners where the Council is not the sole shareholder.
- 19) The Hub shall receive assurance that ALEOs are supporting the Council to meet its obligations under the CONTEST Strategy and under the Civil Contingencies Act 2004 as a Category 1 responder.
- 20) The following organisations have been deemed to be ALEOs and will be subject to the Hub's oversight arrangements:
 - a. Aberdeen Heat and Power;
 - b. Aberdeen Performing Arts;
 - c. Aberdeen Sports Village;
 - d. Bon Accord Care;
 - e. bp Aberdeen Hydrogen Energy Ltd and
 - f. Sport Aberdeen.
- 21) The Risk Board, chaired by the Chief Officer – Governance, will review these Terms of Reference annually to ensure their ongoing appropriateness in monitoring ALEO governance.

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	Area of Assurance	Item	Purpose	TOR	Aberdeen Heat and Power	Aberdeen Performing Arts	Aberdeen Sports Village	Bon Accord Care	bp AHEL	Sport Aberdeen
1	Governance	Training and Development Programmes	Assurance on the on-going training and development of Board members including any changes to Board structure, rationale for any structure changes, training plans for Board members, procedures around conflicts of interest.	15(e) 16	November	November	November	November	June	November
2		Governance Documentation	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice.	16	June	June	June	June	n/a	June
3		Governance Documentation	Assurance that the Public Sector Equality Duty is being met and that decision making does provide evidence of due regard to people with protected characteristics.	15	June	June	June	June	n/a	June
4		Governance Documentation	Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area and should include reference to information governance, health and safety governance, public liability and employer's liability insurance and cyber governance.	15	November	November	November	November	n/a	November
5		Governance Documentation	Assurance that arrangements are being made by the Joint Venture to put in place the required governance documentation, including information governance, health and safety governance and cyber governance.		n/a	n/a	n/a	n/a	June	n/a
6	Risk Management	Risk Environment	Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy. The assurance will be provided through a short written summary of ALEOs current risk environment, including risks that been added, escalated or de-escalated rather than through provision of the risk register. This will also include an overview of activity and controls in place across the three lines of defence.	13(b)	June	June	June	June	June	June
7		Risk Register	Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.	13(b)	November	November	November	November	November	November
8		Internal and External Audit	Assurance that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion.	13(f)	June	June	June	June	n/a	June
9		Internal and External Audit	Assurance that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.		n/a	n/a	n/a	n/a	June	n/a
10		Internal and External Audit	Assurance that arrangements are in place for internal and external auditing.		n/a	n/a	n/a	n/a	June	n/a

	A	B	C	D	E	F	G	H	I	J
11		Resilience	<p>Assurance that emergency plans/major incident plans and processes and appropriate business continuity arrangements are in place.</p> <p>Assurance that testing and exercising arrangements or schedules are in place which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism), in particular in respect of the Prevent and Protect duties.</p>	13(e)	June November	June November	June November	June November	n/a	June November
12	Finance	Quarterly Trading Accounts	Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.	14	June November	June November	June November	June November	June November	June November
13		Medium-Term Financial Planning and Financial Resilience	Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.	14	June November	June November	June November	June November	June November	June November
14		Audited Annual Accounts 2023-24	Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.	14	November	June	June	June	n/a	June

ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny Committee
DATE	9 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Use of Investigatory Powers- Q1, 2024
REPORT NUMBER	COM/24/078
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jenni Lawson- Chief Officer - Governance
REPORT AUTHOR	Jess Anderson, Team Leader- Regulatory and Compliance, Legal Services
TERMS OF REFERENCE	5.2

1. PURPOSE OF REPORT

- 1.1 To ensure that Elected Members review the Council’s use of investigatory powers on a quarterly basis and have oversight that those powers are being used consistently in accordance with the Use of Investigatory Powers Policy.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the Council’s use of covert surveillance activity during this reporting period.

3. CURRENT SITUATION

- 3.1 The Council has powers under the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), and Investigatory Powers Act 2016 (IPA) to use different investigatory techniques. RIPSA provides a legal framework for covert surveillance by public authorities, an independent inspection regime to monitor these activities and sets out a process for the authorisation of covert surveillance by designated officers, for the duration of that authorisation and for the review, renewal or termination of authorisations. It gives the Council powers to conduct two types of covert surveillance:

1. Directed Surveillance (is covert surveillance in places other than residential premises or private vehicles); and
2. the use of a Covert Human Intelligence Source (the use of an undercover officer).

This Committee has had oversight of covert surveillance activity under RIPSA since 2017.

- 3.2 The IPA permits the Council to acquire Communications Data for a lawful purpose. Communications data is the way in which, and by what method, a person or thing communicates with another person or thing. The IPA sets out the manner and process by which Communications data can be obtained and this is supported by the Home Office's Communications Data Code of Practice¹. The Council has not used Communications data since approximately 2005, however the ability to acquire it still remained. In response to concerns from the Operations and Protective Services cluster that there is an increase in online offences, more so during the pandemic, Legal Services and Trading Standards worked together to put in place operational procedures to ensure compliance with the requirements of the IPA. The operational procedure in respect of Communications data was reviewed in April 2024 and no amendments were made.
- 3.3 The Investigatory Powers Commissioner (IPCO) has oversight of both RIPSAs and IPA and as such, the Council's use and management of powers under these will form part of the normal inspection process. The Council's next inspection is due on or around Spring 2026.
- 3.4 The Council determined that the Use of Investigatory Powers Policy was fit for purpose when it considered the Annual Report in February 2024. This policy governs compliance with both RIPSAs and the IPA. It remains a mandatory requirement that all members of staff wishing to use investigatory powers must undertake training prior to being able to make an application to use such investigatory powers.
- 3.5 Committee is being asked to note the update on the use of these powers, and the Council's compliance with the Policy, particularly in respect of covert surveillance activity during the period 1 January to 1 April 2024.

Quarter 1- 2024

Covert Surveillance – RIPSAs

- 3.6 During the period 1 January to 1 April 2024 (the submission of this report to committee), there has been one application for Directed Surveillance. The application related to the sale of age restricted tobacco and vapour products and was cancelled in accordance with the Council's internal procedure.
- 3.7 There have been no further applications for covert surveillance made, or approved, within this quarter.

Communications Data- IPA

- 3.8 There have been no authorisations for Communications Data within this quarter.

Authorising Officers (AO)

- 3.9 There was no AO meeting in April as there was no updates to be provided.

Training

- 3.10 No training has been delivered this quarter.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 The Scottish Government Code of Practice on Covert Surveillance sets an expectation that elected members review and monitor the use of RIPSAs on a quarterly basis. This is also a matter which is taken into account by the IPCO when they carry out their inspections.
- 5.2 The Home Office Code of Practice on Communications Data states that any public authority wishing to acquire Communications Data must have regard to the Code and that there should be a robust process in place for accessing such data which should be overseen by the Senior Responsible Officer.
- 5.3 Quarterly reporting of the Council's use of investigatory powers to Elected Members provides assurance that the Council's use of such powers is being used consistently and that the standards set by its policy remain fit for purpose.
- 5.4 It is recommended as good practice, under paragraph 4.43 of the Scottish Government's Code of Practice for Covert Surveillance and Property Interference, that elected members consider a statement on the Council's Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) policy and statistical information on relevant activity on an annual basis.
- 5.5 The management, knowledge and awareness of those involved with RIPSAs activity was something which was commended by the IPCO in the inspection in 2020. Officers hope that reporting on the use of investigatory powers more broadly, enhances transparency and provides another level of scrutiny and assurance on the use of these powers.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental/ climate risks arising from the recommendations in this report.

7. RISK

The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	There are no strategic risks		L	Yes
Compliance	That the Council's use of RIPSA is not legally compliant. The Council's acquisition of communications data does not comply with the Home Office Code of Practice.	This Committee receives quarterly and annual reports on its use of investigatory powers under RIPSA and the IPA and related policy mitigates this risk highlighted in this Section.	L	Yes
Operational	Employees are not suitably trained for surveillance work. Failure to report to and update Committee on surveillance activity means that it would undermine public confidence in the Council and how it operates.	Appropriate and mandatory training arms staff with the correct skills to carry out surveillance and thus, there is little to no risk to staff. All requests for training are met. Reporting to Committee occurs quarterly on surveillance activity.	L	Yes
Financial	There are no financial risks		L	Yes

	arising from this report			
Reputational	Failure to update Committee on RIPSAs activity would mean that the Council would be at risk of reputational damage when this is raised by the IPCO in their inspection.	External inspections on RIPSAs activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSAs. Further, whilst there is no requirement to report to Committee about the Council's use of Communication Data, the broader reporting of both demonstrates the Council's wish to be transparent about its use of such powers. The Inspection Report is shared with Committee and an Action Plan created (where necessary) and is endorsed and approved by Committee.	L	Yes
Environment / Climate	There are no environmental or climate impacts arising from this report.		L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	The report does not have an impact on the Policy Statement
Prosperous Economy Stretch Outcomes	Whilst the recommendations of this report are for noting, the use of investigatory powers by the Council as an investigatory tool may have an impact on the economy as a result of enforcement action

	taken by services such as Trading Standard, e.g. such as in enforcing the law around counterfeit goods.
Prosperous People Stretch Outcomes	Enforcement activity undertaken by the Council by using, where appropriate, its powers under the IPA and RIPSA, may have an impact on this by tackling the selling of counterfeit goods.
Prosperous Place Stretch Outcomes	
Regional and City Strategies	This report does not have an impact on the Regional and City Strategies.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Jenni Lawson, Chief Officer Governance on 5 th April 2024. The purpose of this report is to update Committee on the Council's use of investigatory powers. Further, there is no requirement to consider the Fairer Scotland Duty as this report does not seek approval for any Strategic decisions and is merely providing Committee with an update on this type of activity.
Data Protection Impact Assessment	The purpose of this report is to update Committee on the Council's use of investigatory powers. As such, a Data Protection Impact Assessment is not required.
Other	There are no other impact assessments relevant to this report.

10. BACKGROUND PAPERS

10.1 There are no background papers to this report.

11. REPORT AUTHOR CONTACT DETAILS

Name	Jess Anderson
Title	Team Leader, Regulatory and Compliance, Legal Services, Governance, Corporate Services.
Email Address	JeAnderson@aberdeencity.gov.uk
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny
DATE	9 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions
REPORT NUMBER	CUS/24/079
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Lucy McKenzie
REPORT AUTHOR	Lucy McKenzie
TERMS OF REFERENCE	6.4

1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations decisions made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately.

2. RECOMMENDATION(S)

- 2.1 It is recommended that Committee notes the details of the report.

3. CURRENT SITUATION

- 3.1 A report detailing all Scottish Public Services Ombudsman (SPSO) and/or Inspector of Cremations decisions relating to Aberdeen City Council is submitted to Audit Risk and Scrutiny Committee each reporting cycle. This is to provide assurance that complaints and Scottish Welfare Fund decisions are being handled appropriately.
- 3.2 The last report on this matter was submitted to the 23 November 2023 Committee.

Scottish Public Services Ombudsman (SPSO) Complaint Decisions

- 3.3 The Scottish Complaints Handling Procedure (CHP) followed by Aberdeen City Council is outlined by the SPSO. Details of the CHP can be accessed at www.aberdeencity.gov.uk/complaints
- 3.4 The SPSO publish all decision reports on their website at www.spsso.org.uk/decision-report-search
- 3.5 There is one SPSO decision relating to Aberdeen City Council complaints to notify Committee of. The complaint was upheld with no recommendations. Further information is detailed in Appendix A.

Scottish Public Services Ombudsman (SPSO) Scottish Welfare Fund Review Decisions

- 3.6 The Scottish Welfare Fund is delivered by Local Councils across Scotland and offers two types of grants – Crisis Grants and Community Care Grants. Further information is available at www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund
- 3.7 There have been no SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period.

Inspector of Cremations Decisions

- 3.8 The Inspector of Cremations responds to complaints or queries from the public about cremations. There have been no decisions by the Inspector of Cremations in relation to Aberdeen City Council cremations to date.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	Low (L) Medium (M) High (H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	If we do not handle complaints or Scottish Welfare Fund (SWF) applications correctly then there is risk that we do not meet our strategic objectives.	Support in complaint handling is available to responding officers through a variety of methods and there is a centralised team in place to monitor compliance. The SWF team go through extensive training and ongoing guidance and support is available. Reviews are carried out by senior staff.	L	Yes
Compliance	The (SPSO) is the regulatory body for public services in Scotland. If we are non-compliant in our handling of a complaint or Scottish Welfare Fund application then there is risk that this is highlighted by the SPSO.	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality assured to ensure that responses are appropriate. Officers responsible for Scottish Welfare Fund applications	L	Yes

		receive full training to ensure they have the necessary knowledge to undertake assessments.		
Operational	Staff morale may be lowered as a result of a negative outcome of a SPSO decision.	Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards.	L	Yes
Financial	Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved, therefore financially it is in the council's best interest to resolve complaints early in the process. There is also a risk that the council may be required to undertake additional actions as a result of an SPSO decision, including financial compensation.	The complaint handling procedure encourages frontline resolution whenever possible and there is guidance and training in place to support staff in effective complaint handling. The financial benefit of early resolution is highlighted to responding officers in training.	L	Yes
Reputational	Non-compliance carries reputational risk. Customer perception of the council could also be negatively impacted if complaints and	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and	L	Yes

	Scottish Welfare Fund applications are not handled correctly.	appropriately across the council. Staff within the Scottish Welfare Fund Team receive comprehensive training to ensure applications are handled correctly and there is a robust procedure in place to review decision making when necessary.		
Environment / Climate	There are no environment / climate risks associated with this report.	N/A	N/A	Yes

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
Impact of Report	
Aberdeen City Council Policy Statement	Complaints are a vital part of organisational learning and improvement therefore enabling the Council to realise its aims across its policy statement. The report focuses on complaints outcomes which provide rich customer insight for the organisation to act upon to help transform service delivery.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Place Stretch Outcomes	The Scottish Welfare Fund supports the delivery of the LOIP stretch outcome 1 as it can provide short term financial assistance to help with food costs which can relieve the pressure on use of food banks. It also works with partner agencies to identify citizens and signpost them for budget management, debt advice and benefit maximisation.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required

Data Protection Impact Assessment	Not required
Other	Not required

9. BACKGROUND PAPERS

N/A

10. APPENDICES (if applicable)

Appendix A – SPSO Complaint Decisions

11. REPORT AUTHOR CONTACT DETAILS

Lucy McKenzie
Interim Chief Officer People & Citizen Services
LucyMcKenzie@aberdeencity.gov.uk

Appendix A – SPSO Complaint Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Cluster	SPSO Decision	SPSO Decision Report	Date Recommendations Implemented
23 February 2021	28 February 2023	<ol style="list-style-type: none"> 1) The Council failed to reasonably follow the correct procedures for issuing a building warrant (upheld) 2) The Council failed to keep a commitment to carry out sound testing (upheld). 	Strategic Place Planning	Complaint upheld, no recommendations	https://www.spsso.org.uk/decision-reports/2024/february/decision-report-202100411-202100411	Not applicable

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Inspection Report of Aberdeen Crematorium by the Senior Inspector of Burial, Cremation and Funeral Directors (Scotland)
REPORT NUMBER	CR&E/24/123
DIRECTOR	Gale Beattie
CHIEF OFFICER	Mark Reilly
REPORT AUTHOR	Graham Keith
TERMS OF REFERENCE	6.4

1. PURPOSE OF REPORT

- 1.1 At its meeting on 1 November 2016, the Communities, Housing and Infrastructure Committee resolved to present resulting reports of audits of Aberdeen Crematorium to the Audit, Risk and Scrutiny Committee for assurance purposes. This report provides the Committee with the Inspection Report of Aberdeen Crematorium carried out by the Senior Inspector of Burial, Cremation and Funeral Directors on 6 December 2023.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 notes the inspection report

3. CURRENT SITUATION

- 3.1 On 1 November 2016, the Communities, Housing and Infrastructure Committee approved a suite of compliance measures with the aim of improving arrangements at the Aberdeen Crematorium. One of these assurance measures was that the Senior Inspector of Burial, Cremation and Funeral Directors' annual inspection report be presented to the Audit, Risk and Scrutiny Committee.
- 3.2 The Senior Inspector of Burial, Cremation and Funeral Directors' Inspection Report is attached as Appendix 1.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None identified	N/A	L	Yes
Compliance	None identified	N/A	L	Yes
Operational	None identified	N/A	L	Yes
Financial	None identified	N/A	L	Yes
Reputational	None identified	N/A	L	Yes
Environment / Climate	None identified	N/A	L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
	Impact of Report
<p>Aberdeen City Council Policy Statement</p> <p><u>Working in Partnership for Aberdeen</u></p>	<p>This report supports the delivery of the following aspects of the policy statement: -</p> <ul style="list-style-type: none"> • the delivery of vital local services on which people depend • to ensure that the widest possible range of quality support is given where, and when, it is needed.
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
No direct link to one of the stretch outcomes.	

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Mark Reilly Chief Officer, Operations on 17 April 2024.
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

10.1 Aberdeen City Council Report to Communities, Housing and Infrastructure Committee Aberdeen Crematorium Performance Indicators (CHI/16/251)
<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=503&MId=3877&Ver=4>

11. APPENDICES

11.1 Appendix 1 - Inspection Report - Aberdeen Crematorium (December 2023)

12. REPORT AUTHOR CONTACT DETAILS

Name	Graham Keith
Title	Performance and Development Manager
Email Address	gkeith@aberdeencity.gov.uk
Tel	01224 053287

Appendix 1 - Inspection Report - Aberdeen Crematorium (December 2023)

Robert Swanson QPM
Senior Inspector of Burial, Cremation and Funeral Directors

Tel : 07721 110 655
Email : robert.swanson@gov.scot

Inspection of Crematoria

Name and Address of Crematorium: Aberdeen Crematorium Skene Road Aberdeen AB15 8PT	
Name of Cremation Authority: Aberdeen City Council	Date of Inspection: Wednesday 6 th December 2023
Undertaken by: Robert Swanson QPM Senior Inspector of Burial, Cremation and Funeral Directors (Scotland)	In the presence of: Graham Keith Performance and Development Manager Angus Beacom Crematorium Manager

1. Cremation Fees (as advertised) (Resident of Aberdeen)								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Full Cremation Fee (with chapel service)</td> <td style="text-align: right; padding: 2px;">£753.00</td> </tr> <tr> <td style="padding: 2px;">Cremation (no chapel service)</td> <td style="text-align: right; padding: 2px;">£595.00</td> </tr> <tr> <td style="padding: 2px;">Cremation (no chapel service – early morning slot)</td> <td style="text-align: right; padding: 2px;">£420.00....</td> </tr> <tr> <td style="padding: 2px;">Children (up to the age of 18 years)</td> <td style="text-align: right; padding: 2px;">No Charge</td> </tr> </table>	Full Cremation Fee (with chapel service)	£753.00	Cremation (no chapel service)	£595.00	Cremation (no chapel service – early morning slot)	£420.00....	Children (up to the age of 18 years)	No Charge
Full Cremation Fee (with chapel service)	£753.00							
Cremation (no chapel service)	£595.00							
Cremation (no chapel service – early morning slot)	£420.00....							
Children (up to the age of 18 years)	No Charge							

2. Staffing levels

Staff certificated to carry out cremations:

6 members of staff qualified to carry out cremations with 1 other undergoing training

3. Office Management

Administration Procedure:

There has been no change to procedure since the date of the last inspection.

Aberdeen Crematorium is one of very few crematoria in Scotland who only hold and retain documentation electronically, this being one of the provisions of the Cremation (Scotland) Regulations 2019.

The majority of documentation is received electronically, either by email, or the on-line booking service, which all funeral directors have access to.

Those which are received in hard copy are then scanned onto computer.

The administration procedure was examined from point of first intimation to dispersal of the ashes with checks carried out on a random selection of documentation held on computer.

All were found to be of a high standard with a number of safeguards in place to ensure total compliance with the instructions of the applicant.

Computer System:

BACAS

4. Total Number of Cremations Carried Out (2022)

Breakdown by category	
Adult:	1981
Infant (aged under 1 yr)	8
Child (aged 1 – 17 yrs)	3
Stillbirth:	6
Pregnancy Loss:	
Individual:	157
Shared:	663
Body Parts:	17
Total:	2835

5. Cremation / Identity Card Process

There has been no change to policy or procedure since the date of the last inspection.

The process and all related documentation was examined from point of arrival of the coffin throughout all stages including cremation, cooling, cremulation, storage and dispersal of the ashes, and subsequent updating of computer records.

All were found to be of a high standard with noted safeguards in place to minimise the risk of human error resulting in the mislabelling of ashes, and to ensure continuity of identification throughout the different stages.

6. Recovery of Ashes

Ashes have been recovered from all cremations.

7. Ashes Policy

There has been no change to policy since the date of the last inspection.

Ashes are dispersed in accordance with the instructions of the applicant.

Ashes can be retained for a period pending an instruction from the applicant, collected by the applicant, a nominated representative or the funeral director, scattered in the Garden of Remembrance or interred in the cemetery.

There is provision for a change of instruction by the applicant prior to dispersal.

A check on the disposal instructions on a random selection of application forms held on computer was found to accurately reflect the disposal outcome.

Ashes awaiting dispersal are stored in a secure room with clear identification and instruction labels affixed.

8. Cremators

Number of cremators: 4

Make (s): All FT3

Size: Large

9. Sample of Cremation Register

<p>Category: Adult</p> <p>Cremation number: 160990</p> <p>Result: All documentation and records held on computer examined and found to be in order. The cremation was carried out on 25th August 2023 with the ashes collected by the funeral director on 28th August 2023.</p>	<p>Category: Pregnancy Loss (Individual)</p> <p>Cremation number: 9517</p> <p>Result: All documentation and records held on computer examined and found to be in order. The cremation was carried out on 14th September 2023 with the ashes collected by the applicant on 12th October 2023.</p>
<p>Category: Pregnancy Loss (shared)</p> <p>Cremation number: 9519</p> <p>Result: All documentation and records held on computer examined and found to be in order. The cremation was carried out on 19th September 2023 with the ashes scattered in the Garden of Remembrance on 27th September 2023.</p>	<p>Category: Adult</p> <p>Cremation number: 161179</p> <p>Result: All documentation and records held on computer examined and found to be in order. The cremation was carried out on 2nd October 2023 with the ashes collected by the funeral director on 5th October 2023.</p>
<p>Category: Adult</p> <p>Cremation number: 161209</p> <p>Result: All documentation and records held on computer examined and found to be in order. The cremation was carried out on 6th October 2023 with the ashes collected by the applicant on 13th October 2023.</p>	

10. Use of Baby Tray

Number / Source:

5 x FT

11. Pregnancy Loss Policy / Procedure

NHS / Shared:

There has been no change to policy since the date of the last inspection,

The Cremation Authority have a Service Level Agreement with NHS Grampian for the cremation of shared and individual pregnancy loss.

Transportation is provided by NHS staff, with the cremation carried out on the same day.

Ashes from cremation of shared pregnancy loss are scattered within the Garden of Remembrance the following week.

Ashes from cremation of individual pregnancy loss are dispersed in accordance with the instructions of the applicant.

Individual :

The policy and procedure for cremation of individual pregnancy loss does not differ from that of an infant.

A Baby Tray is used for all cremation of pregnancy loss.

12. Metal Extraction

Policy:

Metal Extracts are dispersed in accordance with the instructions of the applicant.

There has been no change to procedure since the dated of the last inspection.

Unless otherwise instructed by the applicant metal extracts are sensitively recycled by Orthometals, as part of the ICCM scheme.

The monies accrued from the recycling programme are donated to nominated local charities.

A recent donation of £14,000 was made to a local bereavement charity.

13. Crematorium Management Plan

Implementation of the Cremation (Scotland) Regulations 2019 on 4th April 2019 required Cremation Authorities to prepare and maintain a Crematorium Management Plan to be made available for inspection by Inspectors of Cremation and members of the public.

The Regulations list a number of matters to be included within the Plan.

These are, as follows:

a) Name, address, and business hours of crematorium

b) Procedures for:

1. The carrying out of cremations
2. Dealing with any unexpected increase in number of cremations
3. The operation and servicing of all equipment used in cremation process
4. The disposal of cremation residue
5. The disposal of ashes
6. Contingency arrangements for unexpected disruption or loss of services

c) Review of the Plan

These are the minimum, allowing Cremation Authorities to also include other matters they consider worthy of inclusion.

The Aberdeen Crematorium Management Plan was seen to be of the highest of standards and one of the most comprehensive for any crematorium in Scotland.

The Plan contains a great deal more than that required under the Regulations.

14. General Observations / Recent Changes

Since the date of the last inspection there have been some improvements to the grounds, including a new waiting area for the cortege on the approach to the crematorium, and alterations to part of the Garden of Remembrance.

Future plans are believed to include the resurfacing of parts of the car park, paths and pavements.

All public and private areas seen during the course of the inspection were found to be clean, tidy and in a state of good repair.

The grounds and Garden of Remembrance were seen to be well maintained.

The only notable change within the crematory was the relocation of the area for coffins which are held over for cremation the following day.

15. Overall Assessment

The inspection found no shortcomings to any area of the cremation process, with good practice observed throughout all stages.

The crematorium continues to operate to the highest of standards, with great credit to all staff, who collectively provide a first class service to the local community and beyond.

Whilst staff are undoubtedly relieved that duties appear to have returned to pre-pandemic levels, they are by no means complacent, and are well prepared for any potential winter increase.

As has been stated in previous reports, the Cremation Authority are very fortunate in having such an experienced, enthusiastic and knowledgeable team.

Signed: Robert Swanson QPM
Senior Inspector of Burial, Cremation and Funeral Directors (Scotland)

Date: Friday 8th December 2023

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	9 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Unaudited Annual Accounts 2023/24
REPORT NUMBER	CORS/24/080
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	AR&S Cttee 4.1 and 4.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2023/24 unaudited Annual Accounts.
- 1.2 To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2023/24 unaudited Annual Accounts subject to this approval.
- 1.3 The report also provides the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2023/24;
- 2.2 consider the Council's unaudited Annual Accounts 2023/24;
- 2.3 consider the unaudited Annual Accounts 2023/24 of the Council's registered charities;
- 2.4 note that following this meeting the Council's and the registered charities' unaudited Annual Accounts will be finalised, signed by the Chief Officer - Finance and submitted to the Council's external auditors, Audit Scotland;
- 2.5 note that the Audit, Risk and Scrutiny Committee on 27 June 2024 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Chief Officer - Finance, Chief Executive and Council Co-Leaders;

- 2.6 note that the Audit, Risk and Scrutiny Committee on 27 June 2024 will also receive the external auditor's report on the annual accounts for debate and consideration and that this report will set out the auditor's findings and conclusions, highlight any significant issues arising from the audit of the Annual Accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being approved; and
- 2.7 note that the Audit, Risk and Scrutiny Committee on 27 June 2024 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

3. CURRENT SITUATION

Annual Governance Statement

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).
- 3.2 The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.
- 3.3 The Council has developed its approach to the annual governance review process and in 2023/24 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.
- 3.4 There are different layers of assurance that have been considered and used in determining the content of the AGS. These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.
- 3.5 Management assurance includes the certification of internal controls and assurance by Chief Officers, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities. The Chief Officer of the Aberdeen City Integration Joint Board has also provided assurance in respect of the Health and Social Care Partnership arrangements.
- 3.6 Further confidence is based on the operational structure and legislative framework that exists for the Council, including the continuity that has been maintained in relation to statutory posts throughout the year.
- 3.7 The Scheme of Governance defines the roles and responsibilities for officers and Elected Members
- 3.8 The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.

- 3.9 Each Chief Officer has reviewed their portfolio and certified the effectiveness of their governance arrangements to the Chief Officer – Governance and the Chief Officer - Finance.
- 3.10 Management Assurance has also been obtained from each Chief Officer and reviewed by the Corporate Management Team.
- 3.11 In undertaking a self-evaluation of the Council’s effectiveness of its governance framework, several officers have reviewed the Local Code of Governance and drawn judgements on the extent to which the Council is effectively complying with the code.
- 3.12 Independent scrutiny is undertaken by the Internal Audit function, which was carried out by the Internal Audit team from Aberdeenshire Council. They have provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment.
- 3.13 External scrutiny is required by legislation (Local Authority Accounts (Scotland) Regulations 2014) and the Council’s external auditor, Audit Scotland, reports on a variety of areas, not simply the financial statements and financial control environment. These reports, which are produced on a national basis, have been considered in preparing the AGS for 2023/24.
- 3.14 In conclusion and in examining the evidence, the 2023/24 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.
- 3.15 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and a co-Leader of the Council. It is recommended for approval prior to being signed off.

Unaudited Annual Accounts

- 3.16 On 23 November 2023, the Audit, Risk and Scrutiny Committee received and noted the contents of a report, “Annual Accounts 2023/24 – Action Plan” which provided high level information and key dates in relation to the production of the 2023/24 Annual Accounts. The key dates are noted below:

Date(s)	Description
31 March 2024	End of the financial year 2023/24
Jan – June 2024	Information from Group Entities (including ALEO's) Best Value Thematic Report to be integrated into wider scope audit areas (Leadership of the Development of new Strategic Priorities)
23 April 2024	Public Notice for the Public Inspection Period to be issued
08 May 2024	Signing of unaudited Annual Accounts by the Proper Officer
09 May 2024 (tbc)	Sign off by Audit, Risk and Scrutiny Committee (additional meeting required) Submission of the Annual Accounts to Auditors
09 May 2024 – 30 May 2024	Public Inspection Period for the ACC unaudited Annual Accounts
21 May 2024 – 11 June 2024	Public Inspection Period for the ACC Integrated Joint Board unaudited Annual Accounts
27 June 2024	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
27 June 2024	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Co-Leaders.
30 June 2024	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies
14 July 2024 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2024	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2024 (tbc)	Deadline for submission of the audited WGA to the Scottish Government
31 October 2024	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
31 December 2024	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

3.17 There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance, this report satisfies that requirement.

Inspection and Audit of the Accounts

3.18 The Local Authority Accounts (Scotland) Regulations 2014 define the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2024. The inspection must last 15 working days. This year the public inspection period for the Aberdeen City unaudited annual accounts will begin on 9 May 2024 and end on 30 May 2024. The ACC Integrated Joint Board public inspection period will begin on 21 May 2024 and ends on 11 June 2024.

The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts

can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.

- 3.19 On completion of the audit process, the external auditors will present their report on the audit of the Annual Accounts to the meeting of the Audit, Risk and Scrutiny Committee on 27 June 2024. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being certified.
- 3.20 The audited Annual Accounts will also be presented to that meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Chief Officer - Finance, Chief Executive, and Council Co-Leaders. The signed accounts must be published no later than 31 October 2024.

Financial Performance and Review of the Accounts

- 3.21 It should be noted that the unaudited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.
- 3.22 A report covering the detailed financial position of the Council will be considered by the Finance and Resources Committee on 8 May 2024. This report covers the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2024.
- 3.23 The credit rating and London Stock Exchange (LSE) listing has brought several reporting and governance requirements, including the need to consider our financial management systems, processes, and routines to take into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds.
- 3.24 The following paragraphs highlight some of the key sections of the Annual Accounts:
- 3.25 Management Commentary – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.
- 3.26 Comprehensive Income & Expenditure Statement (CIES) and Expenditure & Funding Analysis - reflects the income and expenditure of the Council per the Council's service structure based on the requirements of accounting standards.
- 3.27 Balance Sheet – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e., assets less liabilities) have decreased by £13 million from March 2023 to a total of £1.5 billion at March 2024. The corresponding movement in reserves reflects a decrease of £13 million in unusable reserves and no change in usable reserves.

- 3.28 Common Good and Trusts – the Common Good Fund’s CIES and Balance Sheet reflect a decrease in the value of its net assets which has resulted in its value decreasing by £1 million to £118 million at March 2024. The financial statements of the Trusts reflect the split between charitable and non-charitable trusts. This aids the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council’s external auditors.
- 3.29 Group Accounts – these include the Council, its subsidiaries, associates, and joint venture companies and reflect all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1.663 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

Registered Charities

- 3.30 This encompasses those charitable trusts, registered with OSCR, for which the Council is the sole trustee. There are seven separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £9 million, after the elimination of intra trust balances, i.e., the investment in the Lands of Skene by the City of Aberdeen Council Guildry & Mortification Funds and the Bridges of Aberdeen Heritage Trust.
- 3.31 These accounts are subject to the same audit process as the Council’s accounts, with the audited accounts and related auditor’s report being reported back to this committee on 27 June 2024 for approval prior to signature by the relevant officers.
- 3.32 Thereafter, they will be submitted to OSCR, no later than 31 December 2024.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 The preparation of the Annual Governance Statement is a part of the Council’s compliance with the CIPFA/SOLACE guidance on ‘Delivering Good Governance in Local Government’.
- 5.2 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with the Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally accepted accounting practices. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only

with the commitment of all staff that these high standards and deadlines can be met.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.'

7. RISK

The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	There is a risk that if reporting of annual accounts is not undertaken as required, the financial resilience of the Council is not maintained and that strategic priorities and outcomes have to be compromised in the future.	L	Comprehensive approach to preparing Annual Accounts to accounting standards and legislative requirements to ensure compliance and transparency for all stakeholders.	Yes
Compliance	Risk of legislation not being followed	L	Staff working with external audit to ensure compliance with legislation	Yes
Operational	Risk that the Finance systems	L	Digital strategy that includes regular and	Yes

	could be disrupted		rigorous checks to protect the integrity of all systems.	
Financial	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.	Yes
Reputational	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors	Yes
Environment / Climate	n/a	n/a	n/a	n/a

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	Financial reporting enables the delivery of the outcomes and regular performance reviews to ensure that the Council's stewardship and financial management are robust.
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
Prosperous Economy Stretch Outcomes	The Council continues to invest and report on front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management and reporting of the Council's finances will ensure that services can continue to be provided
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.
Regional and City Strategies	The information within this report supports Council, Regional and City Strategies by enabling financial planning, resource allocation and investment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Jonathan Belford, Chief Officer, Finance, Resources on 1 May 2024
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

- 10.1 Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.2 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.3 Audited Annual Accounts 2022/23

11. APPENDICES

- 11.1 Appendix A – Aberdeen City Council Unaudited Annual Accounts 2023/24
Appendix B - Aberdeen City Council Registered Charities Unaudited Annual Report and Accounts 2023/24

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**UNAUDITED ANNUAL ACCOUNTS
FOR THE PERIOD
1 APRIL 2023 TO 31 MARCH 2024**

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Management Commentary

Introduction

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2023/24 and understand our financial performance for the year to 31 March 2024. It also provides an insight into the medium-term financial planning we undertake to provide financial stability, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely. Our performance reporting and core financial statements for 2023/24 meet the requirements of the Council and of the London Stock Exchange (LSE) and provide financial transparency for citizens of the City and beyond.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2024, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). The Code is based on International Financial Reporting Standards (IFRS) and as such the accounts provide a reconciliation between the two reporting methodologies.

The option to defer the implementation of the new IFRS 16 for Lease Accounting until 1 April 2024 that was issued in 2021/22 remains in place. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases will be considered finance leases unless they meet the specific exception criteria. The Council has decided to defer implementation at this time.

The Accounts Commission has appointed Audit Scotland as External Auditors for the Council for the five years period commencing 2022/23 and ending 2026/27. The Council worked to its previously planned timetable for presentation of the unaudited Annual Accounts to Audit Risk and Scrutiny Committee in May 2024 with approval of the audited Annual Accounts planned for 27 June 2024.

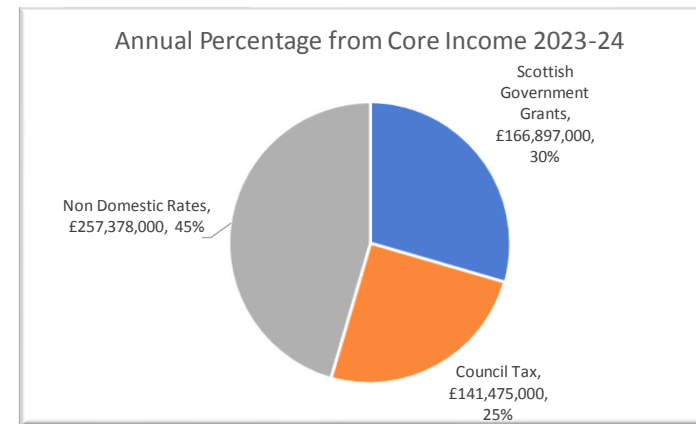
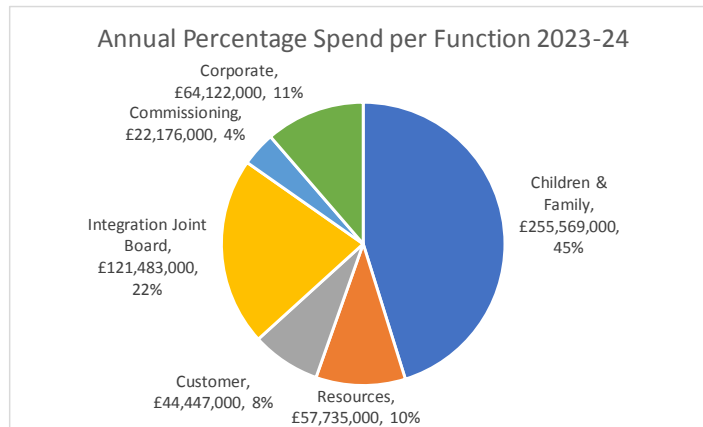
The Audit Scotland, External Audit Strategy will be reported to the Audit, Risk and Scrutiny Committee on [9th May 2024](#). This sets out risks that may require to be mitigated in the preparation of the 2023/24 accounts that was reviewed by External Audit. Full details can be viewed at the Council's website in Committee reports for the meeting at the link above.

Highlights from 2023/24

Aberdeen City Council is the main provider of services to the City's citizens and those who visit, work, and do business in the city encompassing the wider North East population. Our resources are focused on the provision of Education, Social Work, Housing, Environmental and Community services, as well as supporting investment in the City's infrastructure.

In 2023/24, the Children and Family Services Function was our largest spending responsibility, accounting for £256 million of our total £501 million net service expenditure. We provided Education and Integrated Children's Services to over 25,000 children. The Resources Function supplied Operational and Protective services including roads, and waste collection services at a cost of £58 million. £44 million was spent on our Customer Function that includes support for those who are homeless and community and customer facing services. £121 million was invested in Adult Social Work services as our contribution to the Integration Joint Board partnership with NHS Grampian. The balance of £22 million was spent on the Commissioning Function. Corporately we incurred costs of £61 million, £43 million of which was the cost of interest on borrowing. Expenditure on Council Housing was £105 million, managing and maintaining over 23,258 homes, and was funded entirely from housing rents and associated charges.

In 2023/24, we received income of £566 million, comprising £257 million and £142 million raised locally through non-domestic rates and council tax respectively, whilst £167 million was received from government grants.



The City Council's Revenue Position

In setting its 2023/24 General Fund (GF) budget on 1 March 2023 against a backdrop of a reducing revenue grant and £46.6 million of budget savings, the budget gap was proposed to be met by a range of savings options. These included alterations to the Non-Domestic Rates Empty Property Relief Scheme, a 5% increase in Council Tax, a redesign of Council services to address demand in line with a commissioning led approach; the use of a Scottish Government permitted fiscal flexibility, and the use of earmarked reserves to maintain services and fund priorities. The budget report and minute sets out the detailed proposals, risks, and assumptions behind the future financial proposals.

The legacy and continuing impact of the Covid-19 pandemic continued to be felt by the Council during 2023/24, in relation to supporting our citizens and our city, and in terms of the impact on Council finances. The slow recovery of income has been challenging with customer behaviour from the pandemic having a longer-lasting effect than had been expected. This has been particularly relevant with car parking income, venue and events income, and commercial property receipts.

High inflation has had the result of increasing the cost of government borrowing, increasing borrowing rates for individuals, businesses, and the public sector at large, with local authorities seeing significant increases in borrowing rates through the PWLB. The cost of new borrowing has increased and with inflation and construction inflation at high levels also being key factors, the Council has seen the cost of capital investment rise substantially for both the General Fund and the Housing Revenue Account. The higher levels of RPI have had an impact on the Bond repayments and the lease cost that the Council pays for Marischal Square. The high cost of energy has affected almost all the Council's services during 2023/24, and the influence of increasing inflation that reached 40-year high in 2022/23, although now lower it continues to affect the cost of goods and services to the Council.

Demand has continued to rise for our services this year, with attention being drawn to changes in our population, specifically rising school rolls, which are on the back of increased numbers of families in the city, whether through the dispersal and resettlement schemes, welcoming those fleeing harm and seeking sanctuary, and through the University schemes to attract international students to the City, with their families. While funding of a one-off nature has been provided by UK and Scottish Governments for these resettlement schemes our costs have risen particularly in providing education, and children and families services. Increased homelessness presentations are also affecting our finances with significant levels of temporary accommodation being needed. The Council has also been required to address the Ukrainian refugee situation with over 1,300 people being supported in the city in 2023/24, and while income has been received from both UK and Scottish Governments to support services, much of this is one-off funding and unspent funds are being carried forward to support ongoing expenditure.

Approved in the budget for 2023/24 the Council applied the fiscal flexibility to the accounting treatment of its service concession arrangements, as detailed in the Local Government finance circular 10/2022. The Council has two such arrangements – the 3Rs Schools, and Lochside Academy. The accounting treatment of the debt profile has been amended to spread them over the useful lives of the asset rather than the contract lives. The contract lives were 31 years and 26 years respectively. These have been recalculated using the

annuity method over the 60 years useful life. A total saving of £39.886m was released to the general fund earmarked reserves from Unusable Reserves. This comprised a £35.179m pre 2023/24 saving, and £4.707m saving for 2023/24.

The final operational out-turn position was a balanced budget on the General Fund. After considering group accounting adjustments and movements in reserves and a £1.525 million deficit on the Housing Revenue Account, there was an overall deficit for the Council of £1.525 million - details are as noted in the Revenue section on page 11. This will be reported to the Finance & Resources Committee on [8 May 2024](#).

The Council approved the revised reserves policy in March 2024. Usable reserves stood at £155 million as at 31 March 2024, a decrease of £1 million on the previous year.

The Council's Capital Position

The supply chain disruption which began during the Covid-19 pandemic continued in 2023/24 and is reflected in the total £234 million investment recorded for the Capital Programme for the year. The Construction Industry continued to experience shortages of products, raw materials, staffing and logistical support across the UK, compounded by the largest increase in energy prices seen in recent years. The Red Sea disruption also exacerbated supply chain issues for some commodities.

Despite the continued and emerging challenges faced this year, progress was made on a range of projects:

- The Energy from Waste (EfW) facility achieved its Acceptance Certificate on 12 December 2023, and formally moved into the 20 year Services (operations) phase of the contract. This was a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity, and heat for the Torry Heat Network.
- South College Street Junction Improvements (Phase 1) as at the start of July 2023 all project roads and junctions reopened. The works are now complete with additional lanes on Palmerston Place and South College Street between its junctions with Wellington Place and Riverside Drive fully operational. The new North Esplanade West/ Palmerston Place junction is also in use.
- Construction commenced on the new North East Scotland Shared Mortuary in Aberdeen, a multi-agency project with local public sector partners. The project is currently expected to be complete in late Autumn/Winter 2024/25. The operating agreement between Partners is currently being drafted.
- Tillydrone Cruyff Court works have progressed with a completion date of Spring 2024 this is dependent on weather conditions for surfacing works..
- Work commenced on the Tolbooth roof and parapet works (Condition & Suitability Programme) in June 2023 with completion planned for Autumn 2024 however this is likely to be delayed due to the additional works being required as new areas of dilapidation are uncovered. This is typical with repairs works to the external fabric of a 17th century building
- The Council continued its commitment to its New Schools and Early Learning programmes. Greyhope School & Community Hub was completed in October 2023, Works on the Tillydrone Primary School (New Riverbank Primary School) is progressing on site despite some delays due to the weather. And Bucksburn Temporary Accommodation is now in operation.
- The Council on 6 March 2024 renewed their commitment to the School Estate Plan, based on need and condition, and the commitment to build a new Hazlehead Academy, the building of a new school building for Riverbank Primary, create a refurbished and expanded home for St Peter's Primary and investment in Victorian school buildings.
- Design development work has continued across a portfolio of projects in and around the city centre and Financial Close is expected to be concluded soon with regard to the New Market, Union Street Central and Beach Phase A projects.

The fire at Altens East Recycling and Recovery Centre in July 2022 devastated the site, the demolition and rebuild that has now commenced is subject of insurance claims by the Council and the operator, Suez Recycling and Recovery UK Ltd. The loss of the materials recycling sorting equipment meant recycling collections have to be transferred to Hartlepool, which has compromised the Council's income from recycle sales. It is unlikely these income streams can be reinstated until the rebuild is complete and activity can recommence at Altens East.

Following a review of its properties the Council has discovered the presence of Reinforced Autoclaved Aerated Concrete (RAAC) Planks in a small number of public buildings and also identified RAAC in some of its housing stock in the Balnagask area of the city. Details of this have been published by the Council and can be found [here](#). An options appraisal is currently underway and this will determine the actions to be taken going forward, these could include remediation work or demolition.

In the Housing Capital Programme progress has been delayed in areas which involve mixed ownership, for example in the Free from Serious Disrepair category structural improvements within the multi storeys and flat roofs. Prioritisation of work on voids has continued which has shifted resources from capital to revenue works during the year. This has resulted in lower than budgeted spend on heating system replacement, kitchens, and bathrooms. The programmes that we ren't delivered in 2023/24 have been rolled forward into 2024/25.

The 2,000 new homes programme is progressing well with further homes at the Tillydrone, Cloverhill and Summerhill sites being handed over to the Council in 2023/24. The programme in 2023/24 has included developer led projects such as Cloverhill in Bridge of Don, Council led projects such as Kaimhill, Tillydrone and Summerhill with work on Craighill and Kincorth currently being suspended. The decision was taken to retender the works at Craighill and Kincorth.

Contingent liabilities were identified considering additional project cost uncertainty, details can be seen on page 126. The changing profile of capital expenditure will be reflected in future capital financing plans and the capital programme adjusted accordingly.

The impact on the funding of the Capital programme is that there was a lower borrowing requirement in 2023/24 than originally expected. Ongoing scrutiny and monitoring of the various Capital projects is the responsibility of the Finance and Resources Committee with the most recent project update being presented to this committee on [13 March 2024](#). Progress of the major Housing Capital projects are reported to Communities, Housing and Public Protection Committee with the most recent update reported on [28 March 2024](#).

The City Council's Group

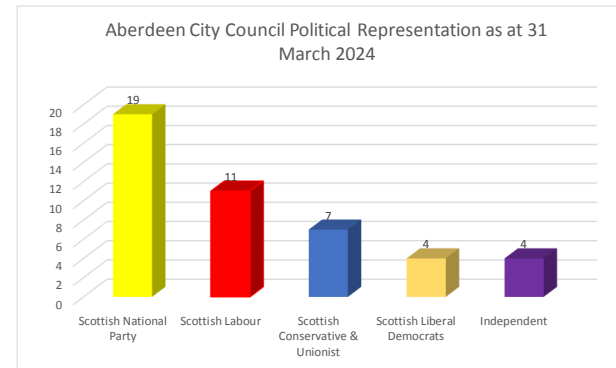
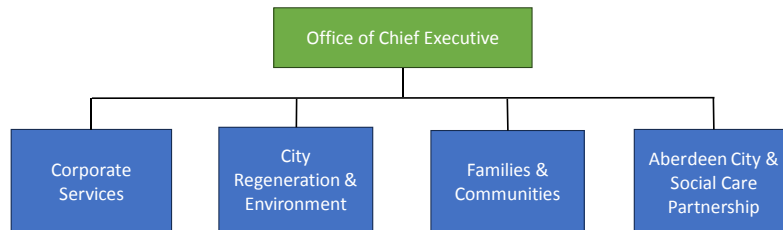
The Council has a number of Arm's Length External Organisations (ALEOs), several of which form part of our group and are reflected in the group accounts on pages 158 to 176. Significant investment is made in ALEOs by the Council, and proper consideration must be given to their performance and governance arrangements. All ALEOs were affected by the pandemic and were fully supported and monitored by the Council during this time. Assurance was also taken from reserves positions of many, in light of the impact on their financial sustainability. By April 2022 all were fully operational again to external customers. The Council's ALEO Assurance Hub is in place to scrutinise a range of information including operational and financial performance and people and risk management. This provides a strong platform from which to ensure review of the performance of ALEOs is embedded in the Council's culture.

The Council and Our Plans and Performance

Who we are - We are one of 32 Councils in Scotland. We have 9,710 employees and their commitment, professional approach and expertise is critical to service delivery. The very nature of our services is such that we employ a diverse range of talented people including teachers, social workers, craft and trades workers, community and housing support workers, engineers, solicitors, accountants, roads and waste operatives, carers, managers, team leaders and administrators, to name but a few.

The organisational structure in 2023/24 was a 4 Director Model (plus the Aberdeen City & Social Care Partnership). During 2023/24 a review of the structure was undertaken with a view to amend the senior management arrangements at Director and Chief Officer level. With the retirement of the Director of Resources in March 2024, the structure was approved by Council, and with effect from April 2024 will be altered to a 3 Director Model, see diagram below. New portfolios, changing the way specific Clusters and services are managed and delivered was incorporated and full details of the restructure were reported to Council on [7 February 2024](#).

Aberdeen City Council Structure from 1 April 2024



- **What we do** - Our governance is overseen by 45 members who are elected every 5 years by the citizens of Aberdeen. Following the Local Government Election on 5 May 2022, a partnership was formed by the Scottish National Party (SNP) and Liberal Democrats.
- **Council Leaders** – In May 2022, at the [Statutory meeting of the Council](#), Councillors Alex Nicoll and Ian Yuill were appointed as co-leaders of the Council. Councillor Christian Allard was appointed co-leader of the Council following a meeting of the [Urgent Business Committee](#) on 23 May 2023, replacing Councillor Alex Nicoll who had announced he was stepping down.
- **Our goals and plans** - The Council operates across different planning levels from the North East region to individual localities, whilst internally planning from the corporate level to individual members of staff. Our key documents can be found below and are available to view on the Council's website as detailed.

- **Council Delivery Plan 2023/24**

On 1 March 2023 the Council Delivery Plan 2023/24 was approved. Full details can be viewed [here](#). The plan continues to build on the achievement of the council vision. The Council Delivery Plan sets out the Council's contribution to:

- Aberdeen City's Local Outcome Improvement Plan
- The Council's Policy Statement • National, Regional and City Strategy
- New & emerging legislative duties

Each of these establishes a range of commitments and requirements and the Council Delivery Plan identifies how the Council will meet these for 2023/24.

The 'Performance Management' section of the plan explains how we monitored and tracked progress to ensure successful delivery.

The Delivery Plan is aligned to further key documents below:

- **Strategy Framework**

On [6 October 2021](#) the Strategic Commissioning Committee approved the commissioning of strategies that aim to set out the Council's contribution to the delivery of LOIP outcomes. The Strategies under development continue to be refreshed and are updated in the [Council Delivery plan 2023/24](#).

- **Local Outcomes Improvement Plan (LOIP)**

The LOIP was adopted during 2016/17, establishing improvement outcomes and associated measures for a ten-year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPA) Board. The LOIP was refreshed in 2021 and approved by the CPA Board on 7 July 2021, this followed

an extensive development process which started with the revised Aberdeen City Population Needs Assessment (PNA) for 2021. A refreshed LOIP as at February 2024 is currently out for consultation and scheduled to go to the CPA board on 29th April 2024. Full details can be viewed at the Council's website in Committee reports for the stated date. The LOIP can be viewed on the website of [Community Planning Aberdeen](#).



- **Policy Statement**
Following the Local Government elections in early May 2022, Council ([18 May 2022](#)) agreed that the priorities for the next five years would be as stated in the Policy Statement "Working in Partnership for Aberdeen".

- **Climate Change response and Net Zero Vision**

Council approved on [28 February 2022](#) a citywide approach to addressing climate change, as articulated through a Net Zero Aberdeen Routemap which sets a net zero target for Aberdeen City by 2045 across six themes and the refreshed Aberdeen Adapts, providing a climate adaptation framework for Aberdeen.

The two significant local drivers behind Net Zero Aberdeen and Aberdeen Adapts are the Economic Policy Panel's recommendations and Moodie's credit rating, the recent assessment of which noted that for overall environmental risk, Aberdeen scored neutral to low (E-2), reflecting low exposure across all categories, but a moderately negative exposure to carbon transition risks given the significant dependence of the city on the oil and gas sector, an issue which the route map now sets out to address.

Based on the data available and looking at the greatest areas of challenge, six themes were identified. The aim of this first iteration of the Routemap, and of the strategies, is to set that strategic direction for achieving the net zero position and acts as an enabling framework to support the subsequent detailed work required to achieve this goal under those six themes, which are: - Mobility, Energy Supply, Buildings and Heat, Circular Economy, Natural Environment and Empowerment. Each theme will require a whole system approach and must be shaped and delivered by businesses, communities and the public and third sectors. There is no one single body or organisation that can achieve the overall aim and while some organisations will have larger roles across the different individual themes everyone across the city has a role to play. The Routemap is also clear that there are significant interdependencies across all the themes. The Empowerment theme is probably the greatest example of this with behaviour change now accepted as having the greatest opportunity to reduce emissions across all of themes.

On 9 May 2023 a [Draft Net Zero Workplan 2023/24](#) for partnership activity to support delivery of Net Zero Aberdeen and Aberdeen Adapts was presented to the Net Zero Environment and Transport Committee for approval.

Aberdeen City Council introduced a Low Emission Zone (LEZ) in Aberdeen city centre on 30 May 2022 with a two year grace period. This means that between May 2022 and 31 May 2024, drivers will not be fined for entering the LEZ with a non-compliant vehicle. Enforcement of the LEZ will start on Saturday 1 June 2024. Costs of £453k were incurred in 2023/24, these were funded by a Scottish Government grant.

The Aberdeen City Low Emission Zone (LEZ) is being introduced to address air pollution in the city centre, mainly nitrogen dioxide (NO₂), caused by road traffic. A low emission zone (LEZ) is an area where only certain vehicles are allowed to enter based on their emissions standards. There are low emission zones (LEZ) being introduced to the four biggest cities in Scotland - Aberdeen, Edinburgh, Glasgow, and Dundee in line with legislation issued by the Scottish Government - [The Low Emission Zones \(Scotland\) Regulations 2021](#).

- **The Target Operating Model**

Through our ambitious programme of change, begun in 2017, the Council has transformed its organisational design; its governance arrangements; its approach to strategic planning and commissioning of services; its use of technology and digital services; fundamental change in service delivery for customers; the nature and role of our workforce; and how the organisation works collaboratively with its partners. This Delivery Plan shows, throughout, how the operating model supports the planning, commissioning and delivery of services and allows the Council to meet the range of commitments for the people and place of Aberdeen. The original governance structure aligned to the model was approved on [6 March 2018](#), with the Scheme of Governance refreshed annually thereafter.

The current global social, economic, and environmental challenges, including the legacy and continuing impact of Covid-19; inflation and the increasing cost of living; and climate change are also being felt acutely by the city and people of Aberdeen. This makes it imperative that we extend and accelerate many aspects of our journey of change, including our joint working with partners; digital access to services; and the use of data to identify those most in need. To support the necessary scale of transformation, in August 2022 the Council agreed a new Target Operating Model (TOM 1.2) for 2022-27, including identifying the investment required to enable change and release the level of savings outlined in the Council's Medium Term Financial Strategy. TOM 1.2 includes:

- An ambitious transformation programme for the Council

- Key programmes of multi-agency transformation to tackle areas where shared demand pressures exist and can be mitigated through whole system reform.
- And strategies to further modernise enabling services including Estates and Assets; Customer, Digital and Data; Workforce; and Intervention and Prevention

The key documents can be found at the Council website in Committee reports for the Council meeting in [August 2017](#), and [August 2022](#).

In [February 2024](#) a report was presented to Council to amend the Tom 1.2 functional structure to a Three Director Model following on from the retirement of the Director of Resources, with amended Tier 2 Functions of Children Families & Communities, Place and Corporate Services, alongside the Health & Social Care Partnership. This new structure will be effective from 1 April 2024.

- **[Regional Economic Plan](#)**

Approved in December 2015, providing a twenty-year vision for the well-being of the place and our people through a longer-term plan for economic development. Full details can be viewed on the Council's website in Committee Reports for the Council meetings on [16 December 2015](#). Details of the updated action plan for 2018-2023 can be viewed in Committee Reports for the City Growth and Resources Committee on [19 June 2018](#). Further information on the economic impact of Covid-19 and the council's Socio-Economic response is set out below in the section on Outlook including Risks and Uncertainties.

Investing in our workforce

Investing in the future is an important outcome for us. However, investing is not just about infrastructure and buildings. We recognise that the ultimate success of our plans for the city depends on the quality of our workforce – and that has been even more so in response to, and since the Covid-19 pandemic. We have continued to make significant investment in developing staff capability at all levels to ensure the long-term sustainability of our workforce. During 2023/24, under the responsibility of our Staff Governance Committee, we have continued to strengthen the ACC Workforce Plan, Capability Framework and our new approach to Leadership and Management Development. The Council Delivery Plan for 2023/24 describes our continued activities.

Engaging with our staff

The Workforce Delivery Plan approved [30 January 2023](#) by the Staff Governance Committee forms part of the TOM 1.2. The purpose of our workforce strategy is to take the organisational learning from our transformation since 2017, an appreciation of the shifting local and national context, the challenges faced by all councils and the need to drive change, to set out our path of workforce transformation for the next 5 years that will build the workforce of the future. We will achieve these outcomes through the following levers with objectives aligned to each:

- Right structures – setting up our structures in a way that supports our cultural aspirations.
- Right people – building our capacity through attracting, recruiting, and moving talent.
- Right skills – building capability through awareness, desire, knowledge, and ability.
- Right place – working where and when is best for the work and the customer.
- Right support – supporting employees to thrive, personally and professionally.

People Managers at Aberdeen City Council play a crucial role in our cultural transformation: in aligning their teams with the strategic aims; supporting them through challenges; and ensuring they have the right skills and working environment to thrive. Our [Leadership & Management Development Programme](#) ensures that the behavioural context for this group is in place to support the evolving TOM 1.2 structure going forward. Five core capabilities run throughout the capability and development frameworks for all People Managers and Chief Officers. These capabilities have been built around our Guiding Principles, which were built by employees and for employees. So, in addition to aligning employees to our strategic goals, the Capability Framework reinforces the culture needed from, and desired by, our workforce.

Diversity at work

As an equal opportunity employer, we comply with our obligations under the Equality Act 2010. As a diverse city we have a diverse workforce and operate with a culture which is open, fair, and transparent where any unlawful or unfair discrimination, prejudice, stereotyping, or harassment is challenged and addressed. We maintain pay equality within and across our workforce.

Our Relationship with Scottish and UK Governments

Annually, the Council receives grant funding from the Scottish Government. While core funding underpins many of the Council services, additional funding from fees and charges, raising money locally is crucial to supporting the breadth and depth of services the Council is able to provide. The support provided by both Governments to address the costs of the resettlement of refugees, in particular those fleeing the Russian invasion of Ukraine, has been vital but remains one-off in nature. The Council has continued this year to work with the Scottish Government to access additional funding in support of the construction of affordable housing in Aberdeen.

We work closely with both governments and seek to help to deliver national policy decisions. Funding of £20 million, through the Levelling Up Fund, was awarded by the UK Government in support of city centre projects and funding has been drawn down during 2022/23 and 2023/24 and will continue to fund our investment plans over the next year. Furthermore, work continues to progress on the City Region Deal – a commitment from both governments to invest £125 million each, with Aberdeen City and Aberdeenshire Councils to improve the infrastructure, business diversification and digital accessibility within the region and the additional commitment to £254 million from the Scottish Government which demonstrates the strategic importance of the City of Aberdeen as an economic engine room within the UK. Full details can be viewed on the Council Website in Committee Reports for the Aberdeen City Region Deal Joint Committee. Further information is available including the 2022/23 Annual Report on the City Region Deal Website at [ABZ DEAL](#).

Performance Management System

The Council is required to report details of its performance across a range of indicators, aligned to identified priorities each year, and does so regularly to our relevant committees. The Council's Annual Performance Report 2023-24 will be reported to Committee in September 2024, and will then be available on the Council's website [here](#). The performance of all thirty-two councils in Scotland is monitored through the Local Government Benchmarking Framework, through which Audit Scotland in part express its Statutory Direction on Performance Reporting. The LGBF National Benchmarking Overview Report 2022/23 may be accessed [here](#).

Financial Performance

- **Balance Sheet**

The Balance Sheet on page 54 shows Net Assets of £1,488 million as at 31 March 2024 (£1,501 million at 31 March 2023), a decrease of £13 million. Long Term Assets have increased by £172 million (from £3,009 million at 31 March 2023), reflecting an increase in Property, Plant & Equipment (PPE) of £193 million as a result of the completion of a new school opening during 2023/24 and the Energy from Waste site became operational, a decrease in Investment Properties of £25 million, and an increase in Long Term Investments of £4 million. Short Term Assets have increased by £24 million from the previous year, reflecting a decrease in Cash & Cash Equivalents (£18 million), Short Term Investments (£1 million), and an increase in Short Term Debtors (£43 million). Current Liabilities have increased by £97 million from the previous year, mainly due to an increase in Short Term Borrowing (£104 million) and a decrease in Short-Term Creditors (£9 million). Long Term (LT) Liabilities have increased by £112 million, mainly due to an increase in Long Term Borrowing (£82 million) and Pensions Liabilities (37 million).

The Council has continued to reflect the values of Long-Term Assets as at 31 March 2023 in line with current Royal Institute of Chartered Surveyors (RICS) guidance that has evolved throughout the year and provided additional assurance through more timely valuations of operational building assets and close attention being paid to the valuation method and assumptions around investment assets. Future liabilities, anticipated as a result of past events, are recognised as Provisions, where reasonably certain and quantifiable, and Contingent Liabilities where there is less certainty and limited or no data available to quantify any future financial liability. Full details can be found at Note 36 on page 126.

Total debt outstanding amounts to £1,556 million (2023 £1,371 million). The majority of borrowing comes from the Public Works Loans Board (PWLB) and a Bond Issuance, with the remainder coming from Market Loans and temporary borrowing from various public bodies and financial institutions. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

- **Reserves**

Having reached the end of the financial year, a review of the overall position for both revenue and capital has been undertaken (as in previous years) to ensure the Council is suitably prepared for future revenue and capital investment purposes.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but has not yet been spent.

During the year £50 million of these funds were utilised, £35 million from the Service Concession Reserve mainly to aid the Capital Programme, £5 million approved from second/long term empty homes to fund new build houses, and a further £4 million realigned to support the 2024/25 General Fund Budget. The remainder was used for a variety of service specific projects. New earmarked funding of £56 million was transferred in during the year. This was mainly to create the Service Concession Reserve from Unusable Reserves (£40 million), a long-term revaluation gain (£4 million) and bus lane enforcement income (£4 million). The balance of earmarked reserves as at 31 March 2024 was £79 million.

The Council has other usable reserves. These are the Capital Grants Unapplied Account with a balance of £11 million and the Capital Fund with a balance of £36 million. These reserves are used to support capital investment. There is also an Insurance Fund that ensures there is sufficient funding to cover the Council's insurance premiums.

The requirement to retain and manage financial reserves is a critical element of robust financial management and has a basis in statute. In setting its budget the Council must take cognisance of this strategy. The uncommitted General Fund balance as at 31 March 2024 of £12 million is in line with recommended balances. A revised Reserves Policy was approved for the year by Council on [1 March 2023](#), and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 76 to 81.

- **Treasury**

It is important in terms of investor confidence in Aberdeen City Council that the authority maintains its credit rating level. The rating is reviewed by Moody's on an annual basis and the assessment involves an analysis of the Council's financial and institutional framework, as well as an assessment of the economic performance of Aberdeen and the wider region. In terms of the economic analysis, independent economic commentary in this report will be used to not only support the Moody's annual review, but also provide the city with assurance on the medium-to-long-term economic outlook of Aberdeen and the region to existing and future investors.

In late October 2023, Moody's downgraded the credit rating of all its rated local authorities, including Aberdeen City. The rating fell to A2, from A1, with an outlook of Stable. The annual review meeting regarding the Council's credit rating took place on 23rd February 2024, with no changes made to the credit rating at that time. In its latest credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance".

The credit rating review followed the initial awarding of a credit rating in 2016, in advance of the successful £370 million bond issuance on the London Stock Exchange.

The Council's Treasury Management Policy for 2024/25 to 2026/27 set the policies and boundaries for our investments and borrowings, with the stated investment priorities being a) security of capital; and b) the liquidity of investments. Full details can be viewed at the ACC website in Committee Reporting for the Council Meeting on [7 February 2024](#).

- **Revenue**

For 2023/24, the Council set a net revenue expenditure budget of £661 million (being £559 million on the General Fund and £102 million on the Housing Revenue Account). The performance during the year resulted in an operational deficit of £1.525 million as a result of a deficit on the Housing Revenue Account. The General Fund had a balanced budget as at 31 March 2024. This reflects the service performance after year-end adjustments, such as the use of reserves and statutory funds, but excludes statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 82 and the Comprehensive Income and Expenditure Statement (CIES) on page 53.

The CIES statement has been prepared to the relevant accounting standards as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. This means that final accounting adjustments have been made to the Council's financial position in line with legislation.

Details of these accounting adjustments can be found in the Expenditure and Funding Analysis (EFA) which provides a reconciliation between the CIES and the Council's financial performance under the funding position as reported to Finance and Resources Committee on [8th May 2024](#). The EFA can be found at Note 7, along with an analysis by type of the accounting adjustments. These adjustments include items such as depreciation, revaluations and IAS 19 Pension adjustments.

Financial Performance 23/24	Quarter 4 Final Position	Transfers between funds & other adjustments	(Surplus)/ Deficit per EFA	Other Adjustments	Statutory Adjustments	(Surplus)/ Deficit per CIES
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	0	22,268	22,268	(10,045)	21,284	33,509
Housing Revenue Account	1,525	(13,825)	(12,300)	(2,425)	61,445	46,720
(Surplus) /Deficit on provision of services	1,525	8,443	9,968	(12,469)	82,729	80,228
Other Comprehensive Income and Expenditure						(67,596)
Total Comprehensive Income & Expenditure Surplus	1,525	8,443	9,968	(12,469)	82,729	12,632

Statutory adjustments – these are accounting adjustments made to bring the Council’s reported financial results into compliance with the appropriate accounting standards and the relevant legislation. These include Capital adjustments for depreciation, revaluations, impairments, concession arrangements, finance leases and capital grants. They also include Pension adjustments for cash payments made to the pension funds and adjustments for actuarial valuations.

Other Adjustments – The other adjustments are those entries that require to be adjusted for. These are an adjustment for the debt instalment, the deferred premium interest, the short-term employee benefits accrual, and the revenue contributions to capital.

The Council’s financial position compared to budget, excluding accounting adjustments is detailed below:-

As at 31 March 2024	Budget 2023/24 £000s	Actuals 2023/24 £000s	Variance (Actual - Budget) £000s
Children & Family Services	240,568	255,569	15,001
Resources	58,835	57,735	(1,101)
Customer	47,068	44,447	(2,621)
Commissioning	20,141	22,176	2,035
Integrated Joint Board	121,483	121,483	0
Total Functions Budget	488,096	501,410	13,314
Total Corporate Budgets	88,109	60,889	(27,221)
Total Net Expenditure	576,205	562,299	(13,907)
Sources of Income	(576,205)	(565,749)	10,456
Deficit/Surplus	0	(3,451)	(3,451)
Contribution to Capital & Insurance Fund	0	6,540	6,540
Contribution from Earmarked Reserves	0	(15,050)	(15,050)
Contribution to Earmarked Reserves	0	11,961	11,961
Deficit/(Surplus) after movement in Earmarked Reserves and Statutory Funds	0	0	0

The Council spent £562.3 m in 2023/24 against a budget of £576.2 m generating a net expenditure surplus of £13.9m, after core funding is taken account of and relevant transactions between the Revenue Budget and Reserves the overall operational position achieved was a 'balanced budget'.

Across the whole range of Council services there was an overspent of £13.3 m, the largest of these was in Children & Family Services principally due to the service managing a substantial increase in children that have arrived in the city over the last two years. This has been as a result of international students and their families and the number of families in the city seeking refuge. This year has also seen an increase in costs of Out of Authority Placements and Kinship. Long term absence in teaching staff has contributed to overspends.

The Commercial Property service income has not achieved its budget as there continues to be challenging market conditions for the leasing of property in the City. Property costs were greater than planned due to the high costs of materials and labour for repairs and maintenance, which continues to focus on work being completed on a 'wind and water tight' basis. Car parking income has partially recovered from the losses during the Covid pandemic due to an increase in the payment of fines but there remains lower income from car parking permits. The cost of temporary accommodation (hotels, and bed and breakfast) is experiencing a significant rise in demand due to the cost of living crisis and this is being exacerbated by fewer people moving into permanent accommodation.

There was an increase in income for museums, galleries and archives in 2023/24, after a few years struggling to recover from Covid, however the increases experienced in costs used all of that additional income resulting in higher costs overall for service delivery. Furthermore the Beach Ballroom did not meet its planned income levels. Fees from building warrant applications fell short of their budgeted levels, however fees from planning applications did achieve the levels expected. In the Integration Joint Board (IJB) the costs of commissioned services were higher than budgeted for a range of reasons that will be included in the Aberdeen City IJB annual accounts, these additional costs are to be met from IJB reserves. Additional income was raised from Bus Lanes enforcement, and the unspent value is retained as an earmarked sum in the usable reserves for specific use on transport.

	2022/23	2023/24
Number of children on school rolls	25,151	26,189
Number of refugees now settled in the community	683	1,497
Children & families seeking refuge from war in Ukraine	1,794	1,331
Out of Authority Placements	137	134
Number of homeless presentations	1,769	1,784
Commercial Properties to let	687	695
Temporary Accommodation- Hotels & Bed and Breakfasts	109	123
Art Gallery and Museums - no of events and exhibitions	203	178
Long term empty properties	2,507	2,803

Savings in Corporate budgets came from unused contingencies, lower capital financing costs as there was lower spend on capital projects, increased returns received on revenue balances due to higher interest rates.

Core income received was £565.749 m, this was received from the General Revenue Grant, Council Tax Income, and Non-Domestic Rates and a Contribution from Reserves of £14.629m. Funds will be transferred from Council Tax income to an earmarked reserve from additional income received for second and long term empty properties, which supports the delivery of affordable housing in the City. There are a number of other transfers to Earmarked Reserves. Details of these can be found at Note 6.

- **Capital**

The Capital budget for the period 2023/24 to 2027/28 was set at £1,288 million (General Fund £732 million, Housing £556 million). Capital expenditure during the year was £235 million, compared with anticipated expenditure for the year of £401 million. The capital programmes in 2023/24 were financed by capital grants (£20 million), borrowing (£152 million), and other grant income / contributions (£63 million).

Spending of £235 million was recorded for the Capital Programme for the year, much lower than originally expected, which was a consequence of supply chain volatility but also due to active and careful decisions taken to defer, pause and stop capital projects following a full review in the 2022/23. Pricing for contracts was extremely volatile

and substantially inflated ensuring the Council considered best value. The construction industry continued to experience shortages of products, raw materials, staffing and logistical support across the UK. The Russian invasion of Ukraine in February 2022 and resulting economic sanctions placed on Russia and Belarus further exacerbated supply chain issues for some commodities which were sourced from eastern Europe. Details of those projects that commenced, progressed or were completed during 2023/24 can be found on page 4.

- **Group Accounts**

The Aberdeen City Council Group consists of subsidiaries, joint ventures and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with total assets of £1.666 billion. This is an increase against the total assets of the Council, which are £1.663 billion, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2023/24. Details can be seen on pages 158-176.

- **Common Good**

The Common Good recorded an operating surplus of £1.814 million. This surplus is before revaluation of assets, investments and other accounting adjustments are applied. The value of the Common Good is £118.177 million at 31 March 2024, a decrease of £1.45 million from last year, reflecting movements in the value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 152-154.

- **Trust Funds and Endowments**

The Council administers a number of trust funds and endowments. Some of these have charitable status which requires separate accounts to be prepared and audited for submission to OSCR (Office of the Scottish Charity Regulator). The value of all the Trust Fund balances at 31 March 2024 was £11.415 million, an increase of £0.401 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 155 to 157.

Financial Indicators

The following financial indicators are intended to support interpretation of the Annual Accounts and the Council's financial position and performance. They provide an indication of the sustainability and affordability of the Council's financial plans. Many of these are used by local authorities for benchmarking purposes.

Financial Indicator	2023/24 £'000	2022/23 £'000	Description
Financial Management			
Actual net expenditure as a % of Council Revised Annual Budget	100.00%	96.51%	This is the General Fund net expenditure (before statutory adjustments and transfers to statutory funds) as a proportion of the Revised Annual Budget
Movement in the uncommitted General Fund Balance	£0.0 m	£0.0 m	Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve
Reserves			
Uncommitted reserves as a % of council annual budgeted net revenue	27.82%	20.87%	This ratio shows the proportion of the Council's Uncommitted Reserves in relation to the net revenue budget
Uncommitted General Fund Balance as a % of council annual budgeted net revenue	2.15%	2.21%	This ratio shows the proportion of uncommitted General Fund Reserve balance in relation to the budgeted net revenue
Debt & Borrowing			
Capital Expenditure			
General Fund	112,343	128,126	This is the amount spent on the General Fund capital programme for the year
HRA	119,903	114,447	This is the amount spent on the Housing capital programme for the year
Total	232,246	242,573	
Ratio of Financing Costs to Net Revenue Stream			
General Fund	7.68%	6.99%	This is the interest costs of the General Fund Debt in relation to the General Fund net Revenue Stream
HRA	13.29%	9.12%	This is the interest costs of the Housing Revenue Account in Relation to its Gross Income
Capital Financing Requirement			
General Fund	1214115	1,171,938	This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.
HRA	404187	312,070	
Total	1,618,302	1,484,008	
Gross Borrowing	1,556,154	1,370,746	The amount of short and long term borrowing as at 31 March 2024

Outlook including Risks and Uncertainties

Outlook for the City Council

a. Challenges from the rising cost of living and falling living standards

Just as the uncertainty and effects of the Covid pandemic on people and the economy were starting to ebb, the Russian invasion of Ukraine, inflation pressures and rising borrowing costs brought about a potentially bigger challenge for the country. Inflation peaked at 11.1% (CPI) in October 2022, and remained high in 2022/23 sitting at 10.1% in March 2023. The rate of inflation (CPI) has now dropped to 3.2% as at March 2024. Pressures have been experienced in the supply chain as a result of the Russian invasion impacting on such materials as steel, grain etc, adding to the inflation mix. In response to this the Bank of England raised the Bank Base Rate and interest rates increases followed, although these have plateaued at 5.25% in the second half of the year. The "Cost of Living Crisis" continues to affect our citizens as rising inflation impacts on fuel, energy bills and everyday shopping costs and the Council has continued to take action, including setting aside £1m to support anti-poverty initiatives in 2024/25. The prevalence of strike action being taken across the country has been inescapable as employees have been looking for pay to rise in line with inflation, generally unaffordable to employers and the public sector. Holding back inflation busting pay awards is a part of managing inflation, reducing the ability for discretionary spending.

The budget for 2024/25 has been set based on what was known and anticipated to happen regarding costs and demand, however, much is uncertain including the time it will take to reset and reduce the financial pressures back to long-term targets. The Council continues to work to understand the impact of these new and emerging pressures on the budgets and is working on the Medium-Term Financial Strategy to be presented to Council in August 2024.

b. Financial sustainability

On 23 August 2023, the Council approved the Medium-Term Financial Strategy for the General Fund, that set out the funding context, the medium-term outlook and the impact of capital investment and funding. Several scenarios and responses were developed and principles relating to financial sustainability and managing reserves. The Strategy noted that while the Scottish Resource Budget is increasing up to 2027-28, in both cash and real terms, it is not expected to rise at the same rate as the spending bill, creating a growing funding gap over time. From the Strategy the scenario plans revealed a budget gap range for 2024-25 of between £18m and £73m, with a central scenario of £43m.

The Council decided at its meeting on 14 December 2023 to increase rents in 2024/25 by 4.7% on the Housing Revenue Account, following rent having been increased by 4% in 2023-24 after being frozen for two years (2021/22-2022/23). The increase was below recommended levels with the Council accessing HRA reserves to fund the difference for 2024-25, a review of the 30-year financial model and business plan for the HRA has been instructed and will be presented to Council by the end of September 2024.

The General Fund budgets and Common Good budget were set on 6 March 2024. The 2024-25 General Fund budget presented proposals to address a significant gap of £25.3m to Elected Members. The gap is proposed to be met by redesign of Council services to address demand, in line with a commissioned approach as described in the report. The Council agreed a freeze in Council Tax and a rise in fees and charges, where appropriate. The budget report and minute sets out the detailed proposals, risks, and assumptions behind the future financial proposals. The Common Good is to distribute over £4m during 2024-25.

The Capital budget for the period 2024/25 to 2028/29 was set at £1,287m (General Fund £800m, Housing £487m)

Taking account of the challenges and strategic context, with particular emphasis on the emerging fiscal and economic challenges, it is clear the scale of service redesign will have to increase as we continue our journey of transformation, responding to a changing world by embracing new ways of doing business, meeting changing needs of customers and communities. Response to the challenges ahead takes more than can be delivered by the Council alone and therefore the transformation portfolio of the Council is part of a whole system, that includes multi-agency transformation and Council business efficiency.

We're achieving our financial sustainability by building upon our systemic redesign of services to ensure we respond to and shape future demand. Themes include:

- Reshaping our workforce - The overall purpose is to continue to transform the culture of the organisation by stretching the aims articulated in the TOM to align organisational culture with the ethos of the 21st Century Public Servant, whilst managing an approach to headcount reduction through service redesign and reshaping the remaining workforce both in terms of skills, way of working and culture. To achieve this, we will draw on the feedback and experience of staff gained during the pandemic through in-depth engagement with front line colleagues; we will continue to modernise our structural processes, thus creating an environment in which employees have clarity

of expectations and have the skills and confidence to deliver services that meet the needs of the citizens of Aberdeen in the 21st Century whilst at the same time feeling empowered to support and challenge their colleagues to do the same.

-Reshaping our estate – Working to establish how the Council and partners can best use their asset base to efficiently deliver services and support wider transformation aims. The Council holds significant physical resources, and, through the implementation of an updated Estate and Asset Strategy, including a Schools Estate Plan, we will continue to work to optimise the use of our assets, including rationalisation and a review of assets with communities, to maximise utilisation within a reduced footprint. By its nature, the estate should react to the requirement to deliver services and interact with other transformation programmes.

-Reforming how we work through digital - Digital and data have been, and remain, fundamental in both leading and enabling the continuing transformation of the organisation. The work will develop and provision the foundational technologies, infrastructures, systems, and skills that will enable and underpin service designs and transformations, taking full advantage of opportunities presented through the rapid acceleration of digital technology, the availability and management of data and how this can support both planning and transactional services for our customers.

-Empowering citizens - Our continued ambition centres around the empowerment, independence, and self-serving ability of our citizens. We continue to challenge the cut-off points between the customer and service delivery function, ensuring a single point of accountability for the customer experience empowered to drive more customer centric behaviour. Our approach to improved outcomes is focused on customer relationships and is based on the following 4 themes: Demand Prevention; Integrated Digital Access; Proactive Customer Engagement; and Embedded Customer Centric Culture.

c. Environmental Sustainability

As part of the approval of the Council Energy and Climate Route map on 6 May 2020, a Council Energy and Climate Plan was instructed. On 28 February, 2022 Council set the Net Zero Aberdeen route map which sets a net zero target for Aberdeen City by 2045. Scrutiny will be through the Council's Climate Change Report, produced annually to meet requirements of Public Bodies Climate Duties and an update was provided to the Net Zero, Environment and Transport Committee on 31 October 2023.

As detailed in the Council Delivery Plan (Council, 6 March 2024) the strengthened alignment of the commissioning intentions to support the Council's priorities of addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate are highlighted.

The two significant local drivers behind Net Zero Aberdeen and Aberdeen Adapts are the Economic Policy Panel's recommendations and Moody's credit rating, the recent assessment of which noted that for overall environmental risk, Aberdeen scored neutral to low (E-2), reflecting low exposure across all categories, but a moderately negative exposure to carbon transition risks given the significant dependence of the city on the oil and gas sector, an issue which this route map sets out to address.

Outlook for the City

- Aberdeen Economy – General

Aberdeen is at the heart of one of the most prosperous regions in the UK outside of London. Comparatively, economic activity in Aberdeen and the North East is high due to a host of factors including the concentration of activity for the Energy Sector. Gross value added (GVA), productivity, disposable income levels, house prices and commercial property returns are significantly higher than Scotland and UK averages, however it has faced several challenging years. Last year, the Aberdeen Economic Policy Panel noted the rate of employment in the region had dropped at a steeper rate than in the rest of Scotland. This has begun also to recover in 2023 but is still behind pre-pandemic levels.

Further, North East homeowners have seen house prices fall and renters have seen rents increase at steeper rates than the national average. This is an export-led economy with the city region making a disproportionately positive contribution to Scottish exports demonstrating the international reach of the city region.

The diversity of the economy provides significant opportunities for investment and business growth in both the short and long term. The strength of the recovery in Aberdeen City depends upon the recovery in the energy sector where the outlook continues to evolve. In the longer term the transition to Net Zero is both a challenge and an opportunity for the sector.

The population is still projected to grow over the next 35 years, and this has informed the preparation of the statutory Aberdeen City and Shire Strategic Development Plan for the region, and Aberdeen Local Development Plan for the city. This will obviously increase demand on a range of Council services, including roads, education, and social care, as well as partner services such as health but will also provide us with new opportunities to grow our business and income base and further strengthen Aberdeen's position as

an economic anchor in the wider UK. The housing developments referred to above will be required if this projected population growth comes to fruition and we are actively looking at how we can facilitate this continued demand pressure by generating new income streams and growing our financial strength and sustainability. The Council has prioritised Prosperous Economy as one of the key themes of the Local Outcome Improvement Plan and Policy Statement, with the sub themes of investment in infrastructure, inclusive economic growth, innovation, and internationalisation. The importance of supporting wider community and economic regeneration to the success of achieving the Council's wider outcomes is a key principle, with the Target Operating Model building cohesion through the Strategic Place Planning and City Growth functions. The Council's investment in its capital programme directly supports diversification of the city region economy, including tourism, events, leisure and culture, and the delivery of the City Region Deal commitments on roads, Aberdeen harbour expansion and digital infrastructure.

- **Economic Recovery**

Aberdeen's economic performance has been adversely affected by the pandemic, the Russian invasion of Ukraine, and the rise in energy prices, due to the sector mix of the local economy. Factors critical for the long-term success of the region include economic diversification, skills, infrastructure investment and energy transition.

A recent assessment of the Economic Outlook for Scotland can be found in "[Sixth Medium Term Financial Strategy](#)" published by Scottish Government on 25 May 2023. It quotes:

"The financial situation is, amongst the most challenging since devolution. Following on from a decade defined by UK austerity, over the past three years Scotland has faced a succession of economic shocks, with the Covid pandemic, the war in Ukraine, and the recent period of high inflation all driving significant pressures on the economy, society and the public finances.

We are living through the biggest fall in living standards in decades, with the Scottish Fiscal Commission forecasting that average real disposable incomes are not set to recover to pre-pandemic levels until around 2026-27."

The independent Aberdeen Economic Policy Panel produces an annual report on the state of the Aberdeen Economy. It was published in January 2024 and stated that "...whilst starting from a strong base, with GVA and average earnings levels higher than the national figures, [the North East] has faced particular acute challenges in recent years. For example, average real wages declined faster and further in the North East than they did nationally throughout 2022 and into 2023, only beginning to recover in mid-2023."

"Worker productivity, once the highest in Scotland, has been falling in recent years. Real GVA per head in the North East stood at £31,586 in 2021, the lowest it has been since 2005, bar 2020. Last year, the Panel noted the rate of employment in the region had dropped at a steeper rate than in the rest of Scotland. This has begun also to recover in 2023 but is still behind pre-pandemic levels. Further, North East homeowners have seen house prices fall and renters have seen rents increase at steeper rates than the national average. Before the pandemic, the employment rate in the region was 80%, with 258,000 employed. It dropped to 74% during the pandemic, leaving 236,000 employed. As of 2023, it has recovered to 78%, with 256,000 people employed¹"

"The Panel notes that business confidence, which had been deteriorating throughout 2022, has rebounded in 2023 to a modest level of positivity in Scotland and the UK, although this remains below pre-pandemic averages. The key concern for businesses is cost inflation². However, the North East continues to demonstrate a degree of resilience. A higher proportion of businesses feel their turnover will improve in the next 12 months (62%) compared to the UK (53%). More than a third of companies (35%) in the North East report that domestic sales have been increasing, in line with the UK average. And whilst 23% of UK businesses reported a decline in sales in the last three months, only 15% of businesses said the same thing in the North East. 35% of North East businesses have seen an increase in international sales, outpacing the national average (27%). 24% of UK companies saw a decline in export activity in the quarter, compared to just 13% in the Aberdeen region. Future overseas order pipelines are also stronger in the North East (30% vs 27%)³"

¹ North East Performs, October 2023

² The Institute of Chartered Accountants, Q2, 2023

³ AGCC Quarterly Economic Survey 2023, Q2

The Policy Panel conclude that "...the macroeconomic outlook remains challenging and is likely to remain so for the foreseeable future. There is little that Aberdeen can do to change that. Where local policymakers can have – and have had – the greatest influence is over the longer-term strategic approach for the region. Key to this long-term success will be diversification, a commitment to making Aberdeen an even more attractive place to live, work, invest and set-up a business, securing a successful transition to renewable energy and developing the core building blocks of a successful regional economic strategy (including skills and infrastructure)."

Supporting Recovery

During 2023/24 the Council adopted the [Local Development Plan](#), this represents Aberdeen City Council's land use strategy for Aberdeen for 10 years from 2022. Its aim is to support the Council's vision of creating a sustainable and socially equitable future for the city, as the home to its residents, as the regional centre of the North East, and as one of Scotland's most important economic engines.

The Council has continued to deliver on key infrastructure in the City to support recovery and make changes that will positively impact our citizens, businesses and visitors. Completion of the Energy from Waste facility, in collaboration with Aberdeenshire and The Moray Councils, opens up new possibilities in respect of energy off-takes and the journey to net zero. Furthermore the Council has committed to investment in the city centre in support of economic recovery. The Council capital programme and housebuilding programme demonstrates significant investment in providing employment, business opportunities and improved living standards. A report to Council on [14 December 2022](#) on City Centre Masterplan, Aberdeen Market, Queen Street, and the Streetscape programme progresses strategic work streams with a programme of works which in the long term support the recovery of the city, progress has been reported to Council regularly throughout the year.

The Council successfully introduced a scheme in 2023/24 to support empty shop units in Union Street being brought back into use, and has extended this scheme into 2024/25 with increased funding.

The approval of Aberdeen City Council entering into a Joint Venture with bp International Limited to deliver the Aberdeen Hydrogen Hub (AHH) Strategic Partnership will also facilitate recovery. The vision for the AHH aligns with the UK Government's recent UK Hydrogen Strategy publication which sets out the approach to develop a thriving low carbon hydrogen sector in the UK with an ambition to generate 5GW of renewable and low carbon hydrogen by 2030 and the Scottish Government's Hydrogen Policy Statement and Draft Hydrogen Action Plan, which both pitch Scotland to become a leading hydrogen nation in the production of reliable, competitive, sustainable hydrogen.

Conclusion

The Council reports a credit rating of A2 stable, now two 'notches' below UK Sovereign rating following the collective review of all local authority ratings in quarter 3 by Moody's. The assessment of Aberdeen City continues to highlight "a strong institutional framework" and "a strong track record of operating performance" and thereby demonstrating external assurance on the financial governance and strength of the organisation.

The 2023/24 financial year results showed a balanced operational budget for the General Fund and an overall small deficit of £1.525 million for the year. This shows another strong performance over what has been yet another exceptional year and demonstrates the Council's financial resilience and actions taken to maintain longer term stability in service delivery going forward.

This has been an extremely challenging year, with the Council continuing to feel the enduring effects of the pandemic, deal with the consequences from the Russian invasion of Ukraine, and the further impact of the Israel-Gaza war, including the resettlement of thousands of people. The Council has continued to plan for financial settlements for Local Government that will not increase funding to core services while at the same time react and adapt to inflation and interest rate pressures and the consequences for our people who continue to cope with a cost-of-living crisis. The Council governance arrangements for responding to the changing environment, and specific financial resilience plans we have evidenced our response to manage and mitigate risks in a robust way to protect the sustainability of Council finances throughout 2023/24 and into the future.

The approved Medium Term Financial Strategy signals the availability of funding and the risk and uncertainty of the operation environment in the future, this will guide the Council on the actions needed to transform the organisation, to remain within its means.

In the midst of these extreme pressures difficult decisions have to be made and priorities prioritised if the financial balance is to be found going forward. We intend to continue to invest in our staff and the infrastructure of the city in a financially sustainable way, the changes to the Council that are now aligned to the Target Operating Model (1.2) give us a strong direction for the future. Investment in providing an economically diverse and culturally rich environment, we believe, will continue to make Aberdeen a location of choice.

Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from across the organisation, as well as those in the wider Aberdeen City Council group. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2023/24 Annual Accounts to shortened timescales.

Jonathan Belford CPFA
Chief Officer – Finance

Angela Scott
Chief Executive

Councillor Christian Allard
Co-Leader of the Council

Councillor Ian Yuill
Co-Leader of the Council

Statement of Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on ?.

Signed on behalf of Aberdeen City Council

Councillor Christian Allard
Co-Leader of the Council

Councillor Ian Yuill
Co-Leader of the Council

The Chief Officer – Finance’s responsibilities:

I am responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Accounting Code).

In preparing the Annual Accounts, I have:

- 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 local authority Accounting Code (in so far as it is compatible with legislation).

I have also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2024.

Jonathan Belford, CPFA
Chief Officer – Finance

Annual Governance Statement

1. INTRODUCTION AND SCOPE

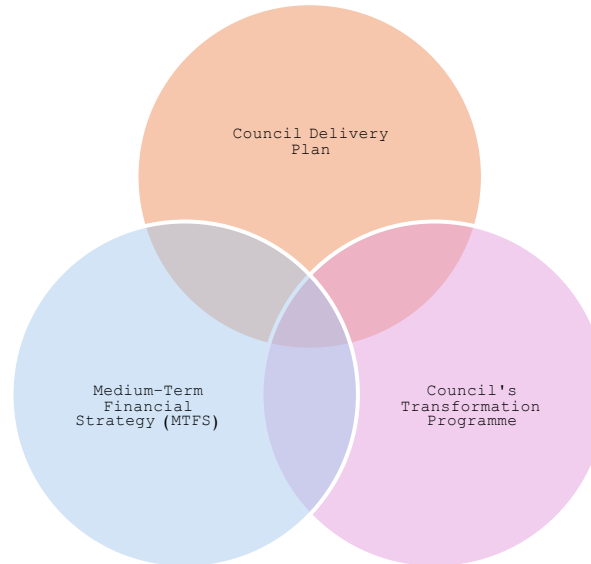
- 1.1 A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2024 and up to the date of approval of the annual accounts.
- 1.2 The purpose of this Statement is to report publicly on the extent to which the Council's governance arrangements are compliant with our Local Code of Corporate Governance 2022-2027 and to provide assurance on our internal control structure. This Statement when compared to those from previous years demonstrates that our governance framework is up to date and improving.
- 1.3 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 but aims to provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- identify risks to the achievement of the Council's outcomes;
 - evaluate the likelihood of those risks being realised and the impact should they be realised;
 - manage those risks efficiently, effectively and economically.
- 1.4 The Council has an approved [Local Code of Corporate Governance](#). The Code sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016. The Code cites the primary sources of assurance against each principle which demonstrate the effectiveness of our systems of internal control.

Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B	Ensuring openness and comprehensive stakeholder engagement
Principle C	Defining outcomes in terms of sustainable economic, social and environmental benefits
Principle D	Determining the interventions necessary to optimise the achievement of the intended outcomes
Principle E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
Principle F	Managing risks and performance through robust internal control and strong public financial management
Principle G	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

2. STRATEGIC COMMISSIONING APPROACH

- 2.1 Our governance arrangements supported delivery of the Council's overall strategic commissioning cycle during 2023/24 and are embedded in the **Critical Path**.
- 2.2 In March 2023, the **Council Delivery Plan 2023/24** aligned the Council's priorities to Aberdeen City's Local Outcome Improvement Plan, the Council's Policy Statement, the Council's Strategy Framework and the Council's legislative duties. As such it is a key component of our strategic planning approach.
- 2.3 The Delivery Plan was underpinned by the **Population Needs Assessment** – this provided data on people, place and economy which in turn informed our priorities, including the Council's approach to preventing demand on our services through early intervention. The Council's priorities were then aligned against the Local Outcome Improvement Plan's stretch outcomes and thereby set the baseline for commissioning intentions. Within the approved annual budget were a set of service standards, thus ensuring that the agreed levels of service to be delivered are affordable and reflect the demand for those services.

- 2.4 The **Medium Term Financial Strategy (MTFS)** is aligned to the Council Delivery Plan. This was approved by Council in August 2023, provides an overview of the Council's financial position, and sets out a range of principles for income, expenditure and capital investment that are designed to support financial resilience and financial sustainability.
- 2.5 The Council's transformation creates a future environment for which the Council will operate, outlining our approach to service redesign, that enables future budget gaps to be closed. Taken together, the MTFS and transformation represent the fiscal framework for the Council. The transformation programme has been developed to align with the MTFS, and, as well as supporting the delivery of the required savings articulated in the MTFS, the programme supports the implementation of the Council Delivery Plan.



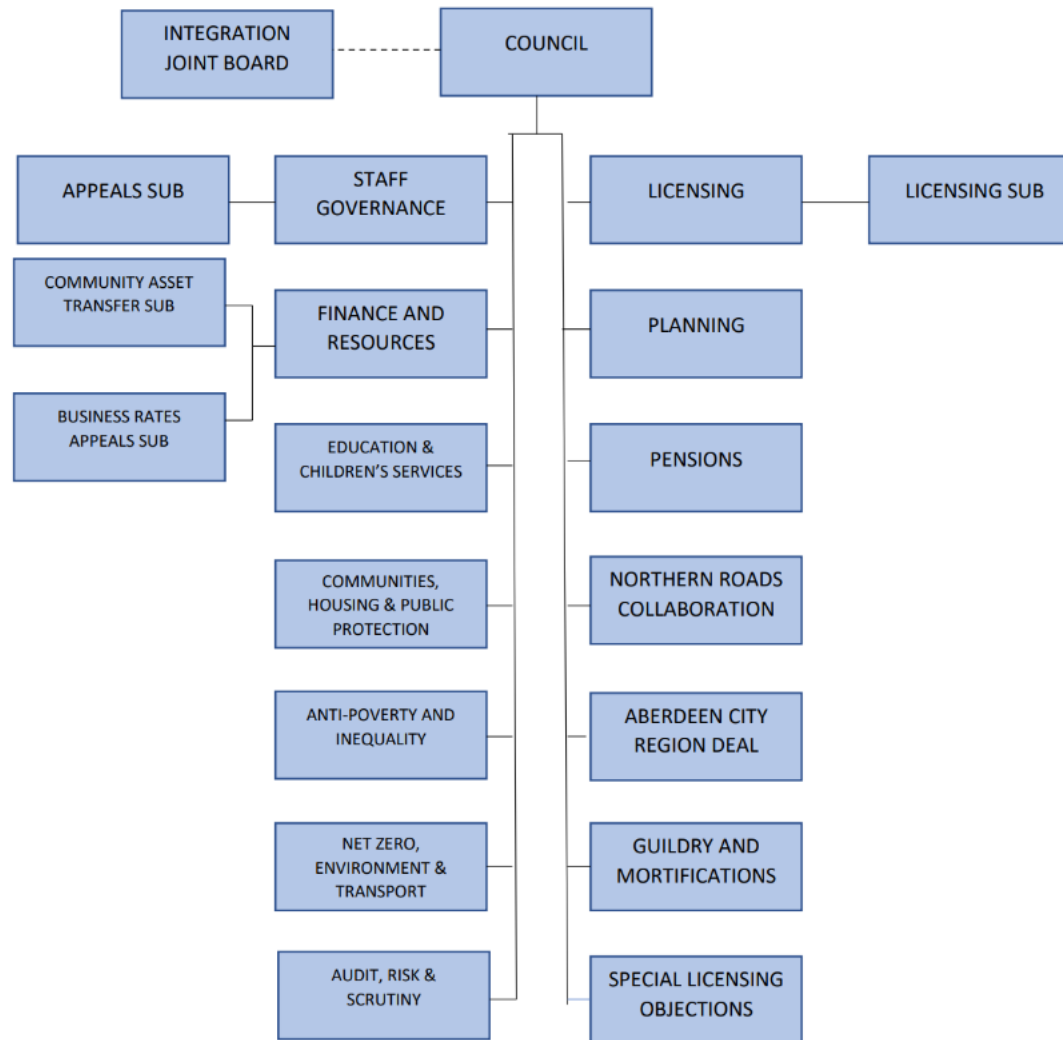
- 2.6 As part of the Council's continued transformation, the organisational structure was reported to Council in February 2024, proposing changes to the way in which specific Clusters and services are managed and delivered, making recommendations for new alignments as part of our agreed next iteration.

3. GOVERNANCE ENVIRONMENT

Elected Member Decision-Making

- 3.1 The Committee structure, below, was reaffirmed in June 2023 with minor changes made to the Terms of Reference. The Committee diary was approved in August 2023 and meetings were held as scheduled with the addition of five adjourned Council meetings, a requisitioned Council meeting and five meetings of the Urgent Business Committee.

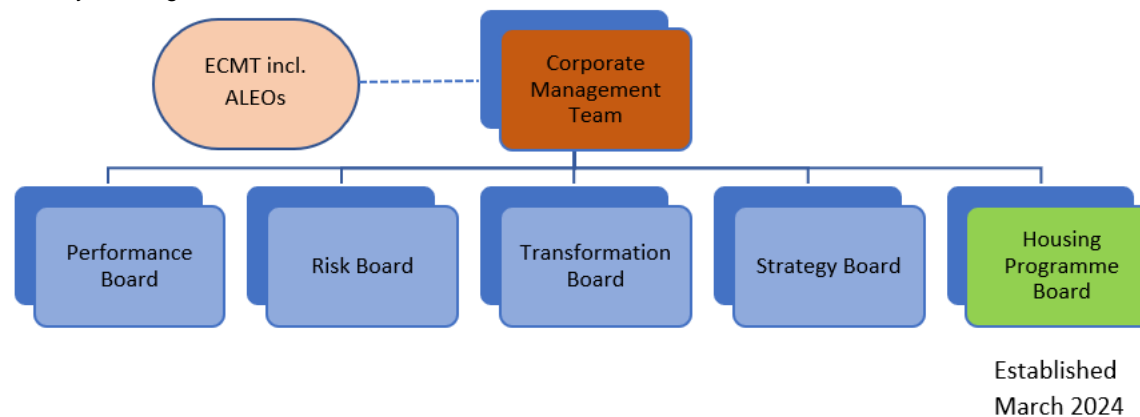
3.2 Each committee received an Annual Effectiveness Report assessing adherence to the Terms of Reference and including data on member attendance, referrals to and from other committees/Council, late reports and approval of officer recommendations. All reports were reviewed by Council in February 2024 (deferred from December 2023) to ensure oversight of the effectiveness of its delegations to committees.



- 3.3 Additional opportunities for cross-party working were identified in furtherance of the recommendations from the Council's 2017 and 2021 Best Value reports, including a Voids Sub-Group and cross-party work on financial settlements and budget setting. The Governance Reference Group also met during this period, to review the Council's Scheme of Governance.
- 3.4 In addition to the above Committee structure, regular meetings are held between the Chief Executive and all political groups as well as independent members. The Council's administration group ('the Partnership') senior leaders meet with the CEO weekly and meet monthly with the Corporate Management Team (CMT) to review political priorities and progress with Council actions against committee business planners. In addition, all committee convenors regularly meet with the respective executive lead for the committee.

Officer Decision-Making

- 3.5 As the Council's Head of Paid Service, the Chief Executive's (CEO) delegations are articulated within the Powers Delegated to Officers and given effect through officer decision-making structures at all levels of the organisation. In 2023/24, the below structure was in operation to support the CEO discharge the Head of Paid services responsibilities. Terms of Reference for the Corporate Management Team (CMT) and these officer only Boards were agreed and kept under review. Extended CMT (ECMT) held collaborative weekly touchpoints to progress shared corporate priorities and to achieve shared situational awareness on single services issues, as well as monthly meetings with ALEOs.



- 3.6 Commissioned by the Corporate Management Team, the executive boards govern and drive the delivery of the Council Delivery Plan, the MTFS, and the Council's transformation, through the strategic commissioning approach. Over the course of 2023/24:
- Strategy Board undertook analysis against priorities, legislation, etc agreed the future commissioning intentions and monitored the delivery of outcomes relate to in-year decisions from previous commissioning cycle activity.
 - Performance Board monitored agreed in-year service standards, instigated evaluations and improvement where required and reviewed and set future service standards.
 - Transformation Board delivered the transformation programme, delivering the requirements for the MTFS. It also reviewed Council design and instigated further cross-functional redesigns and commercial opportunities. This included exploring redesign opportunities in relation to ALEOs.
 - Risk Board provided scrutiny and assurance on internal controls and ensured deliverability of services within a heightened risk environment.

3.7 In addition, a number of control boards have operated during the year to support the above governance:

- Establishment Control Board -
- Demand Management Control Board -
- Capital Control Board -

3.8 The Control Boards provided scrutiny on all Council spend and assurance that Council policy and practice was adhered to and that we are providing best value whilst working within the available financial envelope.

Scheme of Governance

3.9 The Council's governance framework relies upon clear, transparent structures for both elected member and officer decision-making. The Scheme of Governance, first introduced in 2019, was updated in June 2023 following its annual review by officers and members. This is the mechanism by which:

- duties and powers vested in the local authority (the Council) are delegated to committees or to named Council officers;
- controls are placed on council officers to ensure their adherence to financial and procurement regulations;
- procedure at Council and Committee meetings is regulated; and
- members and officers relationships are regulated in alignment with the Councillors' Code of Conduct and the Employee Code of Conduct, including a mechanism for escalation where required.

3.10 The suite of documents which make up the Scheme of Governance were reviewed in June 2023 using the cross-party Governance Reference Group to develop proposals for approval by Council. The changes agreed are summarised below:

Committee Terms of Reference

To ensure that they reflect the general operation of all committees over the previous year. Revisions were mostly minor in nature, with the most significant change being to remove all references to the Council approving commissioning activity in excess of £1 million which was transferred to the Finance and Resources Committee to sit with oversight of other procurement activity.

Powers Delegated to Officers

To ensure that the document is reflective of current and pending legislation, as well as operational practice. The review also identified any additional changes that would enable operation of the respective areas to be undertaken in a more effective manner and improve the operational delivery to internal customers and citizens.

Standing Orders

To ensure that any areas for clarification raised at, or in relation to, meetings since February 2022 had been considered, the relevant Standing Order was updated. More significant changes included the introduction of a deadline for submission of motions/amendments by members, however this remains on a 'should' rather than 'must' basis and when reasonably practicable to adhere to. A mandatory deadline for the submission of final balanced budgets was added, to sit alongside a new Budget Protocol which is detailed below. A further revision encouraged members to submit questions to officers in advance of Committee meetings in order to promote effective management of agenda items. Other revisions were less significant in nature.

Financial Regulations

The requirements of the Following the Public Pound Code were added as well as reference to the Subsidy Control Act 2022. The Chief Finance Officer's limit for debt write off was increased from £25,000 to £50,000 to reflect inflationary and cost of living increases. Other revisions were relatively minor in nature.

Procurement Regulations

Reviewed in the context of revisions to other parts of the Scheme of Governance and to ensure that the Regulations are in line with the Procurement Manual, relevant legislation and operational practices.

Member Officer Relations Protocol

To ensure realignment to the Guiding Principles and Capability Framework and to emphasise the role of the Monitoring Officer and the possible escalation routes for both officers and members who breach the protocol.

A new **Budget Protocol** was introduced in June 2023 with a view to improving the process for annual budget setting across both member and officer areas of responsibility. The purpose of the Protocol was threefold:

- to enhance Council's compliance with the Public Sector Equality Duty by aligning Integrated Impact Assessments to budget setting;
- to formalise the process by which annual budgets are prepared by elected members; and
- to firmly embed public engagement within the preparation of budget options.

The Protocol, included within the Council's Scheme of Governance, introduced two phases of engagement with the public on budget options and accompanying impact assessments, as well as structured feedback on this engagement to elected members through the Medium Term Financial Strategy and a requirement for members to submit proposed balanced budgets three days prior to the budget meeting. Taken together, these additional measures significantly strengthened the Council's governance around annual budget setting in a particularly demanding financial year and more tightly managed the risk of legal challenge in relation to budget decisions.

The Protocol has been subject to a lessons learned review in the first year of operation, incorporating feedback from the extended CMT, participants in public engagement sessions and all elected members. When the Council reviews the Scheme of Governance in July 2024, these lessons learned will be taken into account.

4. REVIEW OF EFFECTIVENESS

4.1 Self-assessment provides reasonable assurance on the adequacy and effectiveness of Aberdeen City Council and its systems of governance and demonstrates fully our commitment to improving the governance of the Council. Our self-assessment has been completed and was informed by:

1. The work of CMT which develops and maintains the governance environment through its own activity and that of its Boards, drives delivery of our strategic commissioning approach on behalf of the Council and sponsors the delivery of the Critical Path. This work is outlined in the previous two sections;
2. The certified annual assurance statements provided by all Chief Officers to the Chief Finance Officer - each Chief Officer has reviewed operation of financial controls in their Cluster and certified their effectiveness to the Chief Officer Finance;
3. Council officers' management activities – ECMT has reviewed the governance activity in their Cluster and confirmed their effectiveness to the Chief Officer – Governance;
4. The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
5. Reports from the Council's external auditor;
6. Reports by external, statutory inspection agencies; and
7. The certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies.



4.2 It has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer (CFO) in Local Government (2015). Furthermore, in relation to other statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the extended Corporate Management Team. In addition, the CFO and Monitoring Officer, or their nominees, were in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Finance and Resources Committee. In addition, the Chief Social Work Officer attends the Council's Communities, Housing and Public Protection Committee and Education and Children's Services Committee and is an adviser to the Integrated Joint Board.

4.3 The Council continued to manage risk through its three lines of defence:

First Line of Defence ("do-ers")	Managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives
Second Line of Defence ("helpers")	Policies and frameworks which enable risk and compliance to be managed in the first line, including Committees and corporate Boards who set these policies and frameworks.
Third Line of Defence ("checkers")	Independent assurance provided by internal audit, external audit, and inspection and scrutiny bodies

Management Activities

- 4.4 Council Committees have continued to operate according to their approved Terms of Reference, as evidenced through Annual Effectiveness Reports considered throughout the year by each Committee and by Council in December 2023. These provided assurance that business considered was relevant to agreed remits and that membership and attendance were consistent. As well as the annual review of the Scheme of Governance, committee places were revisited when required in order to maximise representation and attendance and the Council diary was approved which reduced the number of committee meetings but maintained the frequency of Council meetings in the year. An extensive review of the Council's trusts was completed, including their financial management arrangements and changes to representation where required.
- 4.5 In respect of our commissioned services, strength of governance and stewardship was evidenced through the submission of procurement workplans and business cases to Council each cycle, annual performance reports for all Tier 1 ALEOs to Council in October and the ALEO Assurance Hub's assurance ratings in accordance with the Following the Public Pound guidance, to Audit, Risk and Scrutiny Committee in June and November.
- 4.6 The Council approved a revised Scheme of Establishment for Community Councils in December, for a period of consultation. This included changes to boundaries for some Community Councils. The final scheme was approved in April. A review of polling districts and polling places was undertaken in February as part of a statutory review, with public consultation taking place prior to reporting final proposals in July 2024.

- 4.7 In August the Council, as one of the nine organisations comprising the North East Health Partnership Alliance (NEPHA), endorsed a Strategic Partnership Agreement with Public Health Scotland. The NEPHA has met regularly throughout the year progressing a range of issues including responses to cost of living challenges and mapping health inequalities.
- 4.8 Extended Corporate Management Team collaborated on the Council's strategic commissioning cycle activity, providing the executive link between the boards and the operational delivery of the Council. This ensured consistency of approach to the commissioning approach and Council wide collaboration on strategic planning on how we align resource against Council priorities.
- 4.9 The risk management framework ensured that the organisation maintained the rigour of previous years through the reporting of risk registers, assurance maps and policies to the relevant Committees. The Risk Appetite Statement was further embedded in officer and member decision making and was subject to annual review in February. Whilst risk appetite levels remained unchanged, there was some adjustment with the Statement to recognise increased demand on services, reducing budgets and unpredictable external factors, all of which require to be considered when balancing appetite for strategic, compliance, operational and reputational risk.
- 4.10 Procurement compliance was reported quarterly to the Risk Board and demonstrated an improving picture in relation to off-contract spend and service compliance with procurement thresholds and decreasing trends in the number of issues relating to entries in the contracts register and to publication of contract award notices.

Local authorities have legal obligations under the Equality Act 2010 relating to the **Public Sector Equality Duty (PSED)**, as part of which they must give due regard to the need to eliminate unlawful discrimination, victimisation and harassment, advance equal opportunity and foster good relations in respect of protected characteristics. They must also assess the equality impact of proposed and revised policies and practices.

For a number of years, this duty, in regard to decision making, has been evidenced by the Council through the use of Integrated Impact Assessments (IIA). These have accompanied committee reports which recommend a decision requiring the "due regard" referred to above to be taken into account. Equality impacts, as well as impacts of the UN Convention on the Rights of the Child, Human Rights impacts and socio-economic impacts are all captured with the IIA, although the only requirement with a legislative duty is the equality duty and the socio-economic duty.

In 2023/24, officers reviewed the measures in place to support members to consider the possible impacts of recommendations on protected characteristics. This was partly in response to the judicial review of Council decisions following the closure of libraries and Bucksburn Swimming Pool in the 2023 budget process, and also to ensure that the Council is fully compliant with the Public Sector Equality Duty. In addition, it is clear that the financial challenges faced by local authorities place considerable pressure on our ability to deliver the services we are responsible for, the impacts of which must be understood and mitigated for in future annual budget decision making processes.

An improvement plan was overseen by the interim Chief Officer – Governance including changes which were structural - having the right policies, templates and processes in place; and cultural – having the right mindsets, training, support and social pressure/expectations for our workforce.

Following this approach, and accompanying gap analysis, a comprehensive and holistic action plan was developed and significant progress made culminating in the completion of over 100 IIAs as part of the annual budget setting to inform member decision-making.

- 4.11 Management sources of assurance and activities over and above those summarised have been reviewed by each Chief Officer with reference to their own portfolio. Each Chief Officer has confirmed progress against the commitments made in the previous year's Annual Governance Statement, any additional activity against the CIPFA/SOLACE principles of governance, as well as strength or weaknesses in internal financial controls. Taken together, these sources meet the requirements for management assurance to support the self-evaluation at section 5 alongside internal audit and external audit, inspection and scrutiny.
- 4.12 Any significant control weaknesses are documented at section 5 as Governance Issues and Irregularities further to assessment of returns by the extended Corporate Management Team. For 2023/2024, two issues are highlighted and improvement plans are in place.

Internal Audit

- 4.13 The Audit, Risk and Scrutiny Committee remained responsible for ensuring the effectiveness of the Internal Audit function, which continued to be provided through a shared arrangement with Aberdeenshire Council's Internal Audit Team during the financial year.
- 4.14 In 2023/24, the Chief Internal Auditor provided the Council with its annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2024. In the Chief Internal Auditor's opinion, Aberdeen City Council had an adequate framework for Governance, Risk Management and Control, covering the period 1 April 2023 to 31 March 2024. The report provided details of the position relating to the audits contained within the 2023/24 audit plan, part of the wider 2023-26 audit plan, and highlighted that recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment and lower the overall risk profile. The report also further confirmed the organisational independence of Internal Audit.
- 4.15 The Committee received a range of reports during the year produced by Internal Audit that enabled scrutiny and questioning of officers to take place. This helped the Committee to gain assurance over the adequacy of the control environment and further assurance about identified weaknesses and actions being taken to address them. Major risks identified during the year primarily concerned Procurement (Secondary School Visits), Compliance (Pupil Equity Funding, Attendance Management, Vehicle and Driver Compliance, Corporate Asset Management), and Monitoring (Vehicle and Driver Compliance, Biodiversity and the Natural Environment, Corporate Asset Management, Out of Authority Placements). In addition, a review of Adults with Incapacity presented a Major net risk overall, with limited assurance over areas such as Procedures and Training, Complete and Consistent Records, Minimum Intervention and Financial and Fund Controls.
- 4.16 Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to the Audit, Risk and Scrutiny Committee each cycle within the Chief Internal Auditor's Progress Report. In 2024, 99 actions were completed in year (compared to 119 in 2023) and as at year end, 123 audit recommendations were open (compared to 82 in 2023), 27 of which were due for implementation and the remaining 96 due in the future (either as the original planned date of implementation or through an agreed extension which has been reported to the Committee). The vast majority of these recommendations were rated as either Minor (23) or Moderate (76), with the remaining recommendations (24) being in the more significant Major space. These numbers include the HSCP work but exclude the IJB and Pension Fund. Management have highlighted in update reports that, where necessary, progress with implementing actions has continued but some have taken longer than expected due to factors such as resourcing and delivery of other priority areas. Internal Audit considers this an appropriate and proportionate response to the management of risk overall.
- 4.17 The Internal Audit Plan for 2024-27 was approved by the Audit, Risk and Scrutiny Committee on 12 February 2024. This continues the trend of a three-year rolling plan that allows Internal Audit and the Council overall to gain a better understanding of the wider operating environment and to ensure that on a continuous basis it is covering off a sufficient range of the Council's operations.

External Audit, Scrutiny and Inspection

- 4.18 The Council's appointed External Auditor for the period 2023/24 to 2028/29 inclusive is Audit Scotland. Audit Scotland report regularly to the Audit, Risk and Scrutiny Committee and their reports cover the range of year-end financial audits that are required at a local level and with a national perspective, together with updates on outstanding external audit recommendations, including Best Value audits.
- 4.19 The External Audit Annual Report 2022/23 was submitted to Audit, Risk and Scrutiny Committee in May 2024, later than planned due to an internal requirement to move the meeting date. The annual report found that the Council had:
- appropriate arrangements to secure sound financial management. Quarterly management accounts are provided to the Finance and Resources Committee. Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud were adequate.
 - The council has an effective best value framework in place. It has set clear priorities for the next five years. These have been reflected in a refreshed delivery plan and steps continue to be taken to further improve the quality of how the council reports its performance.

The report considered that Management had:

- prepared the financial statements to give a true and fair view, the audited part of the remuneration report was prepared in accordance with the financial reporting framework and the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- A robust approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A seven-year financial plan is prepared showing the savings required each year to deliver a break-even position.

The report also considered Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved. The council's performance in the Local Government Benchmarking Framework remains positive. It shows improvement in 47% of indicators which is above the Scottish average (43%).

- 4.20 External audits and inspections were reported to the Risk Board according to an Inspections Planner which monitors all activity across services and reviews inspection reports based on the Council's agreed risk appetite. For the reporting period, the following inspections were reported to the Risk Board and relevant committees of Council:

Education Scotland – School Inspections

A number of school inspections have taken place over the year and been reported to the Education and Children's Services (ECS) Committee. Inspection outcomes evidence continued variation although there is evidence of slow but positive movement in terms of inspection outcomes, the pace of change has been impacted in part by the central team covering vacant Head Teacher posts. A Quality Improvement Framework (QIF) was developed to document our approach to securing improvement and presented to the ECS Committee for approval prior to the 2023/24 school session, anticipated inspection outcomes were also shared with Members of ECS Committee. Each school inspection triggers a review of our current arrangements as outlined in the QIF to help determine if our approaches could be strengthened further. A refreshed QIF, based on learning from the year will be presented to ECS Committee in July.

Care Inspectorate – ELC Inspections

A number of Early Learning and Childcare (ELC) inspections have taken place and been reported to the ECS Committee. Inspection outcomes evidence a gradually improving picture with some evaluations of 'excellent' now coming through, those demonstrating best practice are being utilised to support improvement in other settings. An ELC Quality Improvement Framework (QIF) was developed to document our approach to securing improvement and presented to the ECS Committee for approval prior to the 2023/24 school session, anticipated ELC inspection outcomes were also shared with Members of ECS Committee. Each Early Learning and Childcare inspection triggers a review of current arrangements as outlined in the QIF to help determine if our approaches could be strengthened further. A refreshed ELC QIF, based on learning from the year, will be presented to ECS Committee in July.

Food Standards Scotland – Food Law Enforcement

Food Standards Scotland (FSS) carried out an audit of local authority implementation of interventions Food Law Code of Practice (Scotland) in December 2022 and the final audit report was made available in April 2023. The findings were presented to the Communities, Housing and Public Protection Committee in May 2023. While the audit report was mostly positive, there were areas of concern in relation to insufficient numbers of inspections being carried out and insufficient staffing levels to meet the required inspection numbers. There is a recognised national shortage of qualified food safety officers, and in conjunction with professional bodies work continues to introduce alternative study routes into the profession. These are currently being used and the service have subsequently recruited two trainee food safety officers, with the recruitment process currently being undertaken for a third. All other points raised within the audit report have been completed and closed by FSS.

Care Inspectorate – Secure Care Pathway Thematic Review

The Care Inspectorate completed a thematic review on "Secure Pathway" to consider how young people in secure care experience secure care and how the Secure Pathway and standards are being implemented across Scotland. The review was conducted in August 2023 with the final report made available in October and reported to the Education and Children's Service Committee in February 2024. The report recommended that local corporate parents evaluate their practice and services against the review findings and incorporate the required actions into their children's services plan. The report also highlighted the need for national resources and support to address the challenges of secure care and its alternatives. Aberdeen City has placed very few children in secure care and has already identified some areas of improvement in its plans. Thematic messages will subsequently be presented for Corporate Parenting to the Children's Services Board in forthcoming months.

Housing Benefit Performance Audit

Audit Scotland also completed audit work on housing benefit in all 32 local authorities to consider the extent to which Scottish local authorities are complying with their statutory responsibility to secure continuous performance improvement, having regard to economy, efficiency, effectiveness and equality. The audit for Aberdeen City Council was undertaken in 2023 with the final report made available in December. Implementation of the recommendations is being overseen by the Performance Board via an agreed action plan and focuses primarily on accuracy checks, debt recovery, monitoring of fraud overpayments and the setting of in-year targets to ensure a focus on strengthening performance.

Best Value Activity

- 4.21 Audit Scotland prepared and produced a Best Value thematic report on "*Leadership in the Development of the Council's Strategic Priorities*". This noted that the Council has ambitious plans for Aberdeen, that our vision and priorities are well articulated and embedded within our strategic planning framework, and that the

Council Delivery Plan clearly sets out commitments for the year. Movement in relation to inequality, climate change, transformation has been positive, and there is a robust approach to budgeting, longer-term financial planning and our strategies.

- 4.22 Areas for improvements relate to a need for sustained commitment from all members to cross-party working, particularly on governance, a need to improve scrutiny by the Audit, Risk and Scrutiny Committee where service committees are reporting a service failure or problem, and a need for some criteria in the use of delegated powers for politically sensitive matters.

Partnership Working and Group Structure

- 4.23 The Council is a complex organisation with many controlling interests in other entities. As such the influence, accountability and responsibilities that the Council has in respect of the organisations which form part of its Group are vitally important. It is essential that arrangements are in place which provide assurance to the Council in its relationship with these organisations. This statement extends to cover our relationships with the organisations included in the Council's Group Accounts, referred to as the "ACC Group".
- 4.24 In terms of the controlling interest in the group entities, assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Managing Director or Finance Director, as evidenced by each organisation's most recent audited accounts. The Council also receives assurance from officers who attend board meetings and receive operational and performance information on a regular basis.
- 4.25 The ALEO Strategic Partnership continued to operate to ensure the appropriate controls were in place:
- Reporting to Finance and Resources Committee on budget monitoring activity
 - Performance reports to Council annually from Tier 1 ALEOs (August 2023) in respect of their contribution to the Council and the city's stretch outcomes.
 - ALEO Assurance Hub reports twice a year to Audit, Risk and Scrutiny Committee (June and November)
- 4.26 The following ALEOs fall within the remit of the Assurance Hub, whose annual workplan for the year ending December 2024 was approved by Committee in February 2023:
- Sport Aberdeen
 - Aberdeen Sports Village Ltd
 - Bon Accord Care Ltd
 - Aberdeen Heat and Power Company Ltd
 - Aberdeen Performing Arts
- 4.27 The ALEO Assurance Hub has a remit to provide oversight of each ALEO's risk management, financial management and governance arrangements. The purpose of the Hub is to provide assurance to Council on ALEO governance whilst balancing this need with the rights of ALEOs to govern themselves as independent entities. The Hub continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of risk to the Council. The Assurance Hub also continues to report to the Audit, Risk and Scrutiny Committee to ensure that Members have assurance on the governance arrangements, risk management, and financial management of the ALEOs. The most recent report to Committee in December 2023 reflected that ALEOs continue to be affected by a variety of commercial and economic challenges including on-going energy market volatility and inflationary pressures, however, the Hub is satisfied that financial stewardship arrangements continue to be robust and present as low risk to the Council. The Hub also monitored the BP Joint Venture in the early stages of business set up.
- 4.28 The Council engaged with ALEOs on the new Protect duty ("Martyn's Law") which is expected to come into force in 2024/25 and which will impact their asset management plans and resilience risk management arrangements.

- 4.29 The Assurance Hub undertakes an annual review of its Terms of Reference to ensure they remain fit for purpose. This was completed in May 2023 when minimal changes were made.

The **Aberdeen City Integration Joint Board (IJB)** has taken a number of steps during 2023/2024 to further strengthen its governance arrangements. These include:-

- Scheme of Governance Review and Review of IJB Financial Regulations
- Review of Duties and Year End Report-Annual Review of Risk, Audit and Performance Committee
- Senior Leadership Team Business Meetings – monitors finance, risk, performance etc. on a monthly basis as well as horizon scans and reviews and plans IJB and Committee reports
- Risk Audit and Performance Committee reviews performance against the Strategic Plan on a quarterly basis
- Approval of Strategic Risk Registers and Risk Appetite Statements following a Members' Workshop - including a deeper dive on the workforce and commissioning strategic risks
- Approval of ACHSCP Annual Performance Report for 2022/23
- IJB received an annual performance report on the Carers Strategy (statutory requirement).
- Annual Report on progress against the Locality Plans presented to Community Planning Aberdeen, IJB endorsed the further development of locality working including the continued delivery of Locality Planning and the Aberdeen City Health and Social Care Partnership (ACHSCP) Strategic Plan.
- First Annual Review of ACHSCP's Workforce Plan 2022-2025
- Annual Procurement Workplan approved - Direct award of contracts for expenditure on social care services for the community

The IJB Chief Officer considers:-

- that the IJB, the Risk Audit and Performance Committee and the Clinical and Care Governance Committee apply regular and appropriate scrutiny to the work of the ACHSCP and its delivery of services in partnership with Aberdeen City Council and NHS Grampian
- that the internal control environment provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives and strategic priorities will be identified and actions taken to avoid or mitigate their impact.
- that sufficient systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement.
- that the Adult Protection Committee and Chief Officer's Group provides sufficient oversight of the adult support and protection arrangements delegated to the IJB.

It is the IJB Chief Officer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City IJB's systems of governance for the period 2023/24.

5. GOVERNANCE ISSUES AND IRREGULARITIES

5.1 While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Groups', systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising. Two significant governance issues for the reporting period 2023/2024 have been included below, alongside actions taken to date and those planned for 2024/25.

Item no.	Issue	Description of Irregularity	Actions to manage
1.	Integrated Impact Assessments	The Council received legal challenge following some budget decisions in March 2023, based on a failure to consider the Public Sector Equality Duty (PSED). It was evident that the completion of the Integrated Impact Assessments (IIAs) relating to these budget decisions was not robust, and the Council had to improve governance around completing these IIAs to show due regard to people with protected characteristics as part of decisions being taken.	<ul style="list-style-type: none"> The Council set up a cross cluster internal IIA Working Group which met weekly to action governance improvements to this process Training for Officers and Elected Members on the PSED and the Council's obligations to have due regard when making decisions was provided by internal and external legal. The legal challenges were settled following fresh IIA's and decision making The Council updated the IIA template and process that is followed by all staff. Training will continue to be provided regularly on this, to ensure integration of this as part of the Council's culture.
2.	Fraud	The Council identified fraudulent activity during the year.	<ul style="list-style-type: none"> The financial controls environment was immediately revised and updated Systems are being updated to correct Council records relating to the fraudulent activity The Council continues to review and make changes to financial controls where necessary Internal audit scrutiny of counter fraud will continue in 2024/25

6. ACTION PLAN 2024/25

6.1 In 2024/2025 we will continue to progress with the review and monitoring of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Risk Board, Transformation Board, Strategy Board and Performance Board, all reporting into Corporate Management Team. The table below highlights the primary actions planned in 2024/2025:

Action	Chief Officer	Target Completion Date
Cross Party working to be expanded in pursuance of improved governance and to respond to Audit Scotland recommendations.	Chief Officer – Governance	March 2025
Review of Scheme of Governance including updated Budget Protocol and Financial Regulations	Chief Officer - Governance	July 2024 and February 2025
Complete the next phase of improvements to Integrated Impact Assessments	Chief Officer – People and Citizen Services	March 2025
Ownership of commissioning cycle and alignment of ECMT collective/agenda	Chief Executive	March 2025
Review of Committee Structure and Terms of Reference	Chief Officer - Governance	February 2025

7. SIGN OFF

Angela Scott	Councillor Allard	Councillor Yuill
Chief Executive	Co-Leader of the Council	Co-Leader of the Council

7.1 The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2024. This demonstrates that

reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance.

This review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and provides a clear pathway for the enhancement of our governance arrangements over the coming year. We are satisfied that the programme of improvement actions will help to raise the standard of governance and provide assurance to our internal and external auditors, and other bodies with a role to play in evaluating our structures. We are also satisfied that their implementation and operation will be monitored closely as part of the next annual review.

On behalf of Aberdeen City Council, 09 May 2024:

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of their Annual Accounts.

All information disclosed in Tables 1 to 9 in this report will be audited by external audit. The other sections of the Remuneration Report will be reviewed by external audit to ensure that they are consistent with the financial statements.

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2023 (SSI No. 2023/21) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2023/24, the salary of the Leader of Aberdeen City Council is £46,902. The Regulations permit the Council to remunerate one Lord Provost and sets out the maximum salary that may be paid. Council policy is to pay at the national maximum, £35,179.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £525,117. The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The maximum number of Senior Councillors that the Council can have is 19. Council policy is to pay Committee Conveners 74 per cent of the total yearly amount payable to the Leader of the Council, £34,707. The remaining Senior Councillors receive 74 percent of the rate payable to the Civic Head, £26,032.

In 2023/24, Aberdeen City Council had 15 Senior Councillor posts. The salary and allowances paid to them totalled £477,230 which was below the maximum allowed.

The Regulations also permit the Council to pay contributions covering other payments, as required, to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme.

The salary of senior employees is set by reference to local arrangements. During the recruitment of the Chief Executive in 2008/09, the Council agreed to pay the Chief Executive a salary based on local conditions at that time. This pay base line has not changed on any subsequent Chief Executive appointments.

The salaries of the Executive Directors; Directors and Heads of Service are based on Aberdeen City Council's local job evaluation model and applied in conjunction with the national Chief Officer spinal column (Salary Scale) points. Executive Directors are based on Chief Officer spinal point 58 replacing Directors which were based on Chief Officer spinal column point 53. The Chief Officers of Finance, Governance, Strategic Place Planning and Children's Social Work and Family Support and the Chief Education Officer are paid based on spinal column point 36.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, Sport Aberdeen Ltd, Bon Accord Support Services Ltd, Bon Accord Care Limited and Aberdeen Heat and Power only in so far as it is represented on the Board of Directors by elected members.

Remuneration Disclosures:**Table 1: In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000 .**

This includes, where applicable, head teachers and other senior teaching staff.

	2022/23	2023/24
Remuneration Band	Number of Employees (Headcount)	
£50,000 - £54,999	258	725
£55,000 - £59,999	120	232
£60,000 - £64,999	138	105
£65,000 - £69,999	44	129
£70,000 - £74,999	11	83
£75,000 - £79,999	10	39
£80,000 - £84,999	8	24
£85,000 - £89,999	7	18
£90,000 - £94,999	11	4
£95,000 - £99,999	3	11
£100,000 - £104,999	1	6
£105,000 - £109,999	1	4
£130,000 - £134,999	3	-
£140,000 - £144,999	-	3
£165,000 - £169,999	1	-
£170,000 - £174,999	-	1
£175,000 - £179,999	-	1
Total	616	1,385

Table 1 shows the total number of council employees receiving remuneration in each band, starting at £50,000. Remuneration includes early retirement/voluntary severance costs.

Table 2: Details of total remuneration paid to the Council's Councillors.

	2022/23 £	2023/24 £
Salaries	1,097,465	1,124,165
Expenses	8,022	8,603
Total	1,105,487	1,132,768

Table 3: Details of exit packages.

Exit Package Cost Band	Number of Exit Packages Approved		Cost of Exit Packages £'000					
	2022/23	2023/24	2022/23			2023/24		
			Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	8	-	-	-	91	2	93
£20,000 - £39,999	1	3	9	24	33	60	17	77
£40,000 - £59,999	4	5	90	124	214	163	75	238
£60,000 - £79,999	1	-	21	40	61	-	-	-
£80,000 - £99,999	-	2	-	-	-	37	131	168
£100,000 - £149,999	1	4	18	107	125	122	424	546
£150,000 - £199,999	4	-	73	628	701	-	-	-
£200,000 - £249,999	3	-	50	595	645	-	-	-
Total	14	22	261	1,518	1,779	473	649	1,122

Table 4: Details of remuneration paid to the Council's Senior Councillors.

The 'Non-Cash Expenses' shown are telephone, internet and the cost of travel and subsistence incurred or booked on behalf of Councillors travelling on Council business.

2022/23	2022/23 *			2023/24	2023/24			
Full Time Equivalent £	Total Remuneration £	Councillor Name	Responsibility	Full Time Equivalent £	Salary, Fees and Allowances £	Non-Cash Expenses £	Total Remuneration £	Notes
33,795	29,486	Christian Allard	Council Co-Leader (from 23rd May 2023)	46,902	45,165	3,583	48,748	1
33,795	32,292	Ian Yuill	Council Co-Leader	34,707	34,707	982	35,689	2
45,669	43,147	Alex Nicoll	Council Co-Leader (until 22nd May 2023)	46,902	6,682	12	6,694	3
34,254	33,042	David Cameron	Lord Provost	35,179	35,179	1,502	36,681	
33,795	29,472	Steven Delaney	Depute Lord Provost	34,707	34,707	82	34,789	4
33,795	29,434	Gillian Al-Samarai	Convener, Licensing Committee	34,707	34,707	-	34,707	5
33,795	29,636	John Cooke	Convener Pensions Committee	34,707	34,707	109	34,816	6
33,795	29,486	Neil Copland	Convener of Staff Governance	34,707	34,707	31	34,738	7
33,795	29,486	Martin Greig	Convener, Education & Children's Services Committee	34,707	34,707	31	34,738	
33,795	3,319	Mohammad Tauqeer Malik	Convener, Audit, Risk and Scrutiny Committee (from 28th June 2023)	34,707	26,319	21	26,340	
33,795	29,486	Alexander McLellan	Convener, Finance & Resources Committee	34,707	34,707	80	34,787	
25,348	25,615	Ciaran McRae	Convener, Planning Development Management (from 14 June 2023)	34,707	32,948	31	32,979	8
33,795	29,602	Miranda Radley	Convener, Communities, Housing & Public Protection Committee	34,707	34,707	531	35,238	9
25,348	22,077	Desmond Bouse	Vice Convener Planning Development Management	26,032	26,032	-	26,032	10
33,795	29,565	Dell Henrickson	Vice Convener, Communities, Housing & Public Protection Committee (from 14 June 2023)	26,032	27,791	183	27,974	11
25,348	25,448	Ryan Houghton	Vice Convener, Audit, Risk & Scrutiny	26,032	26,032	31	26,063	
25,348	22,279	Neil MacGregor	Vice Convener Pensions Committee	26,032	26,032	109	26,141	
25,348	22,129	Jessica Mennie	Vice Convener, Education & Children's Services Committee	26,032	26,032	31	26,063	
34,254	6,857	Barney Crockett	Convener, Audit, Risk & Scrutiny Committee (until 27th June 2023)	34,707	8,388	12	8,400	
	501,858	Total			564,256	7,361	571,617	

* 2022/23 figures restated to remove Councillors who left in prior year.

Note 1:	Councillor Allard is also Convener of Anti-Poverty & Inequality Committee and Vice Convener of Urgent Business Committee from 23rd May 2023.
Note 2:	Councillor Yuill is also Convener of Urgent Business Committee, Net Zero, Environment & Transport Committee and Vice Convener of Finance & Resources Committee.
Note 3:	Councillor Nicoll was also Convener of Aberdeen City Region Deal and Vice Convener of Urgent Business Committee until 22nd May 2023
Note 4:	Councillor Delaney is also Vice Convener of Licensing.
Note 5:	Councillor Al-Samarai is also Vice Convener of Appeals and of Staff Governance.
Note 6:	Councillor Cooke is also Vice Chair of the Integration Joint Board.
Note 7:	Councillor Copland is also Convener of Appeals and Licensing Board.
Note 8:	Prior to his appointment to convener of Planning Development Management Councillor McRae was Vice Convener of Communities, Housing & Public Protection Committee until 13th June 2023.
Note 9:	Councillor Radley is also Vice Convener of Net Zero, Environment & Transport Committee.
Note 10:	Councillor Bouse is also Vice Convener, Anti-Poverty & Inequality Committee.
Note 11:	Prior to his appointment to Vice Convener of Communities, Housing and Public Protection Councillor Henrickson was Convener of Planning Development Management until 13th June 2023.

Table 5: Details of remuneration paid to Senior Employees of the Council.

2022/23	Restated 2022/23 *			2023/24	2023/24			
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary £	Compensation for Loss of Employment £	Total Remuneration £	Notes
169,499	169,499	Angela Scott	Chief Executive	179,754	179,754	-	179,754	
131,841	131,841	Andy MacDonald	Executive Director - Corporate Services (from 5 March 2024)	150,491	140,592	-	140,592	1
131,841	132,131	Gale Beattie	Executive Director - City Regeneration and Environment (from 7 March 2024)	150,491	140,534	-	140,534	1
131,841	108,919	Eleanor Sheppard	Executive Director Families and Communities (from 4 March 2024)	150,491	140,620	-	140,620	1
131,841	131,841	Steven Whyte	Director - Resources (until 31 March 2024)	139,817	139,817	31,787	171,604	
97,458	97,458	Jonathan Belford	Chief Officer - Finance	103,354	103,354	-	103,354	
97,458	32,638	Jenni Lawson	Chief Officer - Governance (Monitoring Officer)(from 1 April 2024)	103,354	87,600	-	87,600	2
97,458	31,656	Vikki Cuthbert	Interim Chief Officer - Governance (Monitoring Officer)	103,354	87,600	-	87,600	2
-	-	David Dunne	Chief Officer - Strategic Place Planning (Planning Officer) (from 14 March 2024)	103,354	4,793	-	4,793	3
97,458	97,458	Graeme Simpson	Chief Officer - Children's Social Work and Family Support	103,354	103,354	-	103,354	
97,458	31,438	Shona Milne	Chief Education Officer	103,354	106,732	-	106,732	
	964,879	Total			1,234,750	31,787	1,266,537	

* 2022/23 figures restated to remove employees who left in prior year.

Note 1:	Prior to their appointment to Executive Director posts Andy MacDonald, Gale Beattie and Eleanor Sheppard were Director of Customer Services; Director of Commissioning and Interim Director of Children's & Family Services respectively.
Note 2:	Prior to Jenni Lawson's appointment to CO - Governance, Jenni and Vikki Cuthbert covered the post 50/50 on an interim basis
Note 3:	Post held by David Dunne includes the function of Planning Officer which is a new statutory post.

Remuneration received by employees is salary. There were no bonuses or other benefits paid to senior employees during the year.

The senior employees included in Table 5 include any Council employee:

- Who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money), during the year to which the Report relates whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a Council subsidiary body, is £150,000 or more.

Table 6: Details of remuneration paid to the Senior Employees of the Council's subsidiary bodies i.e. Sport Aberdeen Ltd, Bon Accord Support Services Ltd, Bon Accord Care Ltd and Aberdeen Heat and Power.

2022/23	2022/23			2023/24	2023/24		
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remuneration £
112,400	112,400	Alistair Robertson	Managing Director Sport Aberdeen Ltd (until 31 March 2024)	112,400	113,246	55,000	168,246
108,690	108,690	Pamela McKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd	116,223	116,223	-	116,223
74,386	74,386	Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	77,965	77,965	-	77,965
295,476	295,476	Total			307,434	55,000	362,434

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Aberdeen City Council is a member of the North East Scotland Pension Fund (NESPF).

Councillors' pension benefits up to 31 March 2015 are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

From 1 April 2015 the pension is calculated as 1/49th of pensionable pay for each year to 31 March. This is then revalued by the appropriate factor on 1 April and carried forward into the next year.

For local government employees, this is a final salary pension scheme for all service up until 31 March 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. From 1 April 2015 it is a Career Average Revalued Earnings (CARE) scheme where the pension is calculated at 1/49th of the pensionable pay for the year. This is then revalued by the appropriate factor on 1 April and carried forward into the next year.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership.

The tiers and members contribution rates are as follows:

Pensionable pay (2022/2023)	Contribution rate 2022/23	Pensionable pay (2023/24)	Contribution rate 2023/24
On earnings up to and including £23,000	5.5%	On earnings up to and including £25,300	5.5%
On earnings above £23,001 and up to £28,100	7.25%	On earnings above £25,301 and up to £31,000	7.25%
On earnings above £28,101 and up to £38,600	8.5%	On earnings above £31,001 and up to £42,500	8.5%
On earnings above £38,601 and up to £51,400	9.5%	On earnings above £42,501 and up to £56,600	9.5%
On earnings of £51,401 and above	12%	On earnings of £56,601 and above	12%

Previously, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned. From April 2015 the contribution rate for part timers is worked out on their actual pay and not the whole -time pay rate for the job.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

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

The scheme's normal retirement age for both Councillors and employees is their New State Pension Age.

Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 2024.

Table 8: Details of pension contributions made by the Council either to the NESPF or Scottish Teachers Superannuation Scheme (STSS) on behalf of Senior Employees of the Council, and their individual pension entitlements as at 31 March 2024.

Table 9: Details of pension contributions made by the Council's subsidiary bodies i.e. Sport Aberdeen Ltd, Bon Accord Support Services Ltd. Bon Accord Care Ltd and Aberdeen Heat and Power, on behalf of their Senior Employees.

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		Restated for year to 31 March 2023 * £	For year to 31 March 2024 £		As at 31 March 2024 £'000	Difference from 31 March 2023 £'000
Christian Allard	Council Co-Leader (from 23rd May 2023)	5,721	8,084	Pension	4	1
Ian Yuill	Council Co-Leader	5,827	6,213	Pension Lump Sum	9 2	1 -
Steve Delaney	Depute Lord Provost	5,721	6,213	Pension	6	2
John Cooke	Convener Pensions Committee	5,721	6,213	Pension	3	-
Neil Copland	Convener of Staff Governance	5,721	6,213	Pension	5	1
Martin Greig	Convener, Education & Children's Services Committee	5,721	6,213	Pension Lump Sum	8 2	1 -
Mohammad Tauqeer Malik	Convener, Audit, Risk and Scrutiny Committee (from 28th June 2023)	3,757	5,581	Pension	6	1
Alexander McLellan	Convener, Finance & Resources Committee	5,721	6,213	Pension	3	-
Ciaran McRae	Convener, Planning Development Management (from 14 June 2023)	5,028	5,121	Pension	3	-
Miranda Radley	Convener, Communities, Housing & Public Protection Committee	5,721	6,213	Pension	2	1
Desmond Bouse	Vice Convener Planning Development Management	4,197	4,660	Pension	1	1
Dell Henrickson	Vice Convener, Communities, Housing & Public Protection Committee (from 14 June 2023)	5,721	4,975	Pension	3	-
Ryan Houghton	Vice Convener, Audit, Risk & Scrutiny	3,943	4,660	Pension	4	-
Neil MacGregor	Vice Convener Pensions Committee	4,404	4,660	Pension	8	2
Jessica Mennie	Vice Convener, Education & Children's Services Committee	4,404	4,660	Pension	2	1
Barney Crockett	Convener, Audit, Risk & Scrutiny Committee (until 27th June 2023)	4,388	4,860	Pension Lump Sum	14 3	2 -
Total		81,716	90,752	Pension Lump Sum	81 7	14 -

* 2022/23 figures restated to remove Councillors who left in prior year.

Councillors Nicoll, Cameron and Al-Samarai are not in the Local Government Pension Scheme.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment. This may be enhanced in some cases where the employee has transferred in a previous pension from another pension scheme.

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits			
		Restated for year to 31 March 2023 * £	For year to 31 March 2024 £		As at 31 March 2024 £'000	Difference from 31 March 2023 £'000	Note
Angela Scott	Chief Executive	30,340	32,176	Pension	93	9	
Andy MacDonald	Executive Director - Corporate Services	23,600	25,166	Pension Lump Sum	42 19	6 1	
Eleanor Sheppard	Executive Director Families and Communities	25,051	33,054	Pension Lump Sum	42 84	- -	1
Gale Beattie	Executive Director - City Regeneration and Environment	23,600	25,156	Pension Lump Sum	48 70	5 4	
Steven Whyte	Director - Resources (until 31 March 2024)	23,600	25,027	Pension Lump Sum	59 69	8 4	
Jonathan Belford	Chief Officer - Finance	17,445	18,500	Pension Lump Sum	49 69	5 4	
Jenni Lawson	Chief Officer - Governance (Monitoring Officer)(from 1 April 2024)	13,899	14,471	Pension	9	2	
Vikki Cuthbert	Interim Chief Officer - Governance (Monitoring Officer)	13,899	15,680	Pension Lump Sum	29 25	4 3	
David Dunne	Chief Officer - Strategic Place Planning (Planning Officer) (from 14 March 2024)	16,721	17,732	Pension	16	3	
Graeme Simpson	Chief Officer - Children's Social Work and Family Support	17,445	18,500	Pension Lump Sum	45 54	5 3	
Shona Milne	Chief Education Officer	18,564	24,548	Pension Lump Sum	43 96	- -	1
TOTAL		224,164	250,010	Pension Lump Sum	459 486	47 19	
* 2022/23 figures restated to remove employees who left in the prior year and to include the in-year pension contributions for employees who were not senior in prior year.							
Note 1:	Eleanor Sheppard and Shona Milne are members of the Scottish Teacher's pension scheme. Accrued pension benefits are currently not available for 31 March 2024 so no movement is shown.						

- The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment. This may be enhanced in some cases where the employee has transferred in a previous pension from another pension scheme.

Table 9: Pension Benefits – the Council's Subsidiary Bodies

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits		
		For year to 31 March 2023 £	For year to 31 March 2024 £		As at 31 March 2024 £'000	Difference from 31 March 2023 £'000
Alistair Robertson	Managing Director Sport Aberdeen Ltd (until 31 March 2024)	11,221	10,578	Pension	82	10
Pamela MacKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd	21,150	22,431	Pension	6	2
Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	15,875	18,166	Pension	8	1
Total		48,246	51,175	Total	96	13

Trade Union Facility Time

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

Trade Union Representatives and full time equivalents

	Non-teaching	Teaching
Trade Union representatives	53	74
FTE trade union representatives	5320	1869

Percentage of working hours on facility time

	All
0%	0
1 - 50%	114
51 - 99%	4
100%	9

Total pay bill and facility costs

	Non-teaching	Teaching
Total pay bill	£219,081,046	£184,497,244
Total cost of facility time	£147,787	£136,882
Percentage of pay spent on facility time	0.07%	0.07%

Paid Trade Union activities

	Non-teaching	Teaching
Time spent on paid trade union activities as percentage of total paid facility time hours calculated as: (total hours spend on paid trade union activities by relevant trade union officials during the relevant period / total paid facility time hours) x 100	3.00%	4.00%

Angela Scott
Chief Executive

Councillor Christian Allard
Co-Leader of the Council

Councillor Ian Yuill
Co-Leader of the Council

PRIMARY FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement on the different reserves held by the Council analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2022 brought forward	(79,175)	(15,215)	(20,047)	(19,607)	(134,044)	(1,327,022)	(1,461,066)
Restated Movement in Reserves during 2022/23							
Total Comprehensive Income & Expenditure	138,262	(18,860)	0	0	119,402	(159,218)	(39,816)
Adjustments between accounting basis & funding basis under regulations (note 5)	(108,502)	(48,689)	(2,582)	(4,660)	(164,433)	164,433	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	29,760	(67,549)	(2,582)	(4,660)	(45,031)	5,215	(39,816)
Transfers to/(from) Reserves	(36,513)	67,049	(7,006)	0	23,530	(23,530)	0
(Increase)/Decrease in Year	(6,753)	(500)	(9,588)	(4,660)	(21,501)	(18,315)	(39,816)
Restated Balance at 31 March 2023	(85,928)	(15,715)	(29,635)	(24,267)	(155,545)	(1,345,337)	(1,500,882)

The accompanying notes form an integral part of these financial statements.

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Restated Balance at 31 March 2023 brought forward	(85,928)	(15,715)	(29,635)	(24,267)	(155,545)	(1,345,337)	(1,500,882)
Movement in Reserves during 2023/24							
Total Comprehensive Income & Expenditure	36,970	43,258	0	0	80,228	(67,596)	12,632
Adjustments between accounting basis & funding basis under regulations (note 5)	(27,426)	(41,733)	(1,989)	13,760	(57,388)	57,388	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	9,544	1,525	(1,989)	13,760	22,840	(10,208)	12,632
Transfers to/(from) Reserves	(14,895)	0	(7,893)	0	(22,788)	22,788	0
(Increase)/Decrease in Year	(5,351)	1,525	(9,882)	13,760	52	12,580	12,632
Balance at 31 March 2024	(91,279)	(14,190)	(39,517)	(10,507)	(155,493)	(1,332,757)	(1,488,250)

The accompanying notes form an integral part of these financial statements .

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with IFRS.

2022/23				2023/24		
Restated Gross Expenditure £'000	Restated Gross Income £'000	Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
305,641	(38,547)	267,094	Children & Family Services	325,282	(35,035)	290,247
217,178	(77,028)	140,150	Resources	290,884	(182,334)	108,550
99,946	(62,690)	37,256	Customer	113,777	(57,943)	55,834
58,935	(15,876)	43,059	Commissioning	52,598	(16,980)	35,618
104	0	104	Operations	0	0	0
307,296	(184,776)	122,520	Integration Joint Board	311,986	(190,762)	121,224
25,969	(9,258)	16,711	Corporate	47,003	(230,425)	(183,422)
176,371	(107,715)	68,656	* Housing Revenue Account	152,014	(105,293)	46,721
1,191,440	(495,890)	695,550	Cost of Services	1,293,544	(818,772)	474,772
810	0	810	Other Operating Expenditure (note 8)	364	(1,275)	(911)
52,229	(18,806)	33,423	* Financing and Investment Income and Expenditure (note 9)	51,647	(4,245)	47,401
0	(610,381)	(610,381)	Taxation and Non Specific Grant Income (note 10)	0	(441,034)	(441,034)
1,244,479	(1,125,077)	119,402	(Surplus) or Deficit on Provision of Services	1,345,555	(1,265,326)	80,228
		(27,549)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(109,988)
		(130,936)	Actuarial (gains)/losses on pension assets/liabilities			42,392
		(733)	Other (Gains)/Losses			0
		(159,218)	Other Comprehensive (Income) and Expenditure			(67,596)
		(39,816)	Total Comprehensive (Income) and Expenditure			12,632

*2022/23 figures restated (see note 40)

The accompanying notes form an integral part of these financial statements.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council

1 April 2022 £'000	Restated 31 March 2023 £'000		Note	31 March 2024 £'000
2,560,355	2,610,218	Property, Plant & Equipment	28	2,802,958
196,272	199,723	Heritage Assets	27	200,273
150,617	169,883	Investment Property	26	144,570
15,503	28,219	Long Term Investments	38	32,453
657	498	Long Term Debtors	38	457
2,923,404	3,008,541	Long Term Assets		3,180,711
102,593	76,078	Cash and Cash Equivalents	17	57,817
20,025	11,588	Short Term Investments	38	10,035
113,029	146,275	Short Term Debtors	33	188,993
2,906	4,312	Inventories	32	4,945
11,993	3,150	Assets Held for Sale	31	3,150
250,546	241,403	Current Assets		264,940
(223,359)	(306,405)	Short Term Borrowing	38	(409,806)
(122,607)	(156,365)	Short Term Creditors	34	(147,086)
(3,533)	(5,354)	Short Term Provisions	35	(7,284)
(4,527)	(5,332)	PPP Short Term Liabilities	30	(4,308)
(7,224)	(7,948)	Accumulated Absences Account	13	(8,876)
(1,438)	(4,235)	Grants Receipts in Advance - Revenue	37	(4,944)
(5,440)	(493)	Grants Receipts in Advance - Capital	37	(489)
(368,128)	(486,132)	Current Liabilities		(582,793)

The accompanying notes form an integral part of these financial statements.

1 April 2022 £'000	Restated 31 March 2023 £'000		Note	31 March 2024 £'000
(1,043,105)	(1,064,341)	Long Term Borrowing	38	(1,146,348)
(56,643)	(56,445)	Finance Lease	25	(56,011)
(551)	(1,986)	Long Term Provisions	35	(50)
(126,038)	(120,706)	PPP Long Term Liabilities	30	(116,398)
(118,419)	(19,452)	Pension Liabilities	22	(55,801)
(1,344,756)	(1,262,930)	Long Term Liabilities		(1,374,608)
1,461,066	1,500,882	Net Assets		1,488,250
		Usable Reserves:		
(79,175)	(85,928)	General Fund Balance		(91,279)
(15,215)	(15,715)	Housing Revenue Account		(14,190)
(20,047)	(29,635)	Statutory and Other Reserves		(39,517)
(19,607)	(24,267)	Capital Grants Unapplied Account		(10,507)
(1,327,022)	(1,345,337)	Unusable Reserves	13	(1,332,757)
(1,461,066)	(1,500,882)	Total Reserves		(1,488,250)

The unaudited financial statements were issued on 9 May 2024.

Jonathan Belford, CPFA
Chief Officer – Finance

Cash Flow Statement

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2022/23		2023/24
£'000		£'000
(119,402)	Net Surplus or (Deficit) on the provision of services	(80,228)
238,821	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	115,123
(68,110)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(63,315)
51,309	Net cash flows from Operating Activities (note 14)	(28,420)
(161,275)	Net cash flows from Investing Activities (note 15)	(154,069)
83,451	Net cash flows from Financing Activities (note 16)	164,228
(26,515)	Net increase or (decrease) in cash and cash equivalents	(18,261)
102,593	Cash and cash equivalents at the beginning of the reporting period	76,078
76,078	Cash and cash equivalents at the end of the reporting period (note 17)	57,817

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts**1. Accounting Policies****i Basis of Preparation**

The Chief Officer – Finance is responsible for making an annual assessment of whether it is appropriate to prepare the accounts on a going concern basis. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the 12-month period from the time the financial statements are authorised for issue, noting that it can only be discontinued under statutory prescription. The Council has significant net assets, investments and cash and a track record of preparing a balanced budget which incorporates significant savings that are subsequently achieved. By continued assessment and governance the Council has put robust measures in place to ensure strong financial management of its activities which demonstrates our ability to continue as a going concern. Work is undertaken annually to assess the impact of changes in the external environment and undertake mitigating actions to return to a balanced budget. The Chief Officer – Finance has determined that it remains appropriate to prepare the financial statements on a going concern basis.

ii General Principles & Materiality

The Annual Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year ended 31 March 2024. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS).

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

The Council will disclose all material accounting policy information. Information is considered to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. Information may be material because of its nature, even if the related amounts are immaterial. Any immaterial policy information that is disclosed will not obscure material accounting policy information.

iii Accruals of Income and Expenditure

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

- Revenue from the sale of goods and services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of National Non Domestic Rates and Water Charges), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

iv Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The CRC is a mandatory cap and trade emissions trading scheme for organisations whose electricity consumption is greater than 6000MWh or approximately £500k. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

v Cash and Cash Equivalents

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

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

vi Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision

from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Employee Benefits

Benefits Payable during Employment

Short term employee benefits (those that fall due wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the corporate line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council can be members of two separate pension schemes:

- the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency on behalf of the Scottish Government; and
- the Local Government Pension Scheme (referred to as NESPF), administered by Aberdeen City Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Operations line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.2%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value: quoted securities – current bid price; unquoted securities – professional estimate; unitised securities – current bid price; and property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate; and
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension

fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

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

viii Events After the Reporting Period

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

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

ix Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). The interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

The Council has provided several financial guarantees which are reflected as a contingent liability and disclosed as a note to the annual accounts. A suitable value is earmarked

from the General Fund Balance to provide financial backing in the event of there being a call on these guarantees.

x Financial Assets

Financial assets are classified into two types according to the business model to which they relate. The business model determines how the asset will be treated in the financial statements: -

1. Financial assets measured at amortised cost. These are assets held for the purpose of collecting contractual cash flows. This category includes short term investments and long-term loans granted. An impairment allowance may be calculated based on materiality and circumstance of asset.
2. Financial assets measured at fair value through profit and loss. This includes any financial assets held for purposes other than collecting contractual cash flows and selling the asset. Shares in group entities fall into this classification.

Financial assets measured at amortised cost.

Loans are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest – except for the Council's Small Business Loan Scheme) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where an impairment allowance is made this will be charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial assets measured at fair value through profit and loss.

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Changes in fair value will be charged to the General Fund using the method outlined above.

xi Foreign Currency Translation

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

xii Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

xiii Heritage Assets

The Council's Heritage Assets are held primarily in the City's Art Gallery and Museums. There are eight collections of heritage assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

Fine Art & Applied Art Collection

The Art collection includes paintings (both oil and watercolour), installations and sculptures, decorative and applied art including silver, ceramics and glass etc and is reported in the Balance Sheet at valuation. There is no periodic programme of valuations although items in the collection are prompted for revaluation when they are loaned to exhibitions or if a similar item is sold at auction. The Council's Art Gallery and Museums' curators value the items and base this on commercial valuation. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation as provided by the Curators with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation

which is based on valuation. These insurance valuations are updated on an ad hoc basis. The collection is relatively static, and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Art Gallery and Museum's curators in accordance with the Council's policy on valuations of Civic Insignia. Subsequent measurement is based on insurance valuation performed in line with the Council's Policy.

- **Archaeology**

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet. The Council's acquisitions are well focused with the aim of reflecting the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland. Future collecting will largely be due to continued excavation in Aberdeen City. The Council does not (normally) make any purchases of archaeological items.

- **Library and Information Services**

The collection of reference items which could be deemed to be held and maintained principally for their contribution to knowledge and culture include historical book collections, directories and local newspaper archives. The collection is not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £2,000.

- **Other Heritage Assets**

Collections outwith those stated above are reported in the Balance Sheet at valuation where possible as determined by the curator. This includes city monuments, maritime & social history, numismatics, and science technology & industry. Acquisitions are rare and most additions are due to donations which are accepted provided suitable storage is available. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations of heritage assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xx in this summary of significant accounting policies. Disposal of heritage assets is carried out occasionally following the procedures outlined in the Acquisition and Disposal Policy, approved by the Education Culture and Sport committee on 16 October 2010. The Policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the annual accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xx in this summary of significant accounting policies).

xiv Interests in Companies and Other Entities

The Council has material interests in companies and other entities. In line with the level of Control that the Council exerts over these entities, they can be classified as Subsidiaries, Associates and Joint Ventures. The Council is required to prepare Group Accounts incorporating all of these entities. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at net worth.

xv Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value except for the inventories held by Building Services and Roads Services which are valued at latest price and average price respectively. The difference between these valuations and the lower of cost or net realisable value is not material.

Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

xvi Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xvii Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xviii Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the

arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

xix Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening

balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

xx Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and vehicles, plant and equipment – depreciated historical cost.
- community assets – historical cost or nominal value.
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- specialised properties – depreciated replacement cost (DRC).

- non-financial assets e.g. surplus assets and investment properties – fair value*; and at cost, where appropriate
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

**Fair Value*

*Valuation Technique – All assets have been valued based on Level 2 of the Fair Value Hierarchy**. This uses significant observable inputs.*

There has been no change in the valuation techniques used during the year for either Investment Properties or Surplus Assets, except for the valuation of a new investment property, The Events Complex Aberdeen, as valuation at fair value is uncertain at this time, this investment property has been measured at cost.

***Significant Observable Inputs – Level 2*

Fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, however prior to crediting the Revaluation Reserve, reversal is first made to account for any previous revaluation losses that have been charged to the CIES.

Where decreases in value are identified, the revaluation loss is accounted for by:

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

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

A high-level review of those assets, which are not subject to revaluation during the year, has taken place, and any material differences have been amended accordingly.

Impairment

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

Where impairment losses are identified:

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

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

Disposals and Assets Held for Sale

When an asset is no longer held for the purposes of generating cash flows it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

Disposals

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

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

Depreciation is not applied to an asset in the year of acquisition, revaluation nor to expenditure on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer; and
- infrastructure and vehicles, plant and equipment – straight-line allocation over the useful life as estimated by management.

Where an item of Property, Plant and Equipment has major components (over £2.5 million) whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Infrastructure Assets

The Code requires that where a component of an infrastructure asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Scottish Government is aware that most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have taken a network approach to the measurement of infrastructure assets and will have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced.

The Scottish Government recognises that this is a challenging, time-sensitive issue and has therefore agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code.

- Statutory Override 1: This statutory override permits that, for accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets. Therefore, for 2023/24 the Council has shown only the Net Book Value of its Infrastructure Assets in Note 28. Property, Plant and Equipment.
- Statutory Override 2: This statutory override requires that, for the periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

The Council has chosen to adopt both overrides for 2023/24.

xxi Public Private Partnerships (PPP) and Similar Contracts

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

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

PPP non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xxii Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be exposed to liabilities from court cases that could eventually result in the making of a settlement or the payment of compensation, e.g. equal pay claims, or consider that over time the collection of income will become more difficult and thereby fail to secure the full value of the debt, or may have made a decision in relation to changes in service delivery from which costs arise, e.g. redundancy costs.

Estimation techniques are based on previous experience, prevailing economic conditions, aged analysis, expert and specialist advice and current data held by the Council.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxiii Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to set against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiv Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para 1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

xxv VAT

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards that have been issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by The Code:

- IFRS 16 Leases Implementation of IFRS 16 Leases will be mandatorily implemented in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2024/25. Therefore, with effect from 2024/25 the Council will adopt this new accounting standard for Leases. This standard replaces IAS 17 Leases and removes the operating classification for leases where the Council acts as lessee, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts.

This means that, for lease arrangements previously accounted for as operating leases, a right-of-use (ROU) asset and a lease liability will be brought onto the balance sheet as at 1 April 2024. Exemptions are applicable for low value and short-term leases.

The Council, as a lessee, had formerly classified leases into either operating or finance leases, depending on whether it met the criteria for transferring the majority of the risks and rewards relating to ownership. Under IFRS 16 the Council will recognise ROU assets and lease liabilities on the balance sheet for most leases.

It has been identified that short term leases – those that have a lease term of 12 months or less, and leases of low value assets (under £6,000) will not be recognised in accordance with exemption guidelines.

IFRS 16 will be applied retrospectively, but with a cumulative effect being recognised as at 1 April 2024. Therefore, the ROU asset and lease liabilities will be calculated as if IFRS 16 had previously been applied but will only be recognised in 2024/25 with no prior year adjustments required.

It is anticipated that the adoption of the Code's adaptation of IFRS 16 will result in the following additions to the balance sheet:-

- £5m Property, Plant and Equipment - land and buildings (right-of-use assets)
- £5m Lease Liabilities

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

This amendment is not expected to have a significant impact on the financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions. This amendment is not expected to have a significant impact on the financial statements.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. This amendment is not expected to have a significant impact on the financial statements.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities

These amendments to IAS 12 are not likely to significantly affect local authority transactions.

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
 - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

The above amendment is not expected to have a material impact on the financial statements.

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and Lochside Academy, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £192 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment : Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance, it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 7.5%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.9m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £28.8m.
Aberdeen City Council Bond	The Council undertook a bond issuance from the Debt Capital Markets in November 2016. £370 million of index-linked bonds were issued to investors. The outstanding bonds are subject to indexation, which is based on movements in the Retail Price Index (RPI).	The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £4 million in amounts repayable.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £92.2 million. However, if another assumption were increased, e.g. pay inflation, by 0.25% then this would result in an increase in the pension liability of £48.7 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.
Arrears	At 31 March 2024 the Council had a balance of short-term debtors of £99 million. This is net of an allowance for the impairment of debt of £91 million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £0.99 million.

5. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure (68) recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2022/23	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000		
Adjustments involving the Capital Adjustment Account (CAA):							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(55,721)	(35,213)	0	0	0	(90,934)	90,934
Revaluation losses on Property, Plant and Equipment	(63,234)	(54,054)	0	0	0	(117,288)	117,288
Capital grants and contributions applied	48,108	34,462	0	0	0	82,570	(82,570)
Write off carrying amount of non current assets sold	(2,317)	0	0	0	0	(2,317)	2,317
Write off carrying amount of non current assets scrapped	745	0	0	0	0	745	(745)
Statutory provision for the financing of Capital spend (3R's)	4,827	0	0	0	0	4,827	(4,827)
Movement in the fair value of Investment Properties	3,409	0	0	0	0	3,409	(3,409)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Loan principal repayments during the year	0	2,104	0	0	0	2,104	(2,104)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	3,638	5,596	0	0	0	9,234	(9,234)
						0	0
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,769)	1,506	0	(263)	263
Proceeds from sale of non current assets	2,228	44	0	(2,272)	0	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(130)	(636)	0	766	0	0	0
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	(18,794)	0	(813)	0	(4,660)	(24,267)	24,267
Application of grants/transformation costs to capital financing	0	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	435	0	0	0	0	435	(435)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(64,464)	(2,131)	0	0	0	(66,595)	66,595
Employer's pensions contributions and direct payments to pensioners payable in the year	33,493	1,133	0	0	0	34,626	(34,626)
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(727)	4	0	0	0	(723)	723
	2	2	0	0	0	4	
Total Adjustments	(108,502)	(48,689)	(2,582)	0	(4,660)	(164,437)	164,437

2023/24	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000		
Adjustments involving the Capital Adjustment Account (CAA):							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(56,243)	(40,388)	0	0	0	(96,631)	96,631
Revaluation losses on Property, Plant and Equipment	(57,277)	(20,678)	0	0	0	(77,955)	77,955
Capital grants and contributions applied	61,996	17,179	0	0	0	79,175	(79,175)
Write off carrying amount of non current assets sold	(770)	0	0	0	0	(770)	770
Write off carrying amount of non current assets scrapped	1,100	0	0	0	0	1,100	(1,100)
Statutory provision for the financing of Capital spend (3R's)	5,728	0	0	0	0	5,728	(5,728)
Movement in the fair value of Investment Properties							0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Loan principal repayments during the year	9,796	2,449	0	0	0	12,245	(12,245)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	1,113	0	0	0		1,113	(1,113)
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,989)	1,681	0	(308)	308
Proceeds from sale of non current assets	2,180	129	0	(2,309)	0	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(134)	(494)	0	628	0	0	0
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	13,760	13,760	(13,760)
Application of grants/transformation costs to capital financing	0	0	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	40	0	0	0	0	40	(40)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(31,558)	(1,210)	0	0	0	(32,768)	32,768
Employer's pensions contributions and direct payments to pensioners payable in the year	37,508	1,303	0	0	0	38,811	(38,811)
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(904)	(24)	0	0	0	(928)	928
Other Adjustments	(1)	1	0	0	0	0	0
Total Adjustments	(27,426)	(41,733)	(1,989)	0	13,760	(57,388)	57,388

6. Movement in Reserves Statement – Transfers to/from Earmarked Reserves and Other Statutory Funds

Earmarked Reserves: This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet future General Fund and HRA expenditure.

General Fund Earmarked Reserves	Balance as at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance as at 31 March 2023 £'000	Purpose
Devolved Education M'ment (Comm Centres)	(542)	0	20	(522)	community centre funds c/f
Devolved Education M'ment (School Funds)	(680)	(274)	680	(274)	school funds c/f
Energy Efficiency Fund	(1,277)	(174)	176	(1,275)	funding for energy saving schemes
Bus Lane Enforcement	(503)	0	209	(294)	funding towards transport strategy
Second/Long Term Empty Homes	(13,111)	(1,751)	4,129	(10,733)	funding for affordable housing
De-risk the Council	(5,614)	0	0	(5,614)	funding to support Council guarantees
Transformation Fund	(4,433)	0	546	(3,887)	funding for Council transformation
Service Specific Funding	(4,906)	(3,764)	1,257	(7,413)	funding for service initiatives
ADM - Education	(742)	(514)	319	(937)	funding for education costs
Budget Use of Reserves	(7,309)	0	7,309	0	reserves to be used towards budget
Refugee Funding	(1,552)	(16,745)	251	(18,046)	funding for refugees
Covid Grants	(19,423)	(151)	12,905	(6,669)	covid funding carried forward
Unknown General Fund Surplus	(60)	0	60	0	unidentified surplus now resolved
Scottish Govt Funding Carried forward	(7,023)	(25)	0	(7,048)	Scottish Govt funding for DeTrunking
Joint Venture revaluation surplus	0	(11,216)	0	(11,216)	22/23 Inc in value of Long Term Investment
Total General Fund Earmarked Reserves	(67,175)	(34,614)	27,861	(73,928)	
Uncommitted General Fund Balance	(12,000)			(12,000)	
Total General Fund Balance	(79,175)	(34,614)	27,861	(85,928)	

The 2022/23 Earmarked Reserves have been restated to combine similar strands of reserves.

General Fund Earmarked Reserves	Balance at 31 March 2023	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31 March 2024	Purpose
	£'000	£'000	£'000	£'000	
Devolved Education M'ment (Comm Centres)	(522)	0	0	(522)	community centre funds c/f
Devolved Education M'ment (School Funds)	(274)	0	648	374	school funds c/f
Energy Efficiency Fund	(1,275)	(61)	52	(1,284)	funding for energy saving schemes
Bus Lane Enforcement	(294)	(4,448)	544	(4,198)	funding towards transport strategy
Service Concessions Reserve		(39,886)	34,629	(5,257)	funds set aside per SG Guidelines
Service Specific Funding	(7,411)	(1,592)	1,757	(7,246)	funding for service initiatives
Second/Long Term Empty Homes	(10,733)	(1,981)	5,101	(7,613)	funding for affordable housing
De-risk the Council	(5,614)	0	4,347	(1,267)	funding to support Council guarantees
Transformation Fund	(3,887)	0	688	(3,199)	funding for Council transformation
ADM - Education	(937)	0	571	(366)	funding for education costs
Budgeted Use of Reserves	0	(3,241)	0	(3,241)	reserves to be used towards budget
Refugee Funding	(18,046)	(166)	3,298	(14,914)	funding/income for refugee costs
Resilience, inc Covid Funding	(6,671)	(2,141)	18	(8,794)	Funds set aside for Financial Recovery
Scottish Govt Funding Carried forward	(7,048)	0	899	(6,149)	Funding for Capital projects
Joint Venture revaluation surplus	(11,216)	(4,234)	0	(15,450)	22/23 Inc in value of Long Term Investment
Total General Fund Earmarked Reserves	(73,928)	(57,750)	52,552	(79,126)	
Uncommitted General Fund Balance	(12,000)	(153)	0	(12,153)	
Total General Fund Balance	(85,928)	(57,903)	52,552	(91,279)	

	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA)								
Housing Repairs	(2,481)	(2,278)	2,481	(2,278)	(2,299)	2,278	(2,299)	Repairs ordered prior to the year end
Housing Sales - Not right to buy	(308)	0	0	(308)	0	0	(308)	One-off vacant properties sold on open market.
Support for Budget 24/25	0	0	0	0	(3,161)	0	(3,161)	Support for Budget 24/25
Total HRA Earmarked Reserves	(2,789)	(2,278)	2,481	(2,586)	(5,460)	2,278	(5,768)	
Uncommitted HRA Balance	(12,426)	(703)		(13,129)	0	4,708	(8,421)	
Total HRA Balance	(15,215)			(15,715)			(14,190)	

	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000
Total Earmarked Reserves							
General Fund	(67,175)	(34,614)	27,861	(73,928)	(57,750)	52,552	(79,126)
HRA	(2,789)	(2,278)	2,481	(2,586)	(5,460)	2,278	(5,768)
Total Earmarked Reserves	(69,964)	(36,892)	30,342	(76,514)	(63,210)	54,830	(84,894)

Other Statutory Funds: The Council holds a number of other statutory funds. This note sets out the amounts held, and a summary of transactions undertaken.

Name of Fund	Balance at 1 April 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000	Purpose of the Earmarked Reserve
Capital	(17,615)	(9,784)	130	(27,269)	(9,320)	135	(36,454)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(2,099)	(451)	519	(2,031)	(1,119)	423	(2,727)	To meet the cost of uninsured claims
City Improvement	(328)	(11)	4	(335)	(18)	17	(336)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	5	0	0	0	0	To meet the costs of maintaining Lord Byron's statue
Total Statutory and Other Funds	(20,047)	(10,246)	658	(29,635)	(10,457)	575	(39,517)	

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the expenditure is allocated for decision making purposes between the Council's directorates. The reportable segments have been identified to align with service structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

2022/23			2023/24			
Restated Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Restated Net Expenditure in the CIES £'000	Services	Restated Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Restated Net Expenditure in the CIES £'000
228,094	39,000	267,094	Children & Family Services	254,467	35,780	290,247
81,567	58,583	140,150	Resources	60,749	47,801	108,550
30,623	6,633	37,256	Customer	49,492	6,342	55,834
25,731	17,328	43,059	Commissioning	22,831	12,787	35,618
94	10	104	Operations	0	0	0
116,219	6,301	122,520	Integration Joint Board	119,494	1,730	121,224
15,825	886	16,711	Corporate	(175,912)	(7,510)	(183,422)
(13,835)	82,493	68,658	Housing Revenue Account	(12,300)	59,021	46,721
484,318	211,234	695,552	Net Cost of Services	318,821	155,951	474,772
(499,400)	(76,747)	(576,147)	Other Income and Expenditure *	(308,853)	(85,691)	(394,544)
(15,082)	134,487	119,405	(Surplus) or Deficit on Provision of Services	9,968	70,260	80,228
(94,390)			Opening General Fund and HRA Balance at 1 April 2023	(101,643)		
(15,082)			(Surplus)/deficit on General Fund and HRA Balance in Year	9,968		
7,829			To/From Other Statutory Reserves	(13,794)		
(101,643)			Closing General Fund and HRA Balance at 31 March 2024	(105,469)		

*2022/23 figures restated (see note 40)

Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2022/23

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
Children & Family Services	29,141	8,839	1,020	39,000
Resources	54,673	7,185	(3,275)	58,583
Customer	2,941	3,762	(70)	6,633
Commissioning	15,536	2,296	(504)	17,328
Operations	0	12	(2)	10
Integration Joint Board	3,415	2,962	(76)	6,301
Corporate	12	875	(1)	886
Housing Revenue Account	89,268	929	(7,704)	82,493
Net Cost of Services	194,986	26,860	(10,612)	211,234
Other Income and Expenditure from the Funding Analysis	(81,421)	5,109	(435)	(76,747)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 5)	113,565	31,969	(11,047)	134,487

Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2023/24

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
Children & Family Services	31,773	3,486	521	35,780
Resources	45,185	3,655	(1,039)	47,801
Customer	4,672	1,565	105	6,342
Commissioning	11,947	907	(67)	12,787
Operations	0	0	0	0
Integration Joint Board	427	1,209	94	1,730
Corporate	21	2,088	(9,619)	(7,510)
Housing Revenue Account	61,066	379	(2,424)	59,021
Net Cost of Services	155,091	13,289	(12,429)	155,951
Other Income and Expenditure from the Funding Analysis	(66,319)	(19,331)	(41)	(85,691)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 5)	88,772	(6,042)	(12,470)	70,260

8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure

2022/23 £'000		2023/24 £'000
810	Gains on the disposal on non current assets	(911)
810	Total	(911)

9. Comprehensive Income & Expenditure Statement - Financing and Investment Income and Expenditure

2022/23 £'000		2023/24 £'000
60,374	Interest payable and similar charges	74,194
2,832	Pensions interest cost and expected return on pensions assets	(19,331)
(5,188)	Interest receivable and similar income	(7,462)
(8,353) *	Income and Expenditure in relation to investment properties and changes in their fair value	0
(16,242) *	(Surplus)/Deficit of trading operations not allocated back to services	0
33,423	Total	47,401

10. Comprehensive Income & Expenditure Statement - Taxation and Non Specific Grant Income

2022/23 £'000		2023/24 £'000
(133,137)	Council Tax Income	(139,493)
(268,152)	Non domestic rates	(55,468)
(121,861)	Non ring-fenced government grants	(166,897)
(82,571)	Capital grants and contributions	(79,176)
(4,660)	Capital grants and receipts unapplied	0
(610,381)	Total	(441,034)

* 2022-23 figures restated.

* From 23/24 trading has been removed, as these services no longer meet the criteria to be classed as trading operations.

11. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

In 2023/24 the Council took the option to apply additional flexibility to the accounting treatment of its service concession arrangements, as detailed in the Local Government finance circular 10/2022. The Council has two such arrangements – the 3Rs Schools, and Lochside Academy. The accounting treatment of the debt profile has been amended to spread them over the useful lives of the asset rather than the contract lives. The contract lives were 31 years and 26 years respectively. These have been recalculated using the annuity method over the 60 years useful life. A total saving of £39.886m was released to the general fund earmarked reserves from Unusable Reserves. This comprised a £35.179m pre 2023/24 saving, and £4.707m saving for 2023/24.

A transfer of £30m from earmarked reserves to the Capital Programme was approved at a Council meeting on 6 March 2024.

12. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

13. Balance Sheet – Unusable Reserves

31 March 2023		31 March 2024
£'000		£'000
(972,727)	Revaluation Reserve	(1,065,587)
(413,305)	Capital Adjustment Account	(344,704)
13,295	Financial Instruments Adjustment Account	12,857
19,452	Pensions Reserve	55,801
7,948	Accumulated Absences Account	8,876
(1,345,337)	Total	(1,332,757)

Revaluation Reserve

The Revaluation Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation ; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2022/23			20223/24	
£'000	£'000		£'000	£'000
	(961,936)	Balance at 1 April		(972,727)
(43,664)		Upward revaluation of assets	(155,572)	
16,115		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	45,584	
	(27,549)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(109,988)
16,013		Difference between fair value depreciation and historical cost depreciation	16,029	
0		Accumulated gains on assets sold or scrapped	0	
	16,013			16,029
	745	Amounts written off to the Capital Adjustment Account		1,099
	(972,727)	Balance at 31 March		(1,065,587)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

2022/23		2023/24	
£'000		£'000	£'000
(504,459)	Balance at 1 April		(413,305)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
90,934	Charges for depreciation and impairment on non current assets	96,631	
115,177	Revaluation losses on Property, Plant and Equipment	52,856	
2,317	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	770	
208,428		150,257	
(16,758)	Adjusting amounts written out of the Revaluation Reserve	(17,129)	
191,670	Net written out amount of the cost of non current assets consumed in the year		133,128
	Capital financing applied in the year:		
263	Use of the Capital Receipts Reserve to finance new capital expenditure	309	
(82,571)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(79,176)	
(2,104)	Loans Fund principal repayments	(12,244)	
(9,234)	Capital expenditure charged against the General Fund and HRA balances	(31,112)	
(4,827)	PPP Liability/Finance Lease repayments	(5,728)	
(98,473)			(127,951)
(1,298)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		25,099
	Service Concession		39,426
(745)	Written off		(1,101)
(413,305)	Balance at 31 March	0	(344,704)

The Capital Adjustment Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses this account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden to be met. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2015 will be charged to the General Fund over the next 45 years.

2022/23		2023/24	
£'000		£'000	£'000
13,730	Balance at 1 April		13,295
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(38)	Long Term Borrowing – Stepped Loans	(40)	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(398)	
(435)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(438)
13,295	Balance at 31 March		12,857

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2022/23		2023/24	
£'000		£'000	£'000
118,419	Balance at 1 April		19,452
(130,936)	Remeasurements of the net defined benefit liability		42,392
66,595	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		32,768
(34,626)	Employer's pensions contributions and direct payments to pensioners payable in the year		(38,811)
19,452	Balance at 31 March		55,801

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2022/23		2023/24	
£'000		£'000	£'000
7,224	Balance at 1 April		7,948
(7,224)	Settlement or cancellation of accrual made at the end of the preceding year	(7,948)	
7,948	Amounts accrued at the end of the current year	8,876	
724	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		928
7,948	Balance at 31 March		8,876

14. Cash Flow Statement – Operating Activities

2022/23		2023/24
£'000		£'000
(119,402)	Net surplus or (deficit) on the provision of services ^	(80,228)
(119,402)		(80,228)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
90,934	Depreciation	96,631
117,288	Impairment, downward revaluations & non sale derecognitions	77,955
(1,407)	(Increase)/Decrease in Stock	(632)
(33,088)	(Increase)/Decrease in Debtors	(38,690)
32,434	Increase/(Decrease) in Creditors	(7,649)
31,969	Movement in Pension Liability	(6,043)
2,317	Carrying amount of non current assets sold	770
1,784	Contributions to Other Reserves/Provisions	(7,219)
(3,410)	Movement in value of investment properties	0
238,821		115,123
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(82,571)	Receipt of Capital Grants and Contributions	(79,176)
(1,506)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,681)
15,967	Bond Effective Interest Rate Adjustment	17,542
(68,110)		(63,315)
51,309	Net cash flows from operating activities	(28,420)

^ includes the following:

2022/23		2023/24
£'000		£'000
5,188	Interest receivable	7,462
(60,374)	Interest payable	(74,194)

15. Cash Flow Statement – Investing Activities

2022/23		2023/24
£'000		£'000
(242,573)	Purchase of property, plant and equipment, investment properties and heritage assets	(232,245)
(2,779)	Purchase/(Sale) of short term and long term investments	(2,680)
2,273	Proceeds from the sale of property, plant and equipment and investment properties	2,309
(767)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(629)
82,571	Capital grants and contributions received	79,176
(161,275)	Net cash flows from investing activities	(154,069)

16. Cash Flow Statement – Financing Activities

2022/23		2023/24
£'000		£'000
(37)	Other receipts from financing activities	(37)
(4,827)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(5,728)
0	Repayment of amounts borrowed	187,535
(15,967)	Bond Effective Interest Rate Adjustment	(17,542)
104,282	New borrowings	0
83,451	Net cash flows from financing activities	164,228

17. Cash Flow Statement – Cash and Cash Equivalents

31 March 2023		31 March 2024
£'000		£'000
27	Cash held by the Authority	24
76,051	Bank current accounts	57,793
76,078	Total cash and cash equivalents	57,817

18. Trading Operations

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other organisations. Details of those units are as follows:

Significant Trading Operations		2021/22	2022/23 **	2023/24	Cumulative (Surplus) /Deficit
		£'000	£'000	£'000	£'000
Provision and Management of Car Parking Facilities Responsible for the management and operation of pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over the last three operational financial years: £5.926 million.	Turnover	(6,280)	(4,507)	0	
	Expenditure	2,681	2,386	0	
	Interest	(94)	(112)	0	
	Net (Surplus)/Deficit	(3,693)	(2,233)	0	(5,926)
Letting of Industrial, Commercial and Other Properties Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates. Cumulative surplus in the last three financial years: £18.013 million.	Turnover	(16,147)	(21,678)	0	
	Expenditure	10,386	10,528	0	
	Interest	(489)	(613)	0	
	Net (Surplus)/Deficit	(6,250)	(11,763)	0	(18,013)
Net (Surplus)/Deficit on Significant Trading Operations		(9,943)	(13,996)	0	(23,939)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement within the Financing and Investment Income and Expenditure line. The properties held within the Letting of Industrial, Commercial and Other Properties are classed as Investment Properties and thus the results of this operation are included within this category.

	2021/22	2022/23 **	2023/24
	£'000	£'000	£'000
Net (surplus)/deficit on trading operations	(9,943)	(7,177)	0
Other non-statutory Trading Operations	2,902	48,689	0
exceptional items*	6,750	(3,410)	0
	(291)	38,102	0
Investment properties	500	(8,353)	0
Other Investment Income	(791)	46,456	0
Surplus credited to Financing & Investment Income and Expenditure (note 9)	(291)	38,103	0

*The exceptional items relate to revaluations of the property portfolio and reflect conditions in the market at this time – see Note 26 Investment properties on page 110.

** 2022/23 figures restated

From 23/24 trading has been removed, as these services no longer meet the criteria to be classed as trading operations.

19. Agency Services

Where a local authority is acting as an intermediary in the collection and distribution of funds but bears no financial gain/loss it is deemed to be acting as an Agent. Agency arrangements are removed from the Comprehensive Income & Expenditure Account.

- The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water from households within the authority. During 2023/24, £46.546m (2022/23, £46.537) was collected as water and sewerage charges for all years. £45.673 m (2022/23 £45.761m) of the amount collected was remitted to Scottish Water, with the Council retaining £0.873m (2022/23 £0.776m) as Commission fee.
- The Council Issued Ukrainian Grants on behalf of the Central Government during 23/24 to the value of £0.418m. (2022/23 £0.256 m).
- The Council issued grants on behalf of the Scottish Government for assistance with Energy costs. In 23/24 the Council issued £84k for Energy Bill Support Scheme (22/23 £0) & £26k for Alternative Fuel Payment (22/23 £0).
- The Council acts as an agent for the Scottish Government by collecting Non-Domestic Rates (NDR) on their behalf. The Council provided £201.9 m in 2023/24 (2022/23 £230.9m) to the National NDR Pool after adjustments for provisions for bad and doubtful debt and prior year adjustments and received back £257.4 m in income (2022/23 £268.2 m).

20. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and any non-audit services provided by the Council's external auditor :-

External Audit Fees	2022/23 £'000	2023/24 £'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice	497	527
Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation	10	10
Total	507	537

21. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2023 the Council's own contributions equate to approximately 2.6%.

In 2023/24, the council paid £22.784 million to the Scottish Government in respect of teachers' pension costs, which represents 23% of teachers' pensionable pay from 1 April 2023 to 31 March 2024. The figure for 2022/23 was £18.694 million representing 23% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 22. The Council is not liable to the scheme for any other entities' obligations under the plan.

22. Defined Benefit Pension Schemes

The North East Scotland Pension Fund (NESPF) is administered by Aberdeen City Council within the Local Government Pension Scheme regulations. Previously the NESPF comprised of two funds:

- The North East Scotland Pension Fund
- The Aberdeen City Council Transport Fund (ACCTF)

However, on 1 April 2022, the ACCTF merged with the NESPF.

The NESPF was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. It is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).

Employees of admitted bodies can join the scheme subject to their individual admission criteria which are outwith the control of Aberdeen City Council.

There are 10 scheduled bodies, and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, North East Scotland College, Moray College, Grampian Valuation Joint Board and Nestrans.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

Under the Local Government Pension Scheme (Administration) (Scotland) Regulations, there is a requirement for the Council to publish a pension fund annual report from 2011. The report covers, amongst other things, a report by the Chief Officer - Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under www.nespf.org.uk or on request from the Chief Officer - Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB.

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit scheme calculated on a career average basis, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

-
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension liabilities, and cash must be generated to meet actual pensions payments as they eventually fall due.

The principal risks to authority of the Local Government Pension Scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Scheme	Pension £'000	Scottish Teachers Superannuation Scheme £'000	
	2022/23	2023/24	2022/23	2023/24
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	62,359	30,054	0	0
• administration expenses	665	721	0	0
• past service costs	12	16	0	0
• (gain)/loss from settlements	727	1,984	0	0
Financing and Investment Income and Expenditure				
• net interest expense	2,125	(20,243)	707	912
• interest on asset ceiling	0	19,324	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	65,888	31,856	707	912
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	130,850	(18,010)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(41,357)	(15,770)	(663)	(260)
• actuarial gains and losses arising on changes in financial assumptions	(757,017)	(80,870)	(6,172)	(448)
• change in effect of the asset ceiling	402,592	87,218	0	0
• other	139,703	53,222	1,128	46
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(59,341)	57,646	(5,000)	250
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(65,888)	(31,856)	(707)	(912)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	30,666	34,581	0	0
• retirement benefits payable to pensioners	2,375	2,539	1,585	1,691

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		
	2021/22	2022/23	2023/24
Present value of the defined benefit obligation	(1,847,654)	(1,276,947)	(1,318,630)
Fair value of plan assets	1,792,176	1,707,540	1,808,440
Sub total	(55,478)	430,593	489,810
Discretionary Benefits Arrangements	(36,904)	(28,001)	(37,790)
Scottish Teachers Superannuation Scheme	(26,037)	(19,452)	(18,011)
IFRIC14 adjustment:			
• effect of asset ceiling	0	(402,592)	(489,810)
Net asset (liability) arising from defined benefit obligation	(118,419)	(19,452)	(55,801)

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total liability of £55.801 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit are as follows:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

IAS19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC14. The economic benefits were calculated as £489.810m. Therefore, an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 are £21.8 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2025 are £4.3 million.

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation):

	Total Liabilities: Local Government Pension Scheme £'000		Includes: Discretionary Benefits £'000	
	2022/23	2023/24	2022/23	2023/24
Opening balance at 1 April	(1,882,661)	(1,304,948)	(36,904)	(28,001)
Current service cost	(62,359)	(30,054)	0	0
Interest cost	(52,279)	(61,756)	(998)	(1,277)
Contributions from scheme participants	(10,098)	(10,743)	0	0
Remeasurement (gains) and losses:				
· Actuarial gains/losses arising from changes in demographic assumptions	41,366	15,770	756	523
· Actuarial gains/losses arising from changes in financial assumptions	757,051	80,870	8,845	1,441
· Other	(139,708)	(53,222)	(2,188)	(13,277)
Past service cost	(12)	(16)	0	0
Losses/(gains) on curtailment	(727)	(1,984)	0	0
Liabilities assumed on entity combinations	0	(8,303)	0	0
Benefits paid	44,479	55,756	2,488	2,801
Liabilities extinguished on settlements	0	0	0	0
Closing balance at 31 March	(1,304,948)	(1,318,630)	(28,001)	(37,790)

	Local Government Pension Scheme	
	£'000	
	2022/23	2023/24
Opening balance at 1 April	0	(402,592)
Effect of asset ceiling	(402,592)	(87,218)
Closing balance at 31 March	(402,592)	(489,810)

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded)	
	£'000	
	2022/23	2023/24
Balance at 1 April	(26,037)	(19,452)
	(707)	(912)
Net (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	663	260
Actuarial gains/losses arising from changes in financial assumptions	6,172	448
Other	(1,128)	(46)
	1,585	1,691
Balance at 31 March	(19,452)	(18,011)

Local Government Pension Scheme assets comprised:

	Fair value of asset schemes 2022/23 £'000	%	Fair value of asset schemes 2023/24 £'000	%
Cash and cash equivalents	66,423	3.9%	68,359	3.8%
Equity instruments:				
• UK quoted and unquoted	274,060		115,017	
• Global quoted and unquoted	383,855		605,647	
• Global Frontier Fund	0		0	
• Pooled UK & Global	293,697		322,987	
Sub-total equity	951,612	55.7%	1,043,651	57.7%
Bonds:				
• Corporate	0		0	
• Government	109,624		107,060	
Sub-total bonds	109,624	6.4%	107,060	5.9%
Property:				
• UK direct	111,673		115,559	
• Property funds - global	0		0	
• Property funds - UK	0		0	
Sub-total property	111,673	6.5%	115,559	6.4%
Private Equity:				
• European	0		0	
• UK	167,851		168,547	
• Global	120,382		123,335	
Sub-total private equity	288,233	16.9%	291,882	16.1%
Other Investment Funds:				
• Infrastructure	36,371		28,935	
• Diversified Growth Funds	0		0	
• Other Loan Fund	0		0	
• Multi Asset Credit	143,604		152,994	
Sub-total investment funds	179,975	10.5%	181,929	10.1%
Total assets	1,707,540	100.0%	1,808,440	100.0%
Effect of asset ceiling	(402,592)		(489,810)	
	1,304,948		1,318,630	

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2024.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2022/23	2023/24	2022/23	2023/24
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.0	20.7	21.0	20.7
Women	23.4	23.0	23.4	23.0
Longevity at 65 for future pensioners:				
Men	22.4	22.0	-	-
Women	25.4	24.8	-	-
Rate of inflation	2.7%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.2%	4.2%	4.2%	4.2%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	4.8%	5.2%	4.9%	5.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Impact on the Defined Benefit Obligation in the Scheme:

	Increase in Assumption £'000	Increase in Assumption £'000
	2022/23	2023/24
Longevity (increase by 1 year in life expectancy)	27,310	33,235
Rate of inflation (increase by 0.25%)	55,236	48,658
Rate of increase in salaries (increase by 0.25%)	5,086	6,526
Rate for discounting scheme liabilities (increase by 0.5%)	(101,964)	(92,183)

23. Events after the Balance Sheet Date

These are events that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period; the financial statements are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events require to be disclosed.

There are no such events to report for 2023/24.

24. Related Parties

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

The most material of these transactions, including outstanding balances where normal terms and conditions may apply are shown below:

Subsidiaries, Associates and Joint Ventures

	2023/24	2023/24	2023/24	2023/24	2022/23	2022/23	2022/23	2022/23
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
Bon Accord Support Services	37,840	(756)	7,829	(2,173)	40,139	(1,356)	1,032	(131)
Common Good	54	(2,912)	865	(1,301)	477	(2,539)	0	(13,302)
Trust Funds	283	(46)	0	(5,340)	173	(43)	0	(5,207)
Sport Aberdeen	4,515	0	0	(5,160)	4,815	0	0	(3,915)
Aberdeen Heat & Power	3,499	-237	0	(395)	2,175	(227)	0	(656)
Aberdeen Sports Village	1,005	(6)	0	0	1,168	(1)	0	0
Aberdeen City Integration Joint Board	128,856	(176,516)	0	(144)	123,736	(170,629)	0	(9,935)
Grampian Valuation Joint Board	1844	0	38	(865)	1671	0	85	(679)

All of these bodies form part of the Council's group accounts which are set out on pages 158-176.

Organisations not included in the Consolidated accounts

These are bodies in which the Council holds an interest in by means of collaboration with other local authorities or organisation in which the Council holds significant interest in by contributing substantially towards their funding, but which do not meet the criteria to be included in the Group Consolidated Accounts.

	2023/24	2023/24	2023/24	2023/24	2022/23	2022/23	2022/23	2022/23
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	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
NESTRANS	1,589	(1,864)	1,231	(1,223)	3,623	(1,506)	338	(790)
Scotland Excel	185	0	0	0	181	0	0	0
SDPA	0	0	0	0	0	0	0	0

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits)

	2023/24	2023/24	2023/24	2023/24	2022/23	2022/23	2022/23	2022/23
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
Scottish Government	0	(424,275)	45,452	(17,713)	0	(403,923)	38,677	(56,920)

Other Public Bodies

IAS 24 requires all related party transactions during the year to be disclosed in the Annual Accounts. This disclosure should include the nature of the transaction and any outstanding balances. Significant transactions with other public bodies are displayed in the table below:

	2023/24	2023/24	2023/24	2023/24	2022/23	2022/23	2022/23	2022/23
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	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
NHS Bodies	1,685	(75)	795	(1,362)	5,925	0	2,222	(612)
Other Local Authorities	0	0	3,925	(6,489)	0	0	8,422	(1,600)
North East Pension Fund	6,638	-2,233	0	0	34,319	(2,040)	0	0
Police Scotland	0	0	653	0	0	0	621	(500)
Scottish Fire & Rescue	0	0	0	0	0	(1)	1	0
Scottish Water	1,859	(11)	763	(118)	1,521	0	928	(460)
Transport Scotland	3,557	(44,307)	128	0	1,790	(40,577)	1,952	0
Department of Works & Pension	40	0	27	(299)	50	0	0	0
Scottish Qualifications Authority	730	0	0	0	720	0	0	0

Members Interest

It is a requirement of the Council's Code of Conduct for Elected Members to declare any registered interest in any bodies where the Council itself does not have significant influence over their operations. Each Member's Register of Interest is available in the Your Councillors section of the Aberdeen City Council website.

In 2023/24, Aberdeen City Council made total payments of £9m to 24 bodies where members hold an interest. Payment to bodies where the total is in excess of £0.25m have been listed below:

	2023/24	2023/24	2023/24	2023/24	2022/23	2022/23	2022/23	2022/23
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
Aberdeen Performing Arts	1,160	(48)	23	(4)	1,073	(41)	0	(2)
Aberdeen Inspired	192	(69)	0	0	2,141	(10)	0	0
Opportunity North East	0	0	0	0	5,500	0	0	0
Aberdeen Foyer	712	(32)	7	0	822	(26)	8	0
University of Aberdeen	349	(49)	1	1	433	0	66	0
Citizens Advice Bureau	431	0	4	0	427	(22)	0	0
Scottish Teachers Pension Scheme	0	0	0	0	0	0	0	(6,815)

25. Leases**Council as Lessee***Finance Leases*

The Council has acquired the development at Marischal Square under a Finance Lease. The asset consisting of a hotel, retail and office units are carried as an Investment Property on the Balance Sheet. The minimum lease payments are made up of the following amounts:

The minimum lease payment will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£'000	£'000	£'000	£'000
Not later than one year	5,777	5,777	5,381	5,344
Later than one year not later than five years	23,108	23,108	21,113	20,924
Later than five years	142,262	136,485	87,812	82,658
	171,147	165,370	114,306	108,926
The minimum sublease payments expected to be received under non-cancellable subleases as at 31 March 2024 is £33,403,575				

Operating Leases

The Council has entered into a number of land and buildings operating leases. It also leases hydrogen and electric vehicles. The future minimum lease payments due under non-cancellable leases in future years are:

	Land and Buildings		Vehicles	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£'000	£'000	£'000	£'000
Not later than one year	313	283	44	32
Later than one year and not later than five years	836	805	0	0
Later than five years	3,370	4,521	0	0
	4,519	5,609	44	32

The Council has considered contractual arrangements which may contain implied leases. This identified contracts for social care residential services within which it is considered that the Council has the exclusive use of the care homes that it funds. Thus, there is an implied lease in operation within the funding agreement in place. The nature of the lease is operating as the agreements with the service providers are subject to review within the next three years. Given there is the potential to revoke funding within three years and therefore cease implied control of the properties there is no long-term commitment.

The future minimum lease payments due under non-cancellable leases in future years is as follows:

Implied Lease (Care Homes)	31 March 2023	31 March 2024
	£'000	£'000
Not later than one year	170	225
Later than one year and not later than five years	480	649
	650	874

Council as Lessor

Operating Leases

The Council leases out land and buildings for a variety of purposes. It also leases out hydrogen buses to the two local bus operators. The future minimum lease payments due under non-cancellable leases in future years are:

	Land and Buildings		Hydrogen Buses	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£'000	£'000	£'000	£'000
Not later than one year	5,557	5,407	104	100
Later than one year and not later than five years	16,820	16,560	278	178
Later than five years	174,288	177,844	0	0
	196,665	199,811	382	278

26. Investment Properties

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement. From 23/24 the trading note has been removed, as these services no longer meet the criteria to be classed as trading operations:

	31 March 2023	31 March 2024
	£'000	£'000
Rental and interest income from investment property	(22,291)	0
Expenses arising from investment property	17,347	0
Revaluation (gains)/losses	(3,409)	0
Net (gain)/loss	(8,353)	0

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance, or enhancement. The Event Complex Aberdeen (TECA) Aloft and Hilton hotels, and development land have been classified as investment properties.

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

	2022/23	2023/24
	£'000	£'000
Balance at start of the year	150,617	169,883
Additions	37	86
Disposals	(1,080)	(300)
Net gains/(losses) from fair value adjustments	3,409	(25,099)
Transfers:		
• (to)/from Property, Plant and Equipment	16,900	0
Balance at end of the year	169,883	144,570

27. Heritage Assets

I Reconciliation of the Carrying Value of Heritage Assets held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or valuation							
At 1 April 2022	608	1,708	17	0	193,639	300	196,272
Additions	0	0	0	0	115	0	115
Revaluations	0	0	0	0	3,336	0	3,336
At 31 March 2023	608	1,708	17	0	197,090	300	199,723
Cost or valuation							
At 1 April 2023	608	1,708	17	0	197,090	300	199,723
Additions	0	0	0	0	43	0	43
Revaluations	0	240	0	0	267	0	507
At 31 March 2024	608	1,948	17	0	197,400	300	200,273

City Monuments

The Council's collection of City Monuments is reported in the Balance Sheet at insurance valuation which is based on market values. The most recent valuations were performed between 2007 and 2010.

Maritime & Social History, Numismatics, Science, Technology & Industry

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature, there are few sales of such items which makes assessing correct valuations subject to estimation uncertainty. For items within the Maritime collection, most were valued between 2002 and 2013. The numismatics collection includes a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection includes a Rawlins of London Carriage dated 1817 which was valued in 2001.

Art Collection

The Council's collection of art consists of applied art and fine art. Due to the size of the collection an external valuer was not used to determine the asset worth. For items within applied art, most were valued between 2002 and 2013 where items in the collection were prompted for revaluation when they were loaned to exhibitions or if a similar item was sold at auction.

Civic Insignia

The Council's collection of Civic Insignia is reported in the Balance Sheet at insurance valuation which is based on market values. The most recent valuations were undertaken in 2013.

ii Heritage Assets: Further Information on the Museum's Collections**City Monuments**

This collection boasts over 100 monuments from around the Aberdeen City Centre area including the William Wallace Monument by William Grant Stevenson and King Edward VII by Alfred Drury dating back to 1910. Only five monuments have been recognised on the Council's Balance Sheet due to the difficulty in obtaining accurate valuations which reflect the true monuments' value.

Maritime & Social History

The collection is maintained to allow locals and visitors of Aberdeen to see real things relating to the lives of the people who built and sailed the ships, fished the seas and defined the harbour from the medieval period to today's busy oil port. A rich collection of "Captain's Paintings" from the clipper ship era, ship models from 1689 to the present, whaler's harpoons, 14th century jugs traded to Aberdeen from Holland, a fine lighthouse lens assembly, the deck house of a steamer and underwater unmanned remotely controlled vehicles are all presented along with hundreds of other fascinating objects from Aberdeen's long association with the sea.

Numismatics

The main strength of this superb collection is in Scottish coins and banknotes, including no fewer than 16 gold coins, ranging in date from the 13th to the 20th century. In addition to that group are the 14th century coin hoards found in Aberdeen, which are of major European significance. Coins from ancient Greece and Rome are among the City's collection, which also features coinage and banknotes from most countries of the modern world. Communion tokens from churches in Aberdeen, North East Scotland and beyond as well as trade tokens further enhance this assemblage, while a fine range of medals, both commemorative and military, are also included. In line with the Council's capitalisation policy only one item from the collection is reported in the Balance Sheet. This is a Mary Queen of Scots coin dated 1555 valued at £6,300.

Science, technology and industry

This collection records the working lives of the people of Aberdeen and how technology has changed communities, work and leisure. This most important local history collection includes items from Aberdeen's great industries such as granite and local engineering. Tools, machines and photographs give an insight into the work of local craftsmen such as the cooper, joiner and shoemaker. The introduction of gas and new transport systems changed the City and are also represented in the collection, as is the gradual increase in technology in the home and office. This collection seeks to record Aberdeen's continued growth and development. In line with the Council's capitalisation policy only one item from the collection was reported in the Balance Sheet. The Rawlins of London Carriage dated 1817 valued at £10,000 has now been transferred to the Grampian Transport Museum.

Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both value and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which was valued by Sotheby's at £70 million on 24 January 2018.

Applied and Decorative Art

The collection comprises over 15,000 items, covering all aspects of applied and decorative art, design and craft and costume and textiles. The collection is particularly strong in the area of ceramics, costume, glass, jewellery, metalwork and textiles, with particular emphasis on Scottish work. An active policy of collecting contemporary British Craft has resulted in one of the most important collections of this type in Scotland. There is a significant group of enamels by the Aberdeen artist James Cromar Watt (1862-1940). The fashion designer Bill Gibb (1943-1988), who was born in Aberdeenshire, is represented by the largest collection of his outfits in the UK along with an archive of over 2,000 fashion sketches, working drawings and notes. In addition, the collection boasts a Lacquer Box valued at £250,000.

Civic Insignia

This small collection of around 10 items consists of insignia relating to civic duties in Aberdeen including items such as badges and chains of office of the Lord and Lady Provost, the Treasurer and the Dean of Guild. Most items boast the Aberdeen City Coat of Arms and date back as early as the 16th century.

Archaeology

These collections reflect the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland and the internationally significant excavations which have taken place since the 1970s. The great strength lies in the substantial body of local medieval material, which, owing to special staff expertise in this field, is an important resource for research and interpretation. The collection – which continues to grow as new discoveries are made – also includes many organic objects, such as leather shoes, textile fragments, rope and wooden artefacts, which survived hundreds of years of burial owing to the rare, waterlogged soil conditions of Aberdeen. Prehistoric objects from the locality, as well as objects from ancient Greece and Egypt, are also part of the collection. Due to the nature of the items within this collection, it is the Council's opinion that because of their rarity, it is not possible to provide a reliable estimate of the collection's value.

Library & Information Services

Aberdeen City Libraries hold a number of reference collections which could be deemed to be held and maintained principally for their contribution to knowledge and culture. The collection consists of Historic book collections of Local and National significance including:

- Cosmo Mitchell Bequest – a collection of books on the art and execution of dance spanning the late 19th and early 20th centuries;
- Aberdeen in WW2 – a comprehensive photographic record of air-raid damage suffered by Aberdeen during World War Two; and
- James Walker Collection – a collection of books on the theory of music and music scores including some rare examples of early Scottish music.

The Council's Library Service also includes historic directories; the historic local newspaper archive and a photographic archive which is an extensive collection of historical photographs covering buildings, streets and harbour scenes in the city. Due to the immaterial value of these items, this collection has not been disclosed on the Balance Sheet.

Preservation and Management

Each of the collections, with the exception of the Library & Information Service and Civic Insignia is managed by a curator of Aberdeen Art Gallery and Museums in accordance with policies that are approved by the Education, Culture and Sport Committee of the Council. Further information on the management of Heritage Assets is provided in the "Acquisition and Disposal Policy" which has been produced in line with the requirements of the Arts Council in England. Acquisitions are small and primarily made by donation. However, on rare occasions when a particularly important asset is available for purchase, the Council will undertake the purchase provided that it meets the objectives of the Museum and the Council in terms of its collection of Heritage Assets. The policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. Assets are collated, preserved and managed in accordance with the aforementioned policy. There is a computerised record of all assets held within each collection which contains a brief description of the asset, the artist/author, type of asset and value. Each asset also has a unique identifier for reference purposes.

28. Property, Plant and Equipment

Movements in 2022/23:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets *	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment **
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2022	902,051	1,239,576	74,412		31,021	6,143	128,964	2,382,167	199,961
Additions	111,668	24,871	13,168		564	13	61,320	211,604	2,538
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,506)	6,707	0		0	(87)	0	3,114	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(71,418)	(70,110)	0		0	(742)	0	(142,270)	0
Derecognition – Disposals	0	0	(601)		0	(350)	0	(951)	0
Derecognition – Other	0	0	(4,551)		0	0	0	(4,551)	0
Reclassifications and Transfers	0	39,730	0		18,514	2,648	(70,544)	(9,652)	0
At 31 March 2023	938,795	1,240,774	82,428		50,099	7,625	119,740	2,439,461	202,499
Accumulated Depreciation and Impairment									
At 1 April 2022	(4,598)	(33,040)	(43,733)		0	0	0	(81,371)	(6,169)
Depreciation charge	(35,213)	(34,527)	(7,857)		0	0	0	(77,597)	(3,880)
Depreciation written out to the Revaluation Reserve	13,617	6,333	0		0	0	0	19,950	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,364	9,730	0		0	0	0	27,094	0
Derecognition – Disposals	0	0	346		0	0	0	346	0
Derecognition – Other	0	0	4,551		0	0	0	4,551	0
Reclassifications and Transfers	0	746	0		0	0	0	746	0
At 31 March 2023	(8,830)	(50,758)	(46,693)		0	0	0	(106,281)	(10,049)
Net Book Value									
At 31 March 2023	929,965	1,190,016	35,735	277,038	50,099	7,625	119,740	2,610,218	192,450
At 31 March 2022	897,453	1,206,536	30,679	259,559	31,021	6,143	128,964	2,560,355	193,792

* As noted on page 70, the Council has chosen to adopt both Infrastructure Asset overrides for 2022/23 and 2023/24.

** 22/23 figures restated

Property, Plant and Equipment

Movements in 2023/24:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets *	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment **
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2023	938,795	1,240,774	82,428		50,099	7,625	119,740	2,439,461	202,499
Additions	119,903	20,605	9,839		2,874	5	50,210	203,436	695
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,501	66,038	0		0	(3,393)	0	88,146	(6,843)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(39,273)	(42,226)	0		0	(3,410)	0	(84,909)	(7,149)
Derecognition – Disposals	0	0	0		0	(470)	0	(470)	0
Derecognition – Other	0	0	(14,728)		0	0	0	(14,728)	0
Reclassifications and Transfers	0	91,818	0		0	5,170	(96,988)	0	0
At 31 March 2024	1,044,926	1,377,009	77,539		52,973	5,527	72,962	2,630,936	189,202
Accumulated Depreciation and Impairment									
At 1 April 2023	(8,830)	(50,758)	(46,693)		0	0	0	(106,281)	(10,049)
Depreciation charge	(40,388)	(34,039)	(7,884)		0	0	0	(82,311)	(3,920)
Depreciation written out to the Revaluation Reserve	14,129	7,206	0		0	0	0	21,335	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	18,595	13,458	0		0	0	0	32,053	1,547
Derecognition – Disposals	0	0	0		0	0	0	0	0
Derecognition – Other	0	1,100	14,728		0	0	0	15,828	0
Reclassifications and Transfers	0	0	0		0	0	0	0	0
At 31 March 2024	(16,494)	(63,033)	(39,849)		0	0	0	(119,376)	(12,422)
Net Book Value									
At 31 March 2024	1,028,432	1,313,976	37,690	291,398	52,973	5,527	72,962	2,802,958	176,780
At 31 March 2023	929,965	1,190,016	35,735	277,038	50,099	7,625	119,740	2,610,218	192,450

* As noted on page 70, the Council has chosen to adopt both Infrastructure Asset overrides for 2022/23 and 2023/24.

** 22/23 figures restated

Valuations

The valuation report has been used to inform the measurement of non-current assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation.

Depreciation – Useful Lives

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – up to 25 years
- Other Land and Buildings – up to 75 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

Capital Commitments

As at 31 March 2024, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years. The major commitments amounting to £5 million or more are detailed below with equivalent figures provided for 31 March 2023.

Major Capital Contractual Commitments	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Aberdeen Western Peripheral Route (main contract awarded December 2012)	943	0
TECA (all main contracts awarded 31/03/19)	3,000	0
Tillydrone Primary School (work commenced February 2023)	0	16,900
Energy from Waste (contract signed August 2019)	2,036	4,500
Milltimber Primary (contract awarded 24 July 2020)	241	0
Countesswells Primary (work commenced October 2021)	1,767	0
Torry Primary School and Hub (work commenced April 2022)	6,244	351
Joint Integrated Mortuary (work commenced October 2022)	22,500	19,100
New Build Housing – Summerhill	11,337	827
New Build Housing – Auchmill	565	0
New Build Housing – Cloverhill	84,605	71,432
New Build Housing - Craighill	28,665	25,058
New Build Housing - Kincorth	63,218	54,358
New Build Housing - Tillydrone	13,096	13,280
	238,217	205,806

Componentisation

Property, Plant and Equipment with more than one identifiable part to them are considered for componentisation if one of the three trigger events takes place:

- When a new asset is purchased or constructed
- When subsequent expenditure is incurred on asset
- When an asset is revalued

The council separately accounts for significant components with substantially different useful economic lives. A de minimis level of £2.5 million is applied to the overall asset value in this respect.

- Components are deemed to be significant where the cost is more than 10% of the cost of the asset. In practice, the following components are accounted for separately, where material:
 - Land (useful life not applicable);

- Buildings (useful life up to 75 years);
- Plant and equipment (useful life up to 20 years); and
- Other components with substantially different useful economic lives.
- As assets under construction become operational and existing assets are revalued, componentisation will apply.
- Where a component is replaced, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations were carried out internally by Deborah Wyllie, BSc MRICS and Stephen Booth, BLE MRICS and externally by District Valuer Frances Hay MRICS and Savills, who are all Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

The significant assumptions applied in estimating the fair values are:

- Buildings constructed under PPP arrangements have been valued as if they were assets wholly owned by the Council without any deferment.

Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of properties other than Beacon properties is not considered necessary due to the similarity of the property types covered by the Beacons.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	101,608	0	37,690	291,398	52,973	0	72,962	556,631
Valued at fair value as at:								
31 March 2024	926,824	149,653	0	0	0	5,527	0	1,082,004
31 March 2023	0	262,784	0	0	0	0	0	262,784
31 March 2022	0	446,319	0	0	0	0	0	446,319
31 March 2021	0	0	0	0	0	0	0	0
31 March 2020	0	455,220	0	0	0	0	0	455,220
Total cost or valuation	1,028,432	1,313,976	37,690	291,398	52,973	5,527	72,962	2,802,958

* The historical cost of the assets revalued in the five years stated cannot be accurately confirmed due to disposals and transfers between asset categories taking place since assets have been revalued.

29. Capital Expenditure and Capital Financing

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

	HRA	General Fund	Total	HRA	General Fund	Total
	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement	239,193	1,100,715	1,339,908	312,070	1,171,938	1,484,008
<i>Capital investment</i>						
Property, Plant and Equipment	114,447	127,974	242,421	119,903	112,214	232,117
Heritage Assets	0	115	115	0	43	43
Investment Properties	0	37	37	0	86	86
<i>Sources of finance</i>						
Capital receipts	(44)	(329)	(373)	(129)	(56)	(185)
Government grants and other contributions	(34,462)	(48,109)	(82,571)	(25,702)	(53,473)	(79,175)
Sums set aside from revenue:						
• Direct revenue contributions	636	0	636	494	0	494
• Capital for Current Revenue (CFCR)	(5,596)	(3,638)	(9,234)	0	(1,113)	(1,113)
• Loans fund principal	(2,104)	0	(2,104)	(2,449)	(9,796)	(12,245)
• PPP liability/Finance Lease repayments	0	(4,827)	(4,827)	0	(5,728)	(5,728)
Closing Capital Financing Requirement	312,070	1,171,938	1,484,008	404,187	1,214,115	1,618,302
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	72,877	76,050	148,927	92,117	47,905	140,022
Assets acquired under PFI/PPP contracts	0	(4,827)	(4,827)	0	(5,728)	(5,728)
Increase/(decrease) in Capital Financing Requirement	72,877	71,223	144,100	92,117	42,177	134,294

30. Public Private Partnerships (PPP) and Similar Contracts

3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

The Council has entered into a 30-year PPP contract for the construction or renovation, maintenance and operation of ten schools. The schools came into operation between May 2009 and April 2011. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

Lochside Academy

The Council has entered into a 28-year PPP contract for the construction of Lochside Academy. The academy came into operation in August 2018. The model is similar to the one above however, soft facilities management (cleaning, catering and janitorial services) are delivered through the Council.

Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 29.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	3R's				Lochside Academy				TOTAL			
	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2024/25	8,052	2,865	5,879	16,796	557	1,443	1,905	3,905	8,609	4,308	7,784	20,701
Payable within two to five years	32,112	14,710	23,223	70,046	3,033	5,923	6,898	15,854	35,145	20,633	30,121	85,900
Payable within six to ten years	50,993	26,291	25,286	102,569	5,127	8,343	6,918	20,388	56,119	34,634	32,204	122,957
Payable within eleven to fifteen years	46,617	37,524	18,293	102,433	5,450	11,090	4,560	21,099	52,066	48,614	22,852	123,532
Payable within sixteen to twenty years	35	1,032	699	1,766	5,411	11,485	1,486	18,383	5,446	12,517	2,186	20,149
Payable within twenty one to twenty five years	0	0	0	0	0	0	0	0	0	0	0	0
Total	137,808	82,422	73,380	293,610	19,577	38,284	21,767	79,629	157,386	120,706	95,147	373,239

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

	2022/23	2023/24
	£'000	£'000
Balance outstanding at start of year	130,565	126,038
Payments during year	(4,527)	(5,332)
Balance outstanding at end of year	126,038	120,706

31. Assets Held for Sale

	2022/23	2023/24
	£'000	£'000
Balance outstanding at start of year	11,993	3,150
Revaluation gains and (losses)	(961)	0
Disposals	(632)	0
Reclassifications and transfers	(7,250)	0
Balance outstanding at end of year	3,150	3,150

32. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		TOTAL	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	2,880	4,306	26	6	0	0	2,906	4,312
Purchases	19,884	23,425	34,237	44,605	0	0	54,121	68,030
Recognised as an expense in the year	(18,458)	(22,799)	(34,257)	(44,598)	0	0	(52,715)	(67,397)
Written off balances	0	0	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at end of year	4,306	4,932	6	13	0	0	4,312	4,945

33. Short Term Debtors

	31 MARCH 2023 £'000	31 MARCH 2024 £'000
Central government bodies	34,877	45,452
Other local authorities	8,422	3,925
NHS bodies	2,222	795
Public corporations and trading funds	3,601	5,418
Other entities and individuals	182,142	223,661
Gross Total	231,264	279,251
Deduct: Provision for Impairment	(84,989)	(90,258)
Net Total	146,275	188,993

34. Short Term Creditors

	31 MARCH 2023 £'000	31 MARCH 2024 £'000
Central government bodies	(56,920)	(10,050)
Other local authorities	(1,599)	(477)
NHS bodies	(612)	(1,362)
Public corporations and trading funds	(776)	(1,465)
Other entities and individuals	(96,458)	(133,732)
Total	(156,365)	(147,086)

35. Provisions

2023/24	Note 1 Compensation Payments - Equal Pay & VS/ER £'000	Note 2 Property - Asset Management £'000	Note 3 Contractual Obligations £'000	Note 4 IFRS Impairments £'000	Note 5 Other £'000	TOTAL £'000
Balance at 1 April 2023	(3,790)	(245)	(2,991)	(26)	(288)	(7,340)
Additional provisions made in 2023/24	(200)	(269)	(1,106)	0	(2,192)	(3,767)
Amounts used in 2023/24	2,506	164	385	0	204	3,259
Unused amounts reversed in 2023/24	0	0	488	26	0	514
Balance at 31 March 2024	(1,484)	(350)	(3,224)	0	(2,276)	(7,334)
<i>Represented by:</i>						
Current provisions	(1,484)	(300)	(3,224)	0	(2,276)	(7,284)
Long term provisions	0	(50)	0	0	0	(50)

Notes on Provisions
1. Compensation Payments – Voluntary Severance/Early Retirement costs- £1.484 million

This provision is for future severance costs. £2.5 m of this was used in 23/24 and an additional provision of £0.2m has been added for 24/25.

2. Property-Asset Management - £0.350 million

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation.

4. Contractual Obligations - £4.587 million

This provision relates to outstanding claims against the Council. These are in relation to legal fees, court cases and compensation cases. It is likely these claims will be settled in 2024/15.

5. IFRS Impairment - £0 million

IFRS 9 Financial Instruments recognised that a provision should be made for financial assets held by the Council. These provisions have now been netted off against the relevant long term loan and short term investment.

6. Other

- **Customer Digital Provision - £0.031 million**

A provision of 7.5% of the annual value of the laptop rental agreement was established for the end of the original lease agreement (ended September 2023) to deal with any contract end charges that related to unreturned or damaged devices. Final invoices have now been paid and the balance is being held towards similar charges for the current lease agreement.

- **VAT (Furniture Services) - £0.022 million**

Following a review of the VAT status on all the Council's Fees and Charges an error was identified in the furniture leasing scheme operated by the Council's Housing Team. HMRC have been notified and a provision has been created of the estimated value of the outstanding VAT liability. Movement in the provision in 23/24 relates to Interest payments made to HMRC.

- **Factoring Response Repair Fund - £0.042 million**

This provision relates to refunds to be made to private owners for factoring fees. The majority of historic refunds were processed in 23/24 however some more complex accounts have yet to be resolved. Reconciliations of accounts will be carried out on an annual basis by the service going forward.

- **RAAC Provision for Property Costs - £2.180 million**

This provision relates to the decision taken at Urgent Business Committee on 29th February 2024 to rehome council tenants residing at the RAAC identified properties to alternative housing. This covers additional staffing costs, specialist consultant fees, contractors costs for access and works, rehoming costs, utilities disconnections/connections and security costs for the wider site, all relating to council tenants.

36. Contingent Assets and Liabilities

Contingent Assets

A contingent asset arises where an event takes place which gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

As at 31 March 2024 the Council had no material contingent assets.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the Council.

At 31 March 2023 the Council had material contingent liabilities as undernoted. An estimate of the contingent liability has been provided where it is practicable to do so.

Guarantees

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £125,000, as approved at Finance & Resources Committee on 30 January 2024. This guarantee will remain in force until 31 March 2025.

- **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen of up to a maximum of £5 million as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a Revolving Credit Facility for £1.4 million in place.

- **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed several such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

- **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

- **Integration Joint Board (IJB)**

The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The Aberdeen City IJB Integration Scheme provides the framework in which the IJB operates including information on funding and what should happen if the IJB is projecting to overspend its budget at the year-end. Whilst steps will be taken to address this (through a Recovery Plan), ultimately the parties to the arrangement may be potentially liable should the IJB overspend.

Contractual**• Waste Disposal**

The Council has a long-term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run until April 2029.

The fire at Altons East Recycling and Resource Facility on 8 July 2022 has resulted in business continuity plans being implemented and changes made to the processing of some waste streams. There have therefore been a wide range of the implications arising from the events. There will remain contractual matters to be addressed that will take time and the Council continues to work closely with the Contractor and representatives to determine the full extent of those.

The Council is lead partner in a three-authority project with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract commenced on 8 August 2019 with the facility now online and will run for 20 years.

Litigation in connection with the above

There are currently several adjudications regarding performance, delivery and delay of the energy from waste project and sums due under the contract as a result. Parties are too far apart at present to put an exact figure on any liability or quantum.

• Landfill Allowance Scheme (LAS)

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The Landfill Allowance Scheme in Scotland is currently suspended, and it is expected that the Waste (Scotland) Regulations 2012 will take over the requirement for the control of landfilling biodegradable municipal waste. However, until such a repeal is formalised there remains a potential liability on the Council.

• Section 75 agreements

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The possibility of liabilities arises in cases where the developer is not adhering to the agreed payment schedule and the Council elects to proceed with a project where that developer obligation funding is due. In these cases, unless a resolution can be found with the developer, the Council may be exposed to additional costs due to higher levels of borrowing than originally anticipated to "cashflow" a legally committed project. Costs could apply to the short, medium, or long-term depending on the circumstances.

The Council's Risk Board agreed that the Developer Obligations working group would escalate to Corporate Management Team any developers who fall behind on payments, and where necessary this will be reported to Finance & Resources Committee. This is a risk which may crystallize in the current housing market conditions due to high supply costs and reduced supply of labour.

The inherent risk with all developer obligation funded projects is whether the build rate of the development is triggering financial contributions at the rate required to fund the Council projects involved. Where the Council project advances more quickly than the development, the Council may have to step in to "cashflow" the necessary funding requirement. Where a project has not been legally committed, a failure to receive the supporting developer obligation funding may require a discussion to determine whether the project should be paused, or even stopped completely. More detailed monitoring is therefore required by the Planning service to forecast expected build rates on developments and map out the timelines of expected trigger points for release of funding.

• Impact of Covid on Working Practices, Social Distancing and the Capital Programmes

All restrictions that were in place for the Covid-19 pandemic have now been lifted, and although the virus continues to circulate it no longer presents the health risk that previously existed. However, the consequences of the pandemic have been far reaching and recovery has been slow. The Council has prepared its 2024/25 budget to include taking cognisance of external environments, which could have an adverse impact on the price of commodities. There remains the possibility that further costs may arise that were not previously identified.

The emergence of Covid resulted in new working practice guidelines being issued by the Scottish Government, to set new standards to allow consultants, contractors, sub-contractors and their suppliers to work safely during the pandemic. These unforeseen changes resulted in the construction industry incurring additional costs for compliance with the risk of delays to projects. These measures also restricted numbers of staff on site which slowed down progress on works. These impacts have manifested in projects which were on site at the time of the initial lockdown, and discussions between the Council and the relevant contractors are on-going to determine liability for additional costs. It is noted that this impact is now constrained to a small number of large projects where the construction period extended over a number of years.

The Council are also aware that the construction industry is experiencing shortage of products, raw materials, staffing and logistical support which is impacting on current and future costs across the UK. Ordering lead times are extending across the sector with the risk of increased delay impacts to projects. Advance order of materials continues to be a project mitigation strategy where it can be applied.

There is evidence of a contraction in the construction industry particularly in terms of small to medium sized suppliers. The Russian invasion of Ukraine and resulting economic sanctions placed on Russia and Belarus has further exacerbated supply chain issues for some commodities e.g. bituminous materials, steel etc. which were sourced from eastern Europe. Now there is added risk of escalation in the Middle East due to the Palestine/Israel conflict.

Taken altogether, this had manifested as the highest level of cost inflation experienced for around 30 years, though there are signs the inflation rate was starting to stabilise by the summer of 2023 and has continued to do so. This volatility has created new risks around capital projects which continue to be present to the current day. A review of project timeline delivery and financial viability for programmes/projects is an ongoing task whereby any significant programme/project impacts continue to be updated through updates to the appropriate committee.

- **Reinforced Autoclaved Aerated Concrete (RAAC)**

Following a published update regarding the risk of failure with Reinforced Autoclaved Aerated Concrete (RAAC) Planks, the Council initially carried out and completed its review of its public buildings where the presence of RAAC has been identified. RAAC was found in a small number of them, and mitigation is now in place.

Similarly, as reported previously a programme of work was conducted across the whole Council housing stock and this work is now complete. The outcome of this review across the whole housing stock has resulted in the identification of a housing type with RAAC, located to the south of the city in the Balnagask area.

The outcome of the above has been reported to Council and an options appraisal for the affected housing at Balnagask is now underway. This appraisal will consider mitigation options such as remedial works or demolition. At this stage of the appraisal work, it is not known what the recommended option will be. However, whatever option is eventually recommended, it is expected to result in future financial liability to both the General Fund and the Housing Revenue Account.

- **Scottish Child Abuse Enquiry**

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021 ("the Act") received Royal Assent on 23 April 2021. Scotland's Redress Scheme opened on 8 December 2021. Survivors, as an alternative to civil litigation, may choose to apply for redress. Local Authorities, as a Local Government sector, pay financial contributions towards the redress scheme and this has now been agreed as part of the Local Government Settlement and will be applied for the next 10 years.

Civil Litigation claims are still being received by the Council, both as lead authority for the former Grampian Regional Council and Aberdeen District Council as well as claims solely against Aberdeen City Council. Any uninsured claims or associated costs in respect of Aberdeen District Council or Aberdeen City Council will require to be met by Aberdeen City Council. The costs of these are unquantifiable at this time but will give rise to a future financial liability.

37. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

<u>Grant Income</u>				
			2022/23	2023/24
			£'000	£'000
Credited to Taxation and Non Specific Grant Income				
Total revenue Funding Grant			390,012 *	424,275
			390,012	424,275
* 2022/23 Rate Support Grant restated due to audit adjustment.				

		2022/23	2023/24
Credited to Services		£'000	£'000
	Department of Work and Pensions		
	Housing Benefit Grant	36,360	35,446
	Housing Benefit Admin Grant	616	586
	Discretionary Housing Payment	(481)	-
	National Health Service		
	Integrated care funding	46,012	37,869
	Other	4	4
	Other Local Authorities		
	Western Peripheral Route Works	1,528	2,049
	Scottish Government		
	ELC Expansion	22,167	19,935
	S27 Community Justice Grant	5,666	5,925
	Pupil Equity Fund	3,308	3,446
	Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	2,737	2,734
	HEEPS - Home Insulation	967	1,424
	No-One-Left Behind / Long term unemployed	-	1,246
	Mental Health & Wellbeing Framework	585	577
	Parental Employability Support	266	550
	Under 5's Healthy Snack & Milk	539	534
	Employability Funding	1,217	500
	Young Person's Guarantee	834	488
	Strategic Equity Fund	443	472
	Ukrainian Refugee Education	1,936	391
	Attainment Challenge	308	396
	Pay Award Funding	-	350
	Electric Vehicles	18	250
	Ukrainian Welcome Hub	915	245
	Education Maintenance	330	242
	NE Economic Recovery & Skills	1,554	-
	Afghan Refugee Education	421	-
	COVID Grant Admin	343	-
	COVID Hardship Funding	1	-
	COVID Funding - Other	(47)	-
	Balance to Carry Forward	128,545	115,658

		2022/23		2023/24
		£'000		£'000
Balance Brought Forward		128,545		115,658
	Other	1,723		831
	European Funding			
	Jive Hydrogen Bus	2,294		-
	HECTOR Waste Vehicle	320		60
	Other	(48)	*	(45)
	UK Government			
	Ukrainian Integration Support	14,784	**	786
	Ukrainian Sponsorship	-		417
	Shared Prosperity Fund	-		374
	Afghan Bridging Accommodation	1,458	**	279
	Other	25	**	282
	Home Office			
	Unaccompanied Asylum Seeking Children	243		779
	Other	39	***	-
	National Institute for Health & Care	57		738
	Sport Scotland	507		650
	Transport Scotland			
	Western Peripheral Route Works	42,617		40735
	Other			40
	Other	768	****	573
Total		193,332		162,156
				586,431
* 2022/23 'European Funding Other' has been restated as Hytrec not listed separately in 23/24.				
** 2022/23 'UK Government' has been restated as was listed under "Home Office" in error.				
*** 2022/23 'Home Office Funding Other' has been restated as Unaccompanied Asylum Seeking Children has been identified separately in 23/24.				
**** 2022/23 'Other' has been restated to include Creative Scotland and National Institute for Health & Care has been identified separately in 23/24.				

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

	2022/23 £000	2023/24 £000
Revenue Grants - Receipts in Advance		
Creative Scotland - Place Partnership	0	96
EU - HECTOR	0	167
EU - Hytrec	0	863
EU - Pedelecs H2 Bikes	0	47
Food Standard Scotland Grant	50	0
Home Office UASYP	56	56
NHS Alcohol & Drug Funding	155	0
Scottish Government - Air Quality Control	0	59
Scottish Government - Bairn's Hoose	0	15
Scottish Government - Care Experienced & Young People	738	606
Scottish Government - Covid Recovery	0	7
Scottish Government - Delivery Equally Safe	96	70
Scottish Government - Employability/YPG	501	0
Scottish Government - Energy Bill Support	1090	0
Scottish Government - Green Growth Accelerator	95	95
Scottish Government - Library Improvement Fund	24	16
Scottish Government - No One Left Behind	0	26
Scottish Government - PEF Funding	1018	4
Scottish Government - Road Assessment/Parking Prohibitions	159	70
Scottish Government - Skills Fund	97	97
Scottish Government - Travelling People	57	0
UK Government - H2 Twin Cities	0	20
UK Government - UK Shared Prosperity Fund	0	2548
Other - Various	99	82
Total	4,235	4,944
Capital Grant - Receipts in Advance		
Cycling Scotland - Cycle Lockers	0	120
Scottish Government Denburn Restoration	0	6
Scottish Government Low Emissions Zone	0	170
Scottish Government Place Based Funding	493	193
Total	493	489

38. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments Balances	Long term		Current	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Investments				
Loans and receivables	0		11,588	10,035
Interest in group entities	28,219	32,453	0	
Total investments	28,219	32,453	11,588	10,035
Debtors				
Loans and receivables	498	457	0	
Financial assets carried at contract amount	0		146,275	188,993
Total debtors	498	457	146,275	188,993
Borrowings				
Financial liabilities at amortised cost	(1,064,341)	(1,146,348)	(306,405)	(409,806)
Total borrowings	(1,064,341)	(1,146,348)	(306,405)	(409,806)
Other Long term Liabilities				
PPP liabilities	(120,706)	(116,398)	(5,332)	(4,308)
Total other long term liabilities	(120,706)	(116,398)	(5,332)	(4,308)
Creditors				
Financial liabilities carried at contract amount	0	0	(156,365)	(147,086)
Total creditors	0	0	(156,365)	(147,086)

Note:

The Scottish Government issued a financial flexibility that allowed the deferral of the debt repayment instalment for one year. The Council has taken up this option for 2022/23 and deferred the 2022/23 debt instalment of £9.2m. This will be repaid over the next 20 years at a rate of £0.46m per annum.

Borrowings, Financial Liabilities at Amortised Cost. The Council undertook a £370 million Bond Issuance in 2016, receiving a premium of £44 million. This is reflected in the table above. Lenders Option/Borrowers Option (LOBO's) of £43.9m have been included in long-term borrowing but have a call date in the next 12 months.

Income, Expense, Gains and Losses

Financial Instruments Gains/(Losses)	2022/23			2023/24		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(60,374)	0	(60,374)	(74,194)		(74,194)
Total expense in Surplus or (Deficit) on the Provision of Services	(60,374)	0	(60,374)	(74,194)	0	(74,194)
Interest income	0	5,188	5,188		7,462	7,462
Total income in Surplus or (Deficit) on the Provision of Services	0	5,188	5,188	0	7,462	7,462
Net Interest	(60,374)	5,188	(55,186)	(74,194)	7,462	(66,732)

With the introduction of IFRS 9 on 1 April 2018 the Council now classifies its Financial Assets according to the business model to which they relate and conducts an annual impairment review to ensure impairments are made to financial assets, if required.

Loans and Receivables includes short term investments and long-term loans. These are classified as Amortised Cost as they are held solely for the purposes of repayment of principal and interest. The interest in group entities and is now classified as Fair Value through Profit and Loss. Any annual fluctuations in the value of this category will be credited/debited to the Comprehensive Income and Expenditure Statement.

The impairment allowance for short-term investments is very low as these investments are made with financial institutions with high credit ratings per the Council's Treasury Strategy and are therefore considered to be at very low risk of default. Several of the Council's long-term loans are protected standard securities or guarantees and so are not assessed for impairment. An impairment considered appropriate for the remaining loans has been calculated.

Financial Instrument	2022/23				2023/24			
	Classification		Treatment		Classification		Treatment	
	Amortised Cost	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss	Amortised Cost	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans and Receivables	53,891		1,388		38,910		117	
Interest in Group Entity		26,719		(11,216)		27,720		(4,234)

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2024 of 1.57% to 8.625% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis at that date.
- no early repayment is recognised.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Liabilities	31 March 2023					31 March 2024				
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000
PWLB – maturity	(529,434)	(7,247)	(536,681)	(531,310)	(447,903)	(609,434)	(7,822)	(617,256)	(558,911)	(484,732)
LOBOs	(93,893)	(704)	(94,597)	(101,680)	(93,849)	(93,893)	(716)	(94,609)	(105,315)	(85,728)
Bond Issuance	(331,590)	(1,244)	(332,834)	(333,442)	(322,076)	(321,053)	(1,415)	(322,468)	(307,407)	(300,338)
Bond EIR	(80,894)	0	(80,894)	(80,894)	(80,894)	(94,644)	0	(94,644)	(94,644)	(94,644)
Bond Premium	(36,302)	0	(36,302)	(36,302)	(36,302)	(35,147)	0	(35,147)	(35,147)	(35,147)
Transfer Interest to Short Term in line with Code requirements	0	9,195	9,195	0	0		9,953	9,953		
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements			10,527	0	0			10,549		
Financial Instrument Adjustments			(2,755)	0	0			(2,727)		
Total Long Term Borrowing	(1,072,113)	0	(1,064,341)	(1,083,628)	(981,024)	(1,154,170)	0	(1,146,348)	(1,101,424)	(1,000,589)
Short term borrowing	(285,369)	(2,573)	(287,942)	(287,942)	(287,942)	(357,377)	(6,012)	(363,389)	(363,389)	(363,389)
Loans Fund External Balances	0	0	0	0	0		(23,709)	(23,709)		
Transfer Interest from Long Term in line with Code requirements	0	(7,951)	(7,951)	0	0		(12,159)	(12,159)		
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements			(10,512)	0	0			(10,549)		
Total Short Term Borrowing	(285,369)	(10,524)	(306,405)	(287,942)	(287,942)	(357,377)	(41,880)	(409,806)	(363,389)	(363,389)

From 2015/16, the Fair Value of borrowings is shown at both Premature Repayment rates and New Loan rates. In prior years, the Fair Value of borrowings had been shown only on a New Loans rates basis.

Fair Value of Assets	31 March 2023				31 March 2024			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
Deposits with banks/building societies	53,800	91	53,891	53,891	38,350	55	38,405	38,405

The above deposits are shown within Cash and Cash Equivalents and Short-Term Investments in the Balance Sheet.

39. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in its annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £30 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £53.8m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

Credit Risk A					
Estimated maximum exposure at 31 March 2023 £'000		Amount at 31 March 2024 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2024 %	Estimated maximum exposure to default and uncollectability at 31 March 2024 £'000
		A	B	C	(A x C)
53,891	Deposits with banks and building societies	38,405	0	0	0
55,286	Customers	53,497	2.51%	2.51%	1,343
109,177					1,343

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £53.5m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2023 £'000	31 March 2024 £'000
Less than three months	17,025	13,577
Three to six months	3,453	1,610
Six months to one year	3,255	2,697
More than one year	31,553	35,613
	55,286	53,497

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 20% of loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of prudent planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	31 March 2023	31 March 2024
	£'000	£'000
Less than one year	310,517	407,533
Between one and two years	10,549	10,560
Between two and five years	31,716	41,750
Between five and ten years	63,095	133,150
More than ten years	839,019	828,371
	1,254,896	1,421,364

In the "More than 10 years" category in the table above there are £25.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

£321.1 million of the Council's borrowings are in the form of a bond which is index-linked to RPI. The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase to the average interest rate, compared to the prevailing rate would result in an annual increase of £2.6 million in amounts repayable.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	439
Increase in interest receivable on variable rate investments	(569)
Impact on Surplus or Deficit on the Provision of Services	(130)
Share of overall impact debited to the HRA	(35)
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	105,162
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	

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

Benchmark rate risk

Recent changes/moves from the industry recognised LIBOR benchmark rate to the SONIA rate, had no impact on the Council. The Council has no exposure to LIBOR/SONIA rates through loan agreements etc.

The Council's Bond features indexation which follows increases in the Retail Prices Index. There are no known plans for this benchmark rate to be abolished. In the event of this occurring, there is a process set out in the Bond legal agreements for selecting a replacement benchmark rate.

Foreign exchange risk

The Council operates a Bank Account denominated in Euros but has no exposure to loss arising from movements in exchange rates.

Note 40 – Restatement of the Comprehensive Income & Expenditure Statement (CIES)**Internal Recharges**

The CIES has been restated to reflect changes that were made to the Council's internal recharges during 2022/23. These amendments are detailed below: -

Restatement of internal recharges

- HRA – elimination of internal recharges has been moved to building services
- Building Services – HRA recharges have been eliminated from building services

The table below reconciles the service income & expenditure for those Clusters in the Comprehensive Income & Expenditure Account that were affected by this restatement: -

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
HRA - audited CIES 2022/23	103,937	(97,979)	5,958
Add back: Elimination of internal recharges	72,434	(9,736)	62,698
Restated prior year amounts in 2022/23 CIES	176,371	(107,715)	68,656
Financing and Investment Income and Expenditure (Building Services) - audited CIES 2022/23	124,662	(28,541)	96,121
Less: Elimination of internal recharges	(72,433)	9,735	(62,698)
Restated prior year amounts in 2022/23 CIES	52,229	(18,806)	33,423

Loans Fund

The Loans Fund is the central financing agency of the Council. It is an accounting arrangement which simplifies on the one hand expenditure on various capital projects and, on the other hand, the borrowing of money to finance such projects. Effectively the Council's services borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from the Government through the Public Works Loan Board or from the London Money Market. At the end of each financial year the capital expenditure incurred by services is added to their prior year's expenditure to reflect the total debt owed by each service to the Loans Fund.

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2023/24, the average interest rates were 3.84% for capital (2022/23, 3.49%), 4.98% for revenue advances (2022/23, 2.27%) and 0.03% for expenses (2022/23, 0.02%) on raising loans.

The management of all money and capital market transactions in connection with cash and funding resources for the Council has been carried out in accordance with the Council's Treasury Policy Statement as recommended by the CIPFA Code of Practice for Treasury Management in Local Authorities.

Amounts Borrowed from the Loans Fund

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund	413,355	538,587	667,392	804,437	912,588	939,559	1,008,826	1,085,573	1,100,117
Trading Operations	20,486	19,207	15,107	13,083	14,621	14,678	16,071	16,831	16,443
Housing Revenue Account	193,692	189,118	187,479	202,165	220,468	198,172	248,946	321,822	411,503

Loans Fund Revenue Account			Loans Fund Balance Sheet as at 31 March		
2022/23 £'000		2023/24 £'000	2022/23 £'000		2023/24 £'000
	Expenditure			Assets	
44,514	Interest paid to External Bodies	57,789		Advances to:	
4,128	Interest paid to Other Council Accounts	2,555	1,424,226	Aberdeen City Council for Capital Expenditure	110,021
300	General Expenses	470	2	Other Bodies	0
48,942		60,814	11,231	Rescheduled Premiums	(398)
	Income		1,435,459		109,623
	Interest & Expenses charged to Aberdeen City Council			Current Assets	
(36,885)	General Fund	(42,940)	53,800	Temporary Investments	38,350
(9,824)	Housing Revenue Account	(13,996)	91	Sundry Debtors	55
(594)	Trading Operations	(661)	3,235	Bank	(1,277)
(1,639)	From Temporary Investments	(3,217)	1,492,585		146,751
(48,942)		(60,814)		Less: Current Liabilities	
			142,988	Temporary Advances from Council Services	(1,379,136)
			10,498	Sundry Creditors	14,337
			153,486		(1,364,799)
			1,339,099	Net Assets	1,511,550
				Financed by:	
			(529,434)	Public Works Loan Board	(609,434)
			(93,893)	Market Loans	(93,893)
			(331,590)	Negotiable Bonds	(321,053)
			(36,301)	Bond Premium	(35,147)
			(80,893)	Bond EIR	(94,644)
			(2)	Stock Issue & Gas Annuities	(2)
			(266,986)	Temporary Loans	(357,377)
			(1,339,099)		(1,511,550)

The unaudited financial statements were issued on 9 May 2024 by Jonathan Belford, Section 95 Officer.

Jonathan Belford, CPFA
Chief Officer – Finance

Housing Revenue Account

This represents the statutory requirement to account for local authority housing provision as defined in the Housing (Scotland) Act 1987.

Housing Revenue Account Income and Expenditure Statement

2022/23 £'000		2023/24	
		£'000	£'000
	Income		
(91,920)	Dwelling Rents	(97,369)	
(1,946)	Non Dwelling Rents	(2,689)	
(2,184)	Other Income	(3,394)	
(96,050)			(103,452)
	Expenditure		
1,188	Staff Costs	8,582	
1,188			8,582
	Premises Costs:		
36,193	Repairs and Maintenance	43,854	
3,572	Maintenance of amenity areas	3,883	
3,366	Bad debts written off/provisions	3,277	
6,044	Loss of rent vacant periods	8,696	
3,347	Other costs	4,347	
52,522			64,057
	Administration Costs:		
13,655	Management and Administration	7,433	
841	Other Costs	1,026	
14,496			8,459
	Supplies and Services:		
5,980	Communal Lighting and Heating, etc	6,823	
279	Information Technology	236	
268	Other Costs	289	
6,527			7,348

2022/23 £'000		2023/24	
		£'000	£'000
	Agencies:		
171	Contributions	138	
337	Tenant's Participation/Helplines	266	
508			404
	Capital Charges:		
35,213	Depreciation	40,388	
54,054	Impairment of Non Current Assets	20,678	
89,267			61,066
164,508	Gross Expenditure		149,916
	Net Cost of HRA Services per Council's		
68,458	Comprehensive Income and Expenditure Statement		46,464
199	Corporate and Democratic Core	257	
			257
68,657	Net Cost of HRA Services		46,721
370	(Gain)/Loss on Sale of HRA Non Current Assets	364	
9,824	Interest payable and similar charges	13,994	
(840)	Interest and investment income	(170)	
69	Pensions interest and return on assets	(472)	
(34,462)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax	(17,179)	
43,618	(Surplus)/deficit for the year on HRA Services		43,258

Movement on the Housing Revenue Account Statement

2022/23 £'000		2023/24 £'000
0	Transfer to/(from) the General Fund	0
0	Total	0

Housing Revenue Account Disclosures**1. Adjustments between Accounting Basis and Funding Basis under Statute**

2022/23 £'000	Notes	2023/24 £'000
265	Gain or (loss) on sale of HRA non-current assets	129
5,596	Capital expenditure funded by the HRA	0
(636)	Transfer to/from the Capital Adjustment Account	(494)
(89,267)	Depreciation and Impairment	(61,066)
34,462	Capital Grants and Contributions	17,179
2,104	Repayment of Debt	2,449
(998)	HRA share of contributions to or from the Pensions Reserve	93
4	Adjustment involving the Accumulated Absences Account	(24)
2		1
(48,468)		(41,732)

2. Transfers (to) or from Reserves

2022/23 £'000	Notes	2023/24 £'000
(15,215)	Balance on HRA at start of the year	(15,715)
43,618	(Surplus) or deficit for the year on HRA Income & expenditure statement	43,258
(48,468)	Adjustments between Accounting Basis and Funding Basis under statute	(41,732)
(4,850)	Net (Increase)/Decrease before transfers to/(from) Reserves	1,525
4,350	Transfers to/(from) Reserves	0
(500)		1,525
(15,715)	(Increase) or Decrease in year on HRA	(14,190)

3. Housing Stock

The Council's housing stock at 31 March 2024 was 23,258 (22,772 at 31 March 2023) in the following categories:

2022/23		2023/24	
Number		Number	
	Type of Property		
1,983	Sheltered Property	1,981	
4,177	Cottage	4,243	
9,607	Flat	9,911	
2,103	Four in Block	2,161	
571	Masionette	572	
2,228	Multi Storey Flat	2,237	
127	Split Level Flat	130	
443	Multi Storey Maisonette	445	
1,533	Amenity	1,578	
22,772	Total	23,258	*
	* Includes 444 for Homeless, 500 Ukrainian & 163 off the charge		
	Other Assets		
1	Hostel	1	
237	Garage Sites	241	
2,025	Lock Up Garages	2,023	
906	Parking Spaces	907	
17	Travelling Peoples Sites	21	
3,186		3,193	

4. Rent Arrears

2022/23		2023/24
£'000		£'000
11,995	Current Tenant Arrears	12,552
5,644	Former Tenant Arrears	7,114
17,639	Total Rent Arrears	19,666

5. Impairment of Debtors

In 2023/24 an impairment of £18,410,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £1,874,000 from the provision in 2022/23.

National Non-Domestic Rates

National Non-Domestic Rates (NNDR) income is collected by local authorities and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

Occupiers of non-domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non-domestic rate (NDR) poundage for 2023/24, which is set annually by the Scottish Ministers, is 49.8 pence. Two additional rates are levied on properties with a rateable value of over £51,000 (51.1 pence) and £100,000 (52.4 pence) respectively. In 2022/23, the NDR poundage rate was set at 49.8 pence and properties with a rateable value between £51,000 and £95,000 were charged an additional supplement of 51.1 pence and 52.4 pence respectively. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

2022/23		2023/24	
£'000		£'000	£'000
(298,359)	Gross Rates Levied and Contributions in Lieu		(249,170)
	<i>Deduct:</i>		
47,956	Reliefs, remissions, etc.	34,845	
	Payment of Interest		
15,513	Write off of uncollectable debts and allowances for impairment	0	34,845
(234,890)	Net Non Domestic Rate Income		(214,325)
4,042	Adjustment to previous years' National Non Domestic Rates		12,414
(230,848)	Contribution to Non Domestic Rate Pool		(201,910)
(268,557)	Distribution from Non Domestic Rate Pool		(257,797)
	<i>Add:</i>		
0	Agency Payments		201,911
	<i>Less:</i>		
405	Charity Relief adjustment		418
(268,152)	Income credited to the Comprehensive Income and Expenditure Statement *		(55,468)

* The figure for 2023/24 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2023/24.

Category	Number of Subjects	Rateable Value at 1 April 2024 £'000
Shops	2,191	83,147
Public Houses	155	8,577
Offices Including Banks	3,009	131,726
Hotels etc.	127	15,508
Industrial Factories, Warehouses, Stores	1,952	116,620
Leisure Entertainment, Caravans, Hol.Sites	364	20,904
Garages and Petrol Stations	191	4,300
Cultural	14	1,360
Sporting Subjects	98	1,529
Education & Training	160	34,782
Public Service Subjects	200	18,545
Communications (non Formula)	32	2,029
Quarries, Mines etc	8	221
Petrochemical	2	872
Religious	142	3,833
Health Medical	133	13,901
Other	941	11,080
Care Facilities	119	6,263
Advertising	81	535
Undertaking	22	9,758
Total Non Domestic Rates Subjects	9,941	485,490

Council Tax

Local authorities raise taxes from its residents through the Council Tax which is a property tax linked to property values. Each dwelling in Aberdeen City is placed into one of eight valuation bands (A to H), as determined by Grampian Valuation Joint Board. The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more. All domestic dwellings that appear on the valuation list are liable for the tax, but in some circumstances, for example single occupancy, discounts can apply, and some dwellings, for instance students' residences and certain unoccupied dwellings, are exempt.

In 2023/24, for Band D properties, the Council's Council Tax was set at £1,489.55. The full range of bandings is set out after the Council Tax Income Account.

Council Tax Income Account

2022/23		2023/24
£000		£000
181,015	Gross Assessments	191,596
549	Net band adjustments	980
181,564	Council Tax Collectable	192,576
	Deduct:	
16,158	Exemptions	15,564
95	Disabled relief	97
17,179	Discounts	18,208
5,650	Provision for non-collection	7,157
11,541	Council Tax Reduction	12,326
59	Other	70
130,884		139,153
	Add:	
1,427	Statutory Additions	1,716
860	Prior Year Adjustments	648
	Council Tax For LT Empty Homes	(1,983)
(32)	Write Offs	(43)
133,138	Net Council Tax Income Transferred to General Fund for the Year	139,493

The calculation of the Council Tax Base 2023/24:

Dwellings on Valuation List	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts(25%)	Discounts(50%)	Total Dwellings atio to Band	Band D Equivalent	
Band A (Subject to disabled Relief)			(4)			(4) 200/360	1	
Band A	24,679	(4,676)	(24)	(3,117)	(1,112)	15,751 240/360	10,481	
Band B	28,838	(2,334)	(27)	(3,631)	(785)	22,061 280/360	16,830	
Band C	20,164	(1,310)	(27)	(2,064)	(361)	16,403 320/360	14,334	
Band D	17,290	(1,778)	(41)	(1,704)	(407)	13,361 360/360	12,799	
Band E	15,519	(500)	(34)	(1,281)	(266)	13,439 473/360	17,270	
Band F	9,211	(157)	(33)	(564)	(117)	8,341 585/360	13,307	
band G	8,266	(108)	(3)	(366)	(90)	7,700 705/360	14,517	
Band H	1,143	(18)	0	(34)	(26)	1,065 882/360	2,504	
Total								102,043
Council Tax Reduction								(12,326)
Contribution en lieu								12
Prov for Bad Debts (2.5%)								(2,551)
Council Tax Base								87,178

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2023/24 was £1489.55 (2022/23, £1,418.62)

£ Property Value	Band	Proportion of Band D	Council Tax Level
27,000 or under	A	240/360	£993.03
27,001 - 35,000	B	280/360	£1,158.54
35,001 - 45,000	C	320/360	£1,324.04
45,001 - 58,000	D	360/360	£1,489.55
58,001 - 80,000	E	473/360	£1,957.10
80,001 - 106,000	F	585/360	£2,420.52
106,001 - 212,000	G	705/360	£2,917.04
Over 212,000	H	882/360	£3,649.40

Common Good Fund

The Common Good stands separate from other accounts and funds of the Council and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
Balance at 31 March 2022	(127,705)	(68)	(127,773)
Movement in Reserves during 2022/23			
(Surplus) or Deficit on provision of services	1,237	0	1,237
(Surplus) or Deficit on revaluation of investment property	6,908	0	6,908
Total Comprehensive Expenditure and Income	8,145	0	8,145
Balance at 31 March 2023	(119,560)	(68)	(119,628)
Movement in Reserves during 2023/24			
(Surplus) or Deficit on provision of services	(4,805)	0	(4,805)
(Surplus) or Deficit on revaluation of investment property	6,256	0	6,256
Total Comprehensive Expenditure and Income	1,451	0	1,451
Balance at 31 March 2024	(118,109)	(68)	(118,177)

During 2021-22, in the face of severely diminishing credit interest returns, a decision was taken to invest £30m of Common Good cash in a Multi-Asset Income fund, to generate more income for the fund and the decision was taken to proceed with Fidelity International's Multi-Asset Income fund. The first tranche of £10m was invested on 28th July 21, and the second tranche was made on mid-August. A third investment of £10m was made in mid-September. The fund has yielded steady growth since the investment started, earning some £3.2 million to date at an average rate of 4.71%.

Comprehensive Income and Expenditure Statement

2022/23 Net (Income) Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	2023/24 Net (Income) Expenditure £'000
850 Grants & Contributions to External Organisations	742		742
111 External Organisations Rents	69		69
753 Promoting Aberdeen	643		643
133 Grants/Services Provided by Aberdeen City Council	1,375		1,375
1,028 Civic Service Funding *	1,090	(1)	1,089
64 Duthie Park HLF	69		69
737 Specific Projects	825	(0)	825
63 Earmarked Reserves	10		10
3,739 Cost Of Services	4,823	(1)	4,822
(2,348) Sales Income			(3,245)
808 Cost of Sales			55
(1,540) Other Operating Income/Expenditure			(3,190)
(962) Financing and Investment Income and Expenditure *			(6,437)
1,237 (Surplus) or Deficit on Provision of Services			(4,805)
6,908 (Surplus) or Deficit on revaluation of investment property			6,256
8,145 Total Comprehensive Income and Expenditure			1,451

* 22/23 Figures restated

Balance Sheet

31 March 2023 £'000		31 March 2024 £'000
24,145	Long Term Investments	23,945
82,231	Investment Property	75,975
106,376	Long Term Assets	99,920
13,314	Investments in Aberdeen City Council Loans Fund	18,442
0	Investment Property Held for Sale	0
526	Short Term Debtors	441
13,840	Current Assets	18,883
(588)	Short Term Creditors	(626)
(588)	Current Liabilities	(626)
119,628	Net Assets	118,177
(119,560)	Common Good Fund	(118,109)
(68)	Reserve Fund	(68)
(119,628)	Total Reserves	(118,177)

The unaudited financial statements were issued on 9 May 2024.

Jonathan Belford, CPFA
Chief Officer - Finance

The property portfolio was valued internally by Deborah Wylie, BSc MRICS and Stephen Booth, BLE MRICS and externally by Savills, who are all Royal Institution of Chartered Surveyors (RICS) Registered Valuers.

Trust Funds and Endowments

The Council is responsible for the administration of various Trusts. They have been created by bequest or by public subscription and are utilised for a variety of purposes in line with the trusts purposes identified in their governing documents. The money earned from the investments of the trusts is used for the maintenance of graves and monuments, the administration of the Guildry and its awards, school prizes and the advancement of art and the purchase of works of art. As well as administering the trusts, the Council is also the appointed trustee for all the trusts except for Marguerite McBey Trust which has two Councillors on the Board of Trustees.

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2024 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

Included in these funds are 8 Trusts which are registered as Scottish charities under the Charities and Trustee Investment (Scotland) Act 2005. A separate audited Annual Report and Accounts for the seven council controlled Registered Charitable Trusts is submitted to OSCR within statutory deadlines. A report and accounts for the remaining Charitable Trust which is not controlled by the Council is also submitted to OSCR on an annual basis.

In addition to these Trusts there are a number of independent Trusts which are separately supported and administered by the council e.g. the Aberdeen International Youth Festival Trust and the Lord Provost's Charitable Trust. Accounting information for these organisations is not included in this document.

Trust Funds have been incorporated into the Group accounts on the basis that they are entirely controlled by the Council, which appoints 100% of the trustees. However, it is acknowledged that the funds belong to the Trusts and that they may be used solely for the purposes specified in the Trust articles. The assets are not the property of the Council. The Common Good Fund has investments in the Lands of Skene Trust (30%) and the Lands of Torry Trust (51%).

On the 14th December 2022, Council approved a new Guildry and Mortifications constitution, that constitution was approved by OSCR and took effect on the 25th May 2023..

Movement in Funds

	Balance as at 31 March 2023 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2024 £'000
Charity						
EEIF	(311)	-	(8)	(19)	23	(315)
Guildry	(2,662)	-	(31)	(119)	16	(2,796)
Bridge of Don	(1,242)	-	(23)	(49)	2	(1,312)
Alexander MacDonald Bequest	(29)	-	-	(2)	-	(31)
Aberdeen Art Gallery Trust	(435)	-	-	(28)	65	(398)
Lands of Skene	(1,122)	-	(23)	(165)	165	(1,145)
Lands of Torry	(1,403)	-	(53)	(208)	208	(1,456)
McBey Trust	(505)	-	-	(32)	6	(531)
Total - Charitable Trusts	(7,709)	-	(138)	(622)	485	(7,984)
Non Charity						
Educational Trusts	(1,368)	-	(52)	(103)	104	(1,419)
Endowment Funds						
- Educational	(925)	-	(25)	(56)	11	(995)
- Social Work	(392)	-	(11)	(24)	-	(427)
Arts & Heritage	(76)	-	-	(5)	29	(52)
Graveyards	(12)	-	-	(1)	2	(11)
Monuments	(8)	-	-	-	-	(8)
John Rickart	(53)	-	-	(3)	-	(56)
McBey Trust	(2)	-	-	-	-	(2)
Glover House Ltd	-	-	-	-	-	-
Aberdeen Japan Trust	(469)	-	-	-	8	(461)
Total - Non Charitable Trusts	(3,305)	-	(88)	(192)	154	(3,431)
Total	(11,014)	-	(226)	(814)	639	(11,415)

Investment of Funds

Charitable Trusts	Non- Charitable Trusts	Total		Charitable Trusts	Non- Charitable Trusts	Total
2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
3,931	469	4,400	Land & Buildings	4,112	461	4,573
115	850	965	Equities - Listed	123	886	1,009
6	40	46	Gilt Edged Securities	6	39	45
-	427	427	Bank	-	496	496
3,791	1,605	5,396	Council Loans Fund	3,874	1,651	5,525
52	-	52	Debtors	55	-	55
(186)	(86)	(272)	Creditors	(186)	(102)	(288)
7,709	3,305	11,014		7,984	3,431	11,415
-	-	-	Share Capital	-	-	-
(5,078)	(2,653)	(7,731)	Unrestricted Funds	(5,257)	(2,690)	(7,947)
(106)	(652)	(758)	Endowment Funds	(127)	(741)	(868)
(2,525)	-	(2,525)	Designated Funds - Common Good Fund	(2,600)	-	(2,600)
(7,709)	(3,305)	(11,014)		(7,984)	(3,431)	(11,415)

The unaudited financial statements were issued on 9 May 2024.

Jonathan Belford, CPFA
Chief Officer - Finance

The property portfolio was valued internally by Deborah Wyllie, BSc MRICS RICS Registered Valuer, in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

Group Accounts

The Council has an interest in a number of companies and joint ventures and where material their financial results are consolidated into the Group Accounts.

Group Movement in Reserves Statement

	Total Usable Reserves (Page 68) £'000	Total Unusable Reserves (Note 13) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
Balance at 31 March 2022	(134,044)	(1,327,022)	(1,461,066)	(157,173)	(1,618,239)
<u>Movement in Reserves during 2022/23</u>	119,402	(159,218)	(39,816)	(8,369)	(48,185)
Adjustments between accounting basis & funding basis under regulations	(164,433)	164,433	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(45,031)	5,215	(39,816)	(8,369)	(48,185)
Transfers to/from Earmarked Reserves & Statutory Reserves	23,530	(23,530)	0		
Increase/Decrease in Year	(21,501)	(18,315)	(39,816)	(8,369)	(48,185)
Balance at 31 March 22/23 Carried Forward	(155,545)	(1,345,337)	(1,500,882)	(165,542)	(1,666,424)
<u>Movement in Reserves during 2023/24</u>	80,228	(67,596)	12,632	(8,875)	3,758
Adjustments between accounting basis & funding basis under regulations	(57,390)	57,390	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	22,839	(10,207)	12,632	(8,875)	3,758
Transfers to/from Earmarked Reserves & Statutory Reserves	(22,789)	22,789	(0)		
Increase/Decrease in Year	50	12,582	12,632	(8,875)	3,758
Balance at 31 March 2024	(155,495)	(1,332,755)	(1,488,250)	(174,417)	(1,662,666)

Group Comprehensive Income and Expenses Statement

2022/23				2023/24		
Restated Gross Expenditure £'000	Restated Gross Income £'000	Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continued Operation			
305,661	(38,971)	266,690	Children and Families	325,165	(35,093)	290,073
217,265	(77,318)	139,947	Resources	290,842	(185,746)	105,095
101,162	(62,692)	38,471	Customer	114,207	(58,093)	56,114
76,343	(31,249)	45,094	Commissioning	67,396	(31,312)	36,083
104	0	104	Operations	0	0	0
309,937	(193,765)	116,172	Integration Joint Board	311,475	(189,830)	121,645
26,002	(9,258)	16,744	Corporate	47,004	(230,382)	(183,378)
103,938	(97,979)	5,958	Housing Revenue Account	152,014	(105,293)	46,721
1,140,412	(511,233)	629,179	Cost of Services	1,308,103	(835,750)	472,353
(730)		(730)	Other Operating Expenditure	364	(4,465)	(4,100)
124,811	(28,810)	96,001	Financing and Investment Income and Expenditure	51,569	(4,896)	46,672
0	(610,421)	(610,421)	Taxation and Non Specific Grant Income	0	(441,034)	(441,034)
1,264,493	(1,150,463)	114,029	(Surplus) or Deficit on Provision of Services *	1,360,036	(1,286,145)	73,891
		1,000	Share of (surplus) or deficit on the provision of services of Associates and JV			(8,650)
		115,030	Group (Surplus)/Deficit			65,242
		(25,553)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets (Surplus)/deficit on revaluation of available for sale financial assets			(103,882)
		(136,927)	Actuarial (gains)/losses on pension assets/liabilities			42,392
		(734)	Other unrealised gains and losses			0
		(163,214)	Other Comprehensive (Income) and Expenditure			(61,485)
		(48,185)	Total Comprehensive (Income) and Expenditure			3,758

Group Balance Sheet

31 March 2023		31 March 2024
£000		£000
2,625,253	Property ,Plant and Equipment (note xi)	2,817,498
253,990	Investment Property (note xii)	222,518
78,353	Long Term Investments and/or Investments in Associates and Joint Ventures	94,777
199,723	Heritage Assets	200,273
498	Long Term Debtors	457
3,157,817	Long Term Assets	3,335,523
11,588	Short Term Investments	10,035
4,968	Inventories	5,637
150,919	Short Term Debtors	184,099
85,817	Cash and Cash Equivalents	71,521
3,511	Assets held for Sale	3,511
256,803	Current Assets	274,803
(288,302)	Short Term Borrowing	(386,395)
(168,539)	Short Term Creditors	(150,359)
(5,354)	Provisions	(7,284)
(5,332)	PPP Short Term Liabilities	(4,308)
(10,841)	Capital Grants Receipts in Advance	(8,876)
(4,235)	Revenue Grants Receipts in Advance	(4,944)
(8,041)	Other Short Term Liabilities	(10,443)
(490,644)	Current Liabilities	(572,609)

Group Balance Sheet

31 March 2023		31 March 2024
£'000		£'000
(1,986)	Provisions	(50)
(1,064,341)	Long Term Borrowing	(1,146,348)
(120,707)	PPP Long Term Liabilities	(116,399)
(57,057)	Other Long Term Liabilities	(56,453)
(13,461)	Pension Liabilities	(55,801)
(1,257,552)	Long Term Liabilities	(1,375,051)
1,666,424	Net Assets	1,662,666
(155,545)	Usable Reserves	(155,492)
(1,345,337)	Unusable Reserves	(1,332,756)
(33,202)	Group - Usable Reserves	(27,822)
(132,340)	Group - Unusable Reserves	(146,596)
(1,666,424)	Total Reserves	(1,662,666)

The unaudited financial statements were issued on 9 May 2024 by Jonathan Belford, Section 95 Officer.

Jonathan Belford, CPFA
Chief Officer - Finance

Group Cash Flow

31 March 2023 £000		31 March 2024 £000
(115,030)	Net surplus or (deficit) on the provision of services	(65,242)
242,915	Adjust net surplus or deficit on the provision of services for non cash movements	104,480
(68,110)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(63,315)
59,774	Net cash flows from Operating Activities (note 13)	(24,077)
(161,464)	Net cash flows from Investing Activities (note 14)	(154,447)
83,451	Net Cash flows from Financing Activities (note 15)	164,228
(18,238)	Net increase or (decrease) in cash and cash equivalents	(14,296)
104,056	Cash and Cash equivalent at the beginning of the reporting period	85,817
85,817	Cash and Cash equivalent at the end of the reporting period	71,521

Notes to the Group Accounts

Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity annual accounts. Where materially different, accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity, except in the following cases:

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalue its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5-year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2023 the assets of ASV were revalued and a consolidated adjustment of £23.1m increase to the value of the ASV fixed assets was made to the Group Accounts.

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line-by-line basis. Associates have been incorporated using the equity method where the Council's investment in the associates is adjusted each year by the Council's share of the associate's results and other gains and losses. Joint Ventures have been incorporated using the gross equity method.

The accounting periods for all entities are from 1 April 2022 to 31 March 2023, except for ASV Ltd, whose accounting year end is 31 July, in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the annual accounts produced at 28 February 2022, 31 July 2022 and 28 February 2023. This means that a 12-month period of activity is incorporated into the Group Accounts.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors and creditors.

Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

Aberdeen City Council has an interest in a number of Subsidiaries, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Aberdeen Heat and Power Ltd 100% Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. Included as Joint Ventures are Aberdeen Sports Village (the joint venture with The University of Aberdeen) and the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.

Subsidiaries

Common Good

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

In the face of severely diminishing credit interest returns, a decision was taken to invest £30m of Common Good cash in a Multi-Asset Income fund, to generate more income for the fund and the decision was taken to proceed with Fidelity International's Multi-Asset Income fund. The first tranche of £10m was invested on 28th July 21, and the second tranche was made on mid-August. A third investment of £10m was made in mid-September. The fund has yielded steady growth since the investment started, earning some £1.918m to date at an average rate of 3.99%.

Trust Funds

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

Sport Aberdeen

Sport Aberdeen Limited is a charity and constitutes a limited company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity, under chapter 9 of the Code the Council have determined that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited appears to be operating as a structured entity of the Council as defined by IFRS 12.

In the event that Sport Aberdeen incurs any reasonable and properly incurred losses or liabilities, damage claims, demand, costs, expenses, penalties, legal and other professional fees, the Council will indemnify Sport Aberdeen on demand for these losses.

Aberdeen City Council as the Scheme employer of the North East Scotland Pension Fund in which Sport Aberdeen is an Admission Body guarantees to discharge on demand the guaranteed obligations by making immediate payment to the fund.

Bon Accord Care and Bon Accord Support Services

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% held by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

Aberdeen Heat and Power Ltd

AH&P was included in the Council's Group Accounts for the first time in 2022/23 due to materiality. AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole member of AH&P which is a wholly owned subsidiary of the council guarantor. All AH&P board appointments are made by the Council as the sole member of

AH&P Ltd. For the year ended 31 March 2024, AH&P Ltd made a profit of £0.923 million (2022/23, £0.058 million profit) and the net assets of the company were £6.633 million (2022/23, £5.051 million). Turnover was £10.186 million (2022/23, £8.308 million). Copies of AH&P Ltd.'s accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

Joint Ventures

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts. ASV currently has Net Assets of £53.4 million in 2023/24 (2022/23 £61.9 million).

ASV Ltd was incorporated on 17 July 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners, Aberdeen City Council and NHS Grampian. During financial year 2023/24, the partners contributed £412 million in funding to the IJB (£375 million 2022/23).

On 11 March 2022 Aberdeen City Council entered into an agreement with BP International Limited to form an Energy Company. This is known as bp Aberdeen Hydrogen Energy Limited (BPAHE) The purpose of this company is to establish a commercial hydrogen production, storage and distribution infrastructure for green hydrogen utilising renewable power to service transport in the short term. This will further be expanded to the delivery of hydrogen power for heat systems for both housing and industrial use. It is envisaged that this will then progress to export any excess energy to the grid. In 2024/25 the Council will invest £15m in the company. The company formed is currently a 50:50 Joint Venture and will form part of the Group accounts of the Council from 2024/25.

Associates

Aberdeen City Council incorporates the following Associate in its group annual accounts: -

Grampian Valuation Joint Board 39%

There is no share capital issued by the Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to the Board.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

Distribution of Reserves

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from Sport Scotland and are restricted to the provision of sport in the area. As a charity, unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £174 million (2022/23, increase of £183 million).

Note iv Group Entities

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2023/24	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	361	0	Chief Officer-Finance, 1st Floor West, Marischal College, Broad Street, Aberdeen
Common Good	100	100	118,177	4,803	Chief Officer-Finance, 1st Floor West, Marischal College, Broad Street, Aberdeen
Trust Funds	100	100	8,814	175	Chief Officer-Finance, 1st Floor West, Marischal College, Broad Street, Aberdeen
Sport Aberdeen Limited	100	100	3,835	404	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	0	0	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	37	32	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Aberdeen Heat and Power Ltd	100	100	6,632	923	C/O Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh, EH3 8PB.
Joint Ventures					
Aberdeen Sports Village Limited	50	50	61,906	15,878	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Integration Joint Board	50	50	12,648	(7,249)	Chief Finance Officer, 1st Floor North, Marischal College, Broad Street, Aberdeen
Associates					
Grampian Valuation Joint Board	39	39	1,187	21	The Treasurer, Grampian Valuation Joint Board, C/O Moray Council, Council Offices, High Street, Elgin IV20 1BX

Note v Non-Material Interest in Other Entities

On the grounds of materiality, the North East Transport Partnership (NESTRANS), Grampian Venture Capital Fund Ltd, Strategic Development Planning Authority and Scotland Excel have been excluded from the foregoing Group Accounts.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2022/23, Aberdeen City Council contributed £92,000 (2021/22, £97,000) towards the core costs of the organisation. The impact in consolidation using the equity method is therefore nil. The audited accounts for 2022/23 show a surplus of £1.89 million (2021/22, £1.85 million deficit) for the year, before taking into account amounts required by statute and non-statutory proper practices to be debited or credited to the general fund balance. The accounts for 2023/24 are in the process of being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £0.455 million. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2023 net assets amounted to £0.215 million (2021/22 £0.213 million) with a loss for the year of £0.002 million (2021/22, £0.011 million loss). The accounts for 2023/24 are in the process of being prepared. It is anticipated that there will be no significant changes as at March 2024. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities–region planning authorities. The current legislative position of SDPA prevents it from retaining a surplus and reserves. In 2023/24, Aberdeen City Council did not make any material contributions to the SDPA.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2023/24, Aberdeen City Council contributed £0.185 million (2022/23, £0.181 million) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

Aberdeen Hydrogen Hub was formed with BP International Limited on 11 March 2022. It is a 50:50 Joint venture with an initial investment from the Council and BP of £1.5 million each. The company formed to establish a commercial hydrogen production, storage and distribution infrastructure for green hydrogen utilising renewable power for the City of Aberdeen.

Note vi Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2022/23		2023/24
£'000		£'000
60,523	Interest payable and similar charges	74,117
2,832	Pensions interest cost and expected return on pensions assets	(19,331)
(5,457)	Interest receivable and similar income	(8,113)
(8,353)	Income and expenditure in relation to investment properties and changes in their fair value	0
46,456	Other investment income	0
96,001	Total	46,673

Note vii Cash Flow Statement – Group Operating Activities

2022/23 £'000		2023/24 £'000
(115,030)	Net surplus or (deficit) on the provision of services	(65,242)
(115,030)		(65,242)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
91,171	Depreciation	97,731
117,288	Impairment, downward revaluations & non sale derecognitions	77,955
(1,524)	(Increase)/Decrease in Stock	(652)
(33,379)	(Increase)/Decrease in Debtors	(38,277)
(554)	Increase/(Decrease) in Creditors	0
31,969	Payments to Pension fund	(6,318)
2,317	Carrying amount of non current assets sold	(6,043)
0	Carrying amount of written off assets	770
1,784	Contributions to Other Reserves / Provisions	(7,219)
(3,410)	Movement in value of investment properties	0
37,252	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(13,467)
242,915		104,480
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(82,571)	Receipt of Capital Grants and Contributions	(79,176)
(1,506)	Proceeds from the sale of PP&E, investment property and intangible assets	(1,681)
15,967	Bond EIR adjustment	17,542
(68,110)		(63,315)
59,774	Net cash flows from operating activities	(24,077)

Note viii Cash Flow Statement – Group Investing Activities

2022/23 £'000		2023/24 £'000
(242,763)	Purchase of property, plant and equipment, investment property and intangible assets	(232,623)
(2,779)	Purchase/(Sale) of short term and long term investments	(2,680)
2,273	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,309
(766)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(629)
82,571	Capital grants and contributions received	79,176
(161,464)	Net cash flows from investing activities	(154,447)

Note ix Cash Flow Statement – Group Financing Activities

2022/23 £'000		2023/24 £'000
(37)	Other receipts from financing activities	(37)
0	Repayments of short term and long term borrowing	0
0	Repayments of borrowed amounts	187,534
(15,967)	Bond EIR Adjustment	(17,542)
104,282	New Borrowings	0
(4,826)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(5,728)
83,451	Net cash flows from Financing activities	164,228

Note x Cash Flow Statement – Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2023 £'000		31 March 2024 £'000
27	Cash held by officers	24
85,790	Bank current accounts	71,497
85,817	Total cash and cash equivalents	71,521

Note xi Group Property, Plant and Equipment*Movements on Balances***Movements in 2022/23:**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PPP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2022	902,054	1,241,437	75,341		31,022	6,144	128,963	2,384,961	199,961
Additions	111,669	25,086	34,520		562	(75)	61,320	233,084	2,538
Revaluations	(74,925)	(63,403)	0		0	(742)	0	(139,070)	0
Derecognition / Disposals	0	0	(5,180)		0	(350)	0	(5,530)	0
Transfers	0	39,730	0		18,515	2,649	(70,544)	(9,650)	0
At 31 March 2023	938,798	1,242,850	104,681		50,099	7,626	119,740	2,463,794	202,499
Accumulated Depreciation and Impairment									
At 1 April 2022	(4,597)	(33,689)	(44,340)		0	0	0	(82,626)	(6,169)
Depreciation Charge	(35,213)	(34,765)	(15,689)		0	0	0	(85,668)	(3,880)
Depreciation & Impairment written out	30,981	16,063	0		0	0	0	47,043	0
Derecognition / Disposals	0	0	4,925		0	0	0	4,925	0
Transfers	0	745	0		0	0	0	745	0
At 31 March 2023	(8,829)	(51,646)	(55,104)		0	0	0	(115,579)	(10,049)
Net Book Value									
At 31 March 2023	929,969	1,191,204	49,577	277,038	50,098	7,626	119,740	2,625,253	192,450
At 31 March 2022	897,458	1,207,748	31,001	259,559	31,022	6,144	128,963	2,561,894	193,792

Movements in 2023/24:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PPP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2023	938,795	1,242,848	104,581		50,099	7,625	119,740	2,463,688	202,498
Additions	119,903	20,765	10,221		2,874	5	50,211	203,979	695
Revaluations	(13,772)	23,812	(28)		0	(6,805)	0	3,207	(13,991)
Derecognition / Disposals	0	0	(14,736)		0	(470)	0	(15,206)	0
Transfers	0	91,818	0		0	5,170	(96,988)	0	0
At 31 March 2024	1,044,926	1,379,242	100,038		52,973	5,526	72,962	2,655,668	189,202
Accumulated Depreciation and Impairment									
At 1 April 2023	(8,830)	(51,646)	(54,998)		0	0	0	(115,474)	(10,049)
Depreciation Charge	(40,388)	(34,295)	(8,660)		0	0	0	(83,343)	(3,920)
Depreciation & Impairment written out	32,725	20,663	0		0	0	0	53,388	1,548
Derecognition / Disposals	0	0	14,762		0	0	0	14,762	0
Transfers	0	1,100	0		0	0	0	1,100	0
At 31 March 2024	(16,493)	(64,178)	(48,896)		0	0	0	(129,568)	(12,421)
Net Book Value									
At 31 March 2024	1,028,432	1,315,065	51,142	291,398	52,973	5,526	72,962	2,817,498	176,780
At 31 March 2023	929,965	1,191,201	49,583	277,038	50,099	7,625	119,740	2,625,253	192,450

Note xii Investment Properties

The following items of income and expense have been accounted for in the Group Comprehensive Income and Expenditure Statement:

	2022/23 £'000	2023/24 £'000
Rental and interest income from investment property	(22,291)	0
Expenses arising from investment property	17,347	0
Revaluation (gains)/losses	(3,409)	0
Net (gain)/loss	(8,353)	0

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

	2022/23 £'000	2023/24 £'000
Balance at start of the year	241,662	253,990
Additions:		
• Purchases	37	86
Disposals	(1,080)	(2,990)
Net gains/losses from fair value adjustments	(3,529)	(28,568)
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	16,900	0
• to/from Assets Held for Sale	0	0
Balance at end of the year	253,990	222,518

Note xiii

Loans and Trading Balances with subsidiaries as at 31 March 2023 and 2024 are as follows:

	Loans		Debtors		Creditors	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Bon Accord Care Ltd	0	0	0	0	(25)	(43)
Bon Accord Support Services Ltd	0	0	1,032	7,828	(131)	(2,173)
Sport Aberdeen	(3,915)	(5,160)	0	0	0	0
Aberdeen Heat and Power Ltd	0	0	0	0	(656)	(395)
Common Good	(12,529)	(17,657)	0	0	0	0
Trust Funds	(5,230)	(6,043)	0	0	0	0
	0	0	0	0	0	0
	(21,674)	(28,860)	1,032	7,828	(812)	(2,611)

Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Operations, Customer, Commissioning, Resources, Integrated Joint Board/Social Work and Corporate.

Note xv Share of Operating (surplus)/deficit, Total assets and liabilities of Joint Ventures and Associates

Analysis of operating results and balance sheet of Joint Ventures and Associates

2022/23				
	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	(14)	773	(461)	312
Associates Total	(14)	773	(461)	312
Joint Venture				
Aberdeen Sports Village Limited	(11,126)	31,403	(978)	30,426
Integration Joint Board	12,140	13,555	0	13,555
Joint Ventures Total	1,014	44,958	(978)	43,981
2023/24				
	Share of Operating (surplus)/deficit £'000	Share of Total Assets £'000	Share of Total Liabilities £'000	Share of Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	(14)	851	(388)	463
Associates Total	(14)	851	(388)	463
Joint Venture				
Aberdeen Sports Village Limited	(15,878)	35,215	(794)	34,421
Integration Joint Board	7,249	6,324	0	6,324
Joint Ventures Total	(8,629)	41,539	(794)	40,745

Note xvi Pension Costs

Aberdeen City Council (ACC) participates in the Local Government Pension Scheme and Teachers' Scheme administered by the Scottish Government. Aberdeen City Council acts as an administering authority for the Local Government Pension Scheme. Both schemes are defined benefit schemes based on final pensionable salary.

Subsidiaries

Sport Aberdeen Limited (SA) participates, as an admitted body, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension surplus for the year is £5.991m (2021/22, £533k surplus).

Bon Accord Care (BAC) and Bon Accord Support Services (BASS) participate as admitted bodies, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. In 2022/23 both BAC and BASS had a net asset arising from their defined benefit obligation. IAS19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC14. The total economic benefits were calculated as £27.558m (BAC £26.955m and BASS £0.603m). Therefore, an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14. This adjustment reduced the pension asset to nil in 2022/23 for both BAC and BASS (2021/22, BAC £5.346m liability and BASS £1.163m liability).

Joint Ventures

Aberdeen Sports Village Limited (ASV Ltd) participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result, ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year 2022/23 was £0.052million (2021/22 £0.093million).

Associates

Grampian Valuation Joint Board participates in the Local Government Pension Scheme administered by Aberdeen City Council.

Share of Associates Pension Interest Costs and Expected Return on Pension Assets

	2022/23	2023/24
	£000	£000
Grampian Valuation Joint Board	2	0

Note xvii Net Pension Liabilities

ACC share of pension liabilities of the Joint Boards are shown as below. These have been accounted for under IAS 19 'Post Employment Benefits'.

	2022/23 £'000	2023/24 £'000
ACC	(19,452)	(55,801)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(196)	(50)
Total	(19,648)	(55,851)

As the Sole Trustee



Charitable Trusts

Annual Report and Financial Statements

For the year ended
31 March 2024

Registered Numbers:

City of Aberdeen Council Guildry & Mortification Funds - SC011857

Bridges of Aberdeen Heritage Trust - SC018551

Alexander MacDonald Bequest - SC018568

Aberdeen Art Gallery Trusts - SC018575

Lands of Skene – SC018533

Lands of Torry – SC021299

Aberdeen City Council Charitable Trusts (known as Education
Endowment Investment Fund - EEIF) – SC025063

Aberdeen City Council Charitable Trusts

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Statement of Financial Activities	16
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Aberdeen City Council Charitable Trusts Trustees Annual Report 2023/24

Aberdeen City Council is the sole trustee of the Charitable Trusts in this report.

Aberdeen City Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet. However, they are included in the Annual Accounts of the Council and its group.

Reference and administration details

At the end of the year, the Council is the sole trustee of 7 trusts which have charitable status – i.e. which are registered with the Office of the Scottish Charity Regulator (OSCR). The charity names, charity numbers, charity purposes and, where available, details of the relevant governing documents, are given in Appendix 1 of this document.

Principal Address

Aberdeen City Council,
Marischal College,
Broad Street,
Aberdeen
AB10 1AB

External Auditor

Audit Scotland,
Woodhill House Annexe,
Westburn Road,
Aberdeen
AB16 5GB

Secretary

Jenni Lawson
Chief Officer – Governance,
Aberdeen City Council

Treasurer

Jonathan Belford, CPFA
Chief Officer - Finance,
Aberdeen City Council.

Trustee

As per guidance provided by OSCR, “*Charity Trustees are the people in overall control and management of a charity*”. It is our interpretation that Aberdeen City Council is the sole trustee of the Charitable Trusts. Decisions regarding the overall control and management of the Charitable Trusts are made by the Full Council of Aberdeen City Council, with individual disbursement decisions usually taken by Council chief officers acting under delegated powers (granted by Full Council) and reported back to Full Council.

The elected members of Aberdeen City Council (who together comprise the Full Council) are as follows: -

Lord Provost David Cameron LP	Councillor Martin Greig
Councillor Gillian Al-Samarai	Councillor Dell Henrickson
Councillor Nurul Hoque Ali	Councillor Ryan Houghton
Councillor Christian Allard	Councillor Michael Hutchison
Councillor Alison Alphonse	Councillor Michael Kusznir
Councillor Kate Blake	Councillor Sandra Macdonald
Councillor Jennifer Bonsell	Councillor Neil MacGregor
Councillor Marie Boulton	Councillor M. Tauqeer Malik
Councillor Desmond Bouse	Councillor Duncan Massey
Councillor Richard Brooks	Councillor Alexander McLellan
Councillor Hazel Cameron	Councillor Ken McLeod
Councillor Donna Clark	Councillor Ciaran McRae
Councillor John Cooke	Councillor Jessica Mennie
Councillor Neil Copland	Councillor Alex Nicoll
Councillor Bill Cormie	Councillor Miranda Radley
Councillor Barney Crockett	Councillor Jennifer Stewart
Councillor Sarah Cross	Councillor Kairin van Sweden -
Councillor Derek Davidson	Councillor Lynn Thomson
Councillor Steve Delaney	Councillor Deena Tissera
Councillor Lee Fairfull	Councillor Simon Watson
Councillor Emma Farquhar	Councillor Ian Yuill
Councillor Gordon Graham	Councillor Graeme Lawrence
Councillor Ross Grant	

All elected members have served as such for the whole of the financial year to 31 March 2024 unless otherwise stated.

Elected members are normally elected or re-elected at local government elections. By-elections are held when elected members vacate their positions, in order to elect new members. New members are supplied with training as part of their induction process.

Structure, governance, and management

The Charitable Trusts are constituted in a variety of ways. The types of governing documents are listed at Appendix 1, where they are available. Information regarding some of the Charitable Trusts is sparse owing to their antiquity and the fact that they have been administered by a number of government bodies since coming into public control.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

Risk

The Council as trustee has overall responsibility for the Charitable Trusts system of internal control, including financial reporting and legal compliance. The trustee acknowledges that such a system is designed to manage (rather than eliminate) the risk of failure to achieve business objectives and can only provide reasonable (and not absolute) assurance against material misstatement or loss.

Objectives and activities

Information on the purposes and nature of each Charitable Trust is given below.

Bridges of Aberdeen Heritage Trust

The fund formerly known as Bridge of Don Fund changed its name to Bridges of Aberdeen Heritage Trust in 2021, with the consent of OSCR. Prior to that, it was known as the Brig O' Balgownie Trust Fund. It was originally set up in 1605 and its original purpose was for the "repair and upholding of the Brig O' Balgownie". Modern charity legislation does not include bridge maintenance as a charitable purpose and OSCR have approved the purpose of this Trust as being the advancement of heritage.

In August 2016, the Trust adopted a new constitution.

The Trust has a 30% interest in the Lands of Skene with the remainder of its funds being invested in the Aberdeen City Council Loans Fund.

Alexander MacDonald Bequest

This fund was established in 1882 for the purchase of works of art for the Aberdeen Art Gallery and Museum collection, following the death of Mr. MacDonald.

Trust funds are invested in the Aberdeen City Council Loans Fund.

Aberdeen Art Gallery Trusts

This trust was reorganised in March 2014 by the adoption of a new trust deed and funds are used for the advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum.

City of Aberdeen Council Guildry & Mortification Funds

The Guildry has a history that goes back 800 years ago, when merchants of Aberdeen were given considerable powers within the town of Aberdeen. Those merchants were Burgesses of the Guild. Over time those powers have diminished.

Possession of the Guildry funds was transferred to a predecessor of Aberdeen City Council in 1838 by a Decree of Declarator granted by the Lords of Council and Session. Under the Aberdeen Town Council Act 1868, possession of the Mortification funds was also transferred to a predecessor of the Council. Since then, the Council has continued to manage the Guildry and Mortification Funds.

Until 1996, the sole purpose of the trust was to provide relief and support to Burgesses of Guild and their widows and families. In 1996, the Court of Session approved that the trust purposes be broadened to allow for the provision, in certain circumstances, of financial support to individuals for educational or vocational training and career advancement.

On 14 December 2022, Council approved a proposed new constitution for this trust, which retained the existing financial hardship purpose but broadened the educational, vocational and career advancement purpose by removing the requirement for applicants to demonstrate that they intend “*to pursue careers that if pursued would qualify them for admission as Burgesses of Guild of Aberdeen....*”. That new constitution was subsequently approved by OSCR and it took effect on 25 May 2023.

The Burgesses of Guild of the City and Royal Burgh of Aberdeen remain a membership-based group of people where membership is no longer restricted to merchants and admission takes place in Full Council meetings. Today the Burgesses exist for the promotion of the City of Aberdeen.

The Lord Dean of the Guild of the City and Royal Burgh of Aberdeen provides recommendations (on expenditure proposals) from the Burgesses to the Guildry and Mortification Funds Committee of the Council - thereby maintaining a link between the Burgesses and the Guildry and Mortification Funds. As trustee of the charitable trust, the Council makes the decisions on the use of the Guildry and Mortification Funds.

Educational bursaries have not been awarded for a number of years and the Lord Dean of the Guild has been working with the University of Aberdeen, Robert Gordon University and the North East Scotland College to identify potential candidates for bursaries.

Trust assets are a 40% share in the Lands of Skene and investments in the Aberdeen City Council Loans Fund.

Lands of Skene

The Lands of Skene goes back to 1710 when the east half of the Lands of Skene was purchased on behalf of certain accounts. This was followed in 1712 by the purchase of the west half. Two feuing schemes were carried out in 1789 and 1816 and the land now remaining is known as the Lands of Easter Carnie.

In recent years, a number of properties have been sold off and funds have been invested in the Aberdeen City Loans Fund.

The free revenue from the Lands of Skene is split between the following:

- City of Aberdeen Council Guildry & Mortification Funds – 40%
- Bridges of Aberdeen Heritage Trust – 30%
- Aberdeen City Common Good Fund – 30%

This apportionment is believed to reflect the shares of investment in the original purchase of the lands.

Lands of Skene formerly lacked a modern, fit-for-purpose constitutional document and OSCR had recommended that the Council prepare such. On 14 December 2022, the Council approved such a constitution. That constitution was subsequently approved by OSCR and it took effect on 25 October 2023.

Lands of Torry

The Lands of Torry goes back to at least 1704 when they were purchased on behalf of certain accounts:

Duncan Liddel's Mortification – Professor of Mathematics – 25%

Duncan Liddel's Mortification – Library of College – 2%

James Cargill's Mortification – Bursary Fund – 10%

Patrick Copland's Mortification – Professor of Divinity – 12%

Common Good – 51%.

The annual surplus from this fund is now split between the following:

- Aberdeen City Common Good Fund – 51%
- University of Aberdeen Bursary Fund – 49%

Lands of Torry formerly lacked a modern, fit-for-purpose constitutional document and OSCR had recommended that the Council prepare such. On 14 December 2022, the Council approved such a constitution. That constitution was subsequently approved by OSCR and it took effect on 25 October 2023.

Education Endowment Investment Fund (EEIF)

Aberdeen City Council Charitable Trusts (known as Education Endowment Investment Fund – EEIF) comprises over 60 smaller trusts, bequests and legacies split over 3 general areas;

- Education – primarily concerned with prizes or awards at schools
- Social Work – largely to provide comforts at residential homes
- John Murdoch Henderson Bequest – to enable subscription to online music services for a variety of musical styles as the Trustee sees fit and to acquire any music for Aberdeen City Council's library service.

In general, the activities of the EEIF charitable trust are limited to the accrual of income from investments for use as appropriate given the purposes of the charity.

Whilst reviewing records in the context of the Council's reorganisation of charitable trusts, OSCR advised that only a small number of the funds previously reported as being part of what was historically known as the EEIF were registered as charities. Only accounts in relation to these registered charities are contained in this document.

The EEIF charitable trust now comprises the funds listed in Appendix 2 - sixteen of which relate to prizes or awards at school while the other is for the purchase of music.

The John Murdoch Henderson Bequest adopted a new constitution in 2015 which allows for the purchase of a wider range of music. This trust has funded the subscription to on-line music services for Aberdeen City Library Service users. This trust will be wound up once its funds have been expended.

Financial Review

The Charitable Trusts' total income decreased from £776k in 2022/23 to £493 in 2023/24.

Total Expenditure increased from £255k in 2022/23 to £383k in 2023/24.

The value of Investments increased by £190k in 2023/24 compared to a decrease of £42k 2022/23.

Investments in the Aberdeen City Council Loans Fund have increased from £4.635 million in 2022/23 to £4.742 million in 2023/24.

The following financial statements for all the Charitable Trusts have been prepared using the connected charities provision. They show the income and expenditure for the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

Where Governance Costs are allocated to charities these are in proportion to the value of the sums invested with the Council and are based on time spent by officers of Aberdeen City Council providing financial and other support to the organisations.

The investment policy of the Trust is to invest any surplus monies in the Aberdeen City Council Loans Fund. Higher interest rates during the year increased cash returns, which are expected to continue during 2023/24.

The Charitable Trusts have no fundraising activities as such - their annual income is earned through rentals on land and buildings, interest on cash balances, or through investment income by holding assets from securities to holdings in investment trusts. Consequently, their annual income will reflect the current interest rates and the limitations on increasing rents on farm properties governed by agricultural tenancies.

Reserves Policy

The Charitable Trusts have no explicit reserves policy but, as a general principle, the "capital" of the funds is held effectively as a permanent endowment with only the annual income available for disbursement in the year.

The exceptions to this rule are for charities with little funds and a governing document that specifically states that the capital can be expended. An example of this would be the John Murdoch Henderson Bequest, which as noted above adopted a new constitution to enable the expenditure of the entire capital.

The Charitable Trusts hold unrestricted reserves totalling £8.852 million which are made up of unrestricted funds of £4.716 million and designated funds of £4.136 million. There are no restricted funds. Designated funds are those funds which relate to Aberdeen City Council non-charitable trusts which have invested in the Lands of Skene and Lands of Torry and at present no plans exist to spend this money.

Achievements and performance

A number of the Charitable Trusts have had limited activity pending reorganisation, namely the EEIF and City of Aberdeen Council Guildry & Mortification Funds. The main charitable expenditure is the transfer of funds to the Aberdeen City Common Good Fund which finances a variety of activities for the benefit of the people of Aberdeen and funding for the University of Aberdeen Bursary Fund. Further details are shown in the accounts within note 3.

Future plans

The limited funds held by the Alexander MacDonald Bequest will be used to fund the purchase of a work of art. The future of that trust and the John Murdoch Henderson Bequest will be reviewed in due course as both have minimal funds.

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Trustee is responsible for preparing the Trustee's report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustee is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the Trust Deed. The Trustee is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed on behalf of the Trustee on

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Appendix 1

Charity Name, Number and Purpose

Charity Name	Charity Number	Purpose (further details contained in the Trust Deeds)	Governing Document
City of Aberdeen Council Guildry & Mortification Funds	SC011857	The prevention or relief of poverty and the advancement of education	Trust Deed dated 25 May 2023
Bridges of Aberdeen Heritage Trust	SC018551	To advance heritage	Trust Deed dated 14 November 2016
Alexander MacDonald Bequest	SC018568	Acquisition of works of art for Aberdeen Art Gallery	Trust Deed dated 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	The advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum	Trust Deed 10 March 2014
Lands of Skene	SC018533	The advancement of education and the advancement of heritage	Trust Deed dated 25 October 2023
Lands of Torry	SC021299	The advancement of education and the advancement of heritage	Trust Deed dated 25 October 2023
Aberdeen City Council Charitable Trusts (known as Education Endowment Investment Fund – EEIF)	SC025063	The advancement of education and the advancement of the arts, heritage, culture and science	Unavailable except for John Murdoch Henderson Bequest Trust Deed dated 20 May 2015

APPENDIX 2

EEIF Charitable Trust funds

D M Andrew Bequest	For prizes in Classics at Aberdeen Grammar School
Miss Elizabeth H Bain Bequest	For music tuition and for instruments to pupils in city schools
Mrs Atholl Benzie Prize Fund	For best all round pupil in fifth year at Aberdeen Academy
Edith and David R Bishop Prize Fund	For prize or prizes to pupil or pupils of Aberdeen Grammar School selected by the Rector
Mrs Mina Brooks Memorial Prize	For prizes for Childrens theatre
Miss Lucy Cruickshank Prize Fund	For prize to best pupil or pupils in French or German
Jessie Durno Prize Fund	For prize in Mathematics at Aberdeen Academy
Mary Durno Prize Fund	For prize in English at Aberdeen Academy
Margaret Duthie Memorial Prize Fund	For pupil showing the greatest endeavour at Dyce School
Miss Margaret C Harper Prize Fund	For prize to best pupil in German at Aberdeen Academy
Miss Bessie Heriot Prize Fund	For prize to best girl at Kaimhill Secondary School
John M Robertson Memorial Prize Fund	For prize to best pupil in commercial subjects at Aberdeen Grammar school
Kenneth MacIntosh Bequest	For paying or supplementing the expenses of pupils of Aberdeen Grammar School who might otherwise be unable to afford the cost of school trips abroad or elsewhere
Dr Charles McLeod Trust	For purchase of books on Physical Science and Astronomy at Aberdeen Grammar School
William Meston Bursary Fund	For bursary to pupil of merit at Culter School undertaking a secondary course
Dr George MacKenzie Prize Fund	For prize to best pupil in German in Aberdeen Academy
John M Henderson Bequest	To (i) enable subscription to online music services for a variety of musical styles as the Trustee sees fit and (ii) to acquire any music for Aberdeen City Council's library service

Aberdeen City Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2024

			Unrestricted Funds 2023/24 £'000	Restricted Funds 2023/24 £'000	Endowment Funds 2023/24 £'000	Total Funds 2023/24 £'000	Total Funds 2022/23 £'000
		<u>Note</u>					
Income and endowments from:							
Incoming resources from generated funds							
Donations & Legacies			-	-	-	-	427
Investments		2	493	-	-	493	349
	Total		493	-	-	493	776
Expenditure on:							
Charitable Activities		3,4	383	-	-	383	255
	Total		383	-	-	383	255
Net income/(expenditure)							
			110	-	-	110	521
Other recognised gains/(losses):							
Debtor writeoff			-	-	-	-	-
Gains/(losses) on investment assets			182	-	8	190	(42)
Net movement in funds			292	-	8	300	479
Reconciliation of funds							
Total funds brought forward			8,409	-	143	8,552	8,073
Total funds carried forward			8,701	-	151	8,852	8,552

**Aberdeen City Council Charitable Trusts
Balance Sheet as at 31 March 2024**

	Note	2024 £'000	2023 £'000
Fixed assets			
Investments	5	4,241	4,051
Total fixed assets		4,241	4,051
Current assets			
Debtors	6	55	52
Investments - City of Aberdeen Loans Fund	7	4,742	4,635
Total current assets		4,797	4,687
Liabilities			
Creditors: Amounts falling due within one year	8	(36)	(36)
		(36)	(36)
Total assets less current liabilities		9,002	8,702
Provision for Liabilities	9	(150)	(150)
Net asset/(liabilities)		8,852	8,552
The funds of the charity			
Endowment funds		136	128
		136	128
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,600	2,524
Dr Duncan Liddel's Mortification - Professor of Mathematics		719	693
Dr Duncan Liddel's Mortification - Library of College		36	35
James Cargill Mortification - Bursary Fund		293	282
Patrick Copland's Mortification - Professor of Divinity		352	339
Unrestricted funds		4,716	4,551
Total unrestricted funds		8,716	8,424
Total charity funds	10	8,852	8,552

These accounts have been prepared in accordance with the Financial Reporting Standard 102.

The financial statements were approved and authorised for issue by the trustee on

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Aberdeen City Council Charitable Trusts
Statement of Cash Flows
For the year ended 31 March 2024

	<u>Note</u>	Total Funds £'000	Prior Year Funds £'000
Net cash used in operating activities	13	<u>(386)</u>	<u>173</u>
Cash Flows from investing activities			
Dividends, interest and rents from investments		493	349
Purchase of investments		-	-
Proceeds from sale of investments		-	-
Net cash provided by investing activities		<u>493</u>	<u>349</u>
<i>Net cash provided by (used in) financing activities</i>			
Change in cash and cash equivalents in the year		107	522
Cash and cash equivalents brought forward		<u>4,635</u>	<u>4,113</u>
Cash and cash equivalents carried forward	14	<u>4,742</u>	<u>4,635</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2024
1 - Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention, and include the results of the Trusts' operations, all of which are continuing.

The accounts have been prepared in accordance with applicable accounting standards and comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 published October 2019.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust funds for which Aberdeen City Council acts as sole Trustee are connected charities. As such, the accounts for the statements contain all relevant information that the individual accounts would have contained if they had been prepared on an individual basis.

Going concern

The Trustee has assessed the balance sheet and likely future cash flows of the fund at the date of approving the accounts. The Trustee has a reasonable expectation that the charities have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing financial statements.

Recognition of revenue and expenditure

All income and expenditure due to be paid or received in respect of the year ended 31 March 2023 has been provided for within these accounts. Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2024

1 - Accounting policies (continued)

Incoming resources

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it relates. Interest on invested funds is included when it is paid or when it is notified as being due.

Rent from properties is recognised as it is due.

Resources expended

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis based on the size of the fund.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Funds

Unrestricted funds include incoming resources receivable or generated for the objectives of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustee.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the Trustee's Annual Report.

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2024

1 - Accounting policies (continued)

Funds (continued)

Endowment funds represent those Assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objectives of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. These funds are to be used in accordance with the specific restrictions imposed by donors.

Taxation

The Trusts are recognised by HM Revenue and Customs as charities and because of the tax reliefs available, income is not liable to taxation.

Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

Trustee Remuneration and Staff Costs

The Trusts have no employees. Aberdeen City Council as the Sole Trustee provides accounting and Governance services to the Trusts, for which a management fee of £39,211 was charged in 23/24, £33,893 in 22/23 .

Interest & Management Charges

Interest & Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charities during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

Provision for liabilities

Provisions are recognised where there is uncertainty as to the timing or amount of the liability. They are only recognised when there is a legal or constructive obligation at the Balance Sheet date as a result of past events, and it is probable that a transfer of

economic benefit will be required to settle the obligation and the amount can be reliably estimated.

Aberdeen City Council Charitable Trusts Notes to the Accounts For the year ended 31 March 2024

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2024

ACCOUNTING POLICIES

Please see attached sheet

	2024 £'000	2023 £'000
2 INVESTMENT INCOME		
Interest receivable	259	149
Rent from Investment Properties	234	200
	<u>493</u>	<u>349</u>
3 CHARITABLE ACTIVITIES		
Donations and expenditures	82	7
Payments to Beneficiaries:		
Common Good Fund	147	117
Dr Duncan Liddel's Mortification - Professor of Mathematics	52	44
Dr Duncan Liddel's Mortification - Library of College	3	2
James Cargill Mortification - Bursary Fund	21	18
Patrick Copland's Mortification - Professor of Divinity	25	21
Property costs	1	-
	<u>331</u>	<u>209</u>
4 GOVERNANCE COSTS		
Accounting and administration	42	36
Audit Fee	10	10
	<u>52</u>	<u>46</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2024

	2024 £'000	2024 £'000	2024 £'000	2023 £'000
	Investment Property	Gilts and Equities	Total	Total
5 TANGIBLE FIXED ASSETS				
Market Value at 1 April 2023	3,930	121	4,051	4,093
Net investment gains/(losses)	182	8	190	(42)
Disposals	-	-	-	-
Market Value at 31 March 2024	<u>4,112</u>	<u>129</u>	<u>4,241</u>	<u>4,051</u>
Market Value at 31 March 2023	<u>3,930</u>	<u>121</u>	<u>4,051</u>	<u>4,093</u>

The property portfolio was valued internally by Deborah Wylie, Bsc MRICS and Cate Armstrong MRICS who are Registered Valuers in accordance with the Statement of Assets Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS).

Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.

6 DEBTORS				
Prepayments & accrued income			<u>55</u>	<u>52</u>

7 INVESTMENTS HELD AS CURRENT ASSETS				
Aberdeen City Loan Funds			<u>4,742</u>	<u>4,635</u>

The trustee has invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.

8 CREDITORS: Amounts falling due within one year				
Accruals and deferred income			<u>36</u>	<u>36</u>

9 Provisions for Liabilities				
Provision for Thomas Glover House.			<u>150</u>	<u>150</u>

	Tangible fixed assets £'000	Current assets (liabilities)/provision £'000	Total £'000	Total £'000
10 ANALYSIS OF NET ASSETS IN FUNDS				
Unrestricted funds	<u>4,241</u>	<u>4,611</u>	<u>8,852</u>	<u>8,552</u>

11 CONTROLLING INTEREST				
Each charity is under the control of its trustee				

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2024

	£'000	£'000
12 RELATED PARTY TRANSACTIONS		
Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.	<u>39</u>	<u>34</u>
The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 7.		
13 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	300	479
Adjustments for:		
(Gains)/losses on investments	(190)	42
Dividends, interest and rents from investments	(493)	(349)
Loss/(profit) on the sale of fixed assets	-	-
Decrease/(increase) in debtors	(3)	1
Increase/(decrease) in creditors	-	0
Net cash provided by (used in) operating activities	<u>(386)</u>	<u>173</u>
14 ANALYSIS OF CASH AND CASH EQUIVALENTS		
Investments - Aberdeen City Loans Fund	<u>4,742</u>	<u>4,635</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2024

15 ANALYSIS OF CHARITABLE TRUSTS

Individual Trust Balances							
	Charity Number	Balance as at 1 April 2023 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2024 £'000
EEIF	SC025063	(309)	-	(8)	(19)	23	(313)
Guildry	SC011857	(2,663)	-	(31)	(119)	17	(2,796)
Bridges of Aberdeen Heritage Trust	SC018551	(1,241)	-	(23)	(49)	2	(1,311)
Alexander MacDonald Bequest	SC018568	(31)	-	-	(2)	-	(33)
Aberdeen Art Gallery Trust	SC018575	(435)	-	-	(28)	65	(398)
Lands of Skene	SC018533	(3,737)	-	(78)	(165)	165	(3,815)
Lands of Torry	SC021299	(2,752)	-	(104)	(208)	208	(2,856)
Total		(11,168)	-	(244)	(590)	480	(11,522)

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guildry (40%) and the Bridges of Aberdeen Heritage Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

Individual Trust Balances after adjusting for intra trust transactions							
	Charity Number	Balance as at 1 April 2023 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2024 £'000
EEIF	SC025063	(309)	-	(8)	(19)	23	(313)
Guildry	SC011857	(1,007)	-	-	(64)	17	(1,054)
Bridges of Aberdeen Heritage Trust	SC018551	(3)	-	-	(7)	2	(8)
Alexander MacDonald Bequest	SC018568	(31)	-	-	(2)	-	(33)
Aberdeen Art Gallery Trust	SC018575	(435)	-	-	(28)	65	(398)
Lands of Skene	SC018533	(4,015)	-	(78)	(165)	68	(4,190)
Lands of Torry	SC021299	(2,752)	-	(104)	(208)	208	(2,856)
Total		(8,552)	-	(190)	(493)	383	(8,852)

Aberdeen City Council Charitable Trusts

Notes to the Accounts

For the year ended 31 March 2024

16 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

Charity Name	Charity Number	Individual Trust Balances									
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Investment Aberdeen		Debtors £'000	Creditors £'000	Provision £'000	Total £'000
						City Council Loans	Fund £'000				
EEIF	SC025063	6	123	-	-	184	-	-	-	313	
Guildry	SC011857	-	-	1,526	-	1269	-	-	-	2,795	
Bridges of Aberdeen Heritage Trust	SC018551	-	-	1,145	-	318	-	-	(150)	1,313	
Alexander McDonald Bequest	SC018568	-	-	-	-	32	-	-	-	32	
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	399	-	-	-	399	
Lands of Skene	SC018533	-	-	-	1,282	2,529	6	(1)	-	3,816	
Lands of Torry	SC021299	-	-	-	2,830	11	49	(35)	-	2,855	
Total		6	123	2,671	4,112	4,742	55	(36)	(150)	11,523	

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guildry (40%) and the Bridges of Aberdeen Heritage Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

Charity Name	Charity Number	Individual Trust Balances after adjusting for intra trust transactions									
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Investment Aberdeen		Debtors £'000	Creditors £'000	Provision £'000	Total £'000
						City Council Loans	Fund £'000				
EEIF	SC025063	6	123	-	-	184	-	-	-	313	
Guildry	SC011857	-	-	-	-	1,054	-	-	-	1,054	
Bridges of Aberdeen Heritage Trust	SC018551	-	-	-	-	158	-	-	(150)	8	
Alexander McDonald Bequest	SC018568	-	-	-	-	32	-	-	-	32	
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	399	-	-	-	399	
Lands of Skene	SC018533	-	-	-	1,282	2,904	6	(1)	-	4,191	
Lands of Torry	SC021299	-	-	-	2,830	11	49	(35)	-	2,855	
Total		6	123	-	4,112	4,742	55	(36)	(150)	8,852	

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Public Sector Equality Duty
REPORT NUMBER	COM/24/005
DIRECTOR	Gale Beattie
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	4.4

1. PURPOSE OF REPORT

To provide management assurance on the Council's compliance with its statutory duties under the Equality Act 2010, specifically in relation to our Public Sector Equality Duty.

2. RECOMMENDATION(S)

That the Committee –

- 2.1 note the management assurance on the controls in place for managing the Council's compliance with the Public Sector Equality Duty; and
- 2.2 note that the Annual Governance Statement, reported to this Committee as part of the annual accounts audited by Audit Scotland, will assess the effectiveness of our controls in this area, any residual risk and how we manage it, and that this will be reported here in April.

3. CURRENT SITUATION

- 3.1 This report responds to the following Convener statement in the Annual Effectiveness Report for this Committee in November 2023:

"I have instructed a management assurance report to the February meeting of the Committee on the Council's compliance with the requirements under the Equalities Act 2010 to meet our Public Sector Equality Duty. It is then the role of our auditors to undertake their own scrutiny through internal and external reports. Together, these will help us to understand the extent of any control weaknesses in relation to the closing of libraries and Bucksburn pool, and provide assurance to that we are transparent about lessons to be learned as a result."

- 3.2 Local authorities have legal obligations under the Equality Act 2010 relating to the Public Sector Equality Duty (PSED), as part of which they must give due regard to the need to eliminate unlawful discrimination, victimisation and harassment, advance equal opportunity and foster good relations in respect of protected characteristics. They must also assess the equality impact of proposed and revised policies and practices.
- 3.3 For a number of years now, this duty, in regard to decision making, has been evidenced by the Council through the use of Integrated Impact Assessments (IIA). These accompany committee reports which recommend a decision requiring the “due regard” referred to above to be taken into account. Equality impacts, as well as impacts of the UN Convention on the Rights of the Child, Human Rights impacts and socio-economic impacts are all captured with the IIA, although the only requirement with a legislative duty is the equality duty and the socio-economic duty.
- 3.4 More recently, officers have reviewed the measures in place to support members to consider the possible impacts of recommendations on protected characteristics. This has been partly in response to the judicial review of Council decisions following the closure of libraries and Bucksburn Swimming Pool in the 2023 budget process, and ensures that we are satisfied that we are fully compliant with the Public Sector Equality Duty. In addition, it is clear that the financial challenges faced by local authorities place considerable pressure on our ability to deliver the services we are responsible for, the impacts of which must be understood and mitigated for in future annual budget decision making processes.
- 3.5 The Accounts Commission’s 2023 report *Local Government in Scotland: An Overview*, recommends that there is a need to “be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions”. Also, councils “should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data and learning from those with lived experience”. This has sharpened the focus of local authorities in refining the processes which support compliance with the Public Sector Equality Duty.
- 3.6 [Guidance for public authorities](#) has recently been updated by UK Government and replaces guidance from 2010. As well as providing practical advice on how to comply with the duty and how to demonstrate compliance, the guidance provides useful balance on when the duty should be met – including some operational decisions, strategic decisions – and when it is not likely to be required.
- 3.7 A Steering Group was established in July 2023 and chaired by the Interim Chief Officer – Governance (Assurance) to oversee an improvement plan, the primary purpose of which was to ensure that the full impacts of officer recommendations are clear to members at the point of decisions being taken. This would include the mitigations which officers propose to manage any risk of discrimination, victimisation or harassment.

- 3.8 As a Council that adopts a continuous improvement methodology, work to further improve our processes and ensure compliance with our Public Sector Equality Duty is both **structural** - having the right policies, templates and processes in place; and **cultural** – having the right mindsets, training, support and social pressure/expectations for our workforce. So to embed IIA compliance, improve quality of consultation and engagement and improve proposals/decision making, we are following our approved change management methodology.
- 3.9 Following this approach, and accompanying gap analysis, a comprehensive and holistic action plan has been developed and progress has been made at pace since July 2023. The main improvements already put in place over recent months are listed below, amongst others which are planned in the first quarter of 2024:

Cultural Improvements:



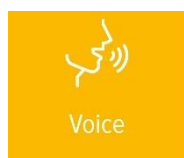
- Chief Officers have been trained in Public Sector Equality Duty by external legal specialists so that they understand the Equality, Diversity & Inclusion agenda and current best practice – and actively champion this within their own cluster and across the organisation.
- A Director hosted the Leadership Forum event for 120 senior leaders across the council to demonstrate corporate leadership of Public Sector Equality Duty.



- New Sharepoint site (Equality, Diversity and Inclusion Hub) has been established for officers and members including resources such as FAQs, worked case studies and guidance on how to engage with people with protected characteristics.
- Improved accessibility to online IIAs for elected members and the public.



- A Leadership Forum event delivered on the importance of the Public Sector Equality Duty and tools and guidance available for officers when developing proposals requiring an IIA.
- Committee Business Planners will prompt report authors well in advance of the drafting of reports as to the requirements for IIAs.

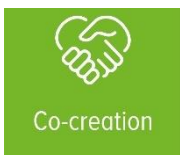


- A Budget Protocol was approved by Council in June 2023 which incorporates the need for stakeholder engagement on budget options as they are developed, with a clear requirement for these to be equality impact assessed from the very outset and updated throughout their development. External legal specialists were consulted in the development of the Protocol.
- Engagement sessions held with stakeholder groups to understand impact of budget options, and possible mitigations.



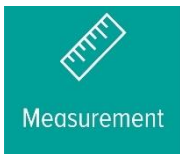
Training

- Self-learning resources developed and available through SharePoint site.
- Equality Ambassadors are identified to support the organisation in learning about protected characteristics groups and the Public Sector Equality Duty.
- Pitstop sessions scheduled for officers to learn more about the importance of and process for, assessing impacts and putting mitigations in place.
- Training for elected members on their responsibilities with PSED.
- We will continue the journey of improvement through training and comms to staff and members, to embed our understanding of these duties in our day-to-day approach to developing policies
- Using digital technology to transform the Integrated Impact Assessment process and governance, using design thinking methodology and co-design approaches.



Co-creation

- Workshops delivered with managers to understand current experience of IIA process. As a result a revised IIA template combining stage 1 and 2 and providing additional links to authors to support them with their assessment, has been effective since 1st January 2024. This will mean that officers need to identify mitigations at the same time as any impacts are identified.



Measurement

- It is intended to introduce a service standard for approval as part of the Council Delivery Plan and this will be monitored by the Performance Board and through the relevant Committee.
- An Equality, Diversity and Inclusion Policy will be presented to Staff Governance Committee in the first half of 2024, including measures for performance.

3.10 The Council was subject to four petitions for judicial reviews in 2023 relative to budget decisions on the closure of six libraries and Bucksburn swimming pool. These petitions have now been withdrawn following on from the consultation exercises undertaken and updated IIAs presented to Council in December. The process of legal challenge has provided valuable learning for us as a Council, and the improvements outlined above address the gaps which led us to judicial review. We will of course continue to monitor our journey. The Council's Annual Governance Statement, being reported as part of the annual accounts, will also assess the effectiveness of our controls in this area and any residual risk and how we manage it. This is scheduled to be reported to this Committee in April, and to a subsequent meeting, at the conclusion of the external audit process carried out by Audit Scotland and presentation of their Annual Audit Report for financial year 2023/24.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising from the recommendations in this report.

4.2 The cost of defending the recent Judicial Reviews in relation to the libraries and Bucksburn Swimming Pool was £30,784 which includes external legal fees,

counsel fees, court outlays, met from contingencies for Council legal costs. Training fees were £624 plus VAT, met from the corporate training budget.

5. LEGAL IMPLICATIONS

- 5.1 The Public Sector Equality duty requires decision-makers to understand and take account of the consequences of their choices, having due regard to the aim of eliminating conduct prohibited by the act, advancing equality of opportunity and fostering good relations. At the same time, the duty is not a rubber stamp. It is a legal requirement. Making decisions without having due regard to the duty can be unlawful.
- 5.2 Responsibility for complying with the general duty falls on the decision-maker. It is therefore essential that the decision-maker is made aware of any work that others have done to comply with the duty.
- 5.3 The activities outlined should mitigate the risk of successful legal challenge against the authority. Provided the Council meets the requirement of “due regard”, including consideration of mitigations, it does not prevent members from making decisions which may impact negatively on some groups with protected characteristic. The Council has other legal duties that need to be met, and a decision that has some impacts can be proportionate, with appropriate mitigations, when balanced against the Councils other legitimate aims such as the duty to balance the budget each year.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising from the recommendations in this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None.			Yes
Compliance	Risk that Equalities and Human Rights Commission can take enforcement action	Improvement plan to improve internal compliance.		Yes

	against the Council.			
Operational	None.			Yes
Financial	Risk that Council will be subject to further Judicial Reviews which incur additional costs.	Improvement plan to ensure robust IIAs are available to inform decision makers.		Yes
Reputational	Risk that the Council is not perceived as undertaking due diligence.	Improvement plan to ensure due diligence.		Yes
Environment / Climate	None.			Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	The proposals within this report support the delivery of the following aspects of the policy statement:- <ul style="list-style-type: none"> Recognise that citizens and communities – rather than the City Council - are best placed to say what services they require and how these are provided and seek to give greater control over appropriate services and facilities to local communities.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	It is confirmed by the Interim Chief Officer – Governance (Assurance) that no Integrated Impact Assessment is required.

Data Protection Impact Assessment	Not required.
Other	None.

10. BACKGROUND PAPERS

10.1 [Public Sector Equality Duty: Guidance for Public Authorities – 18th December 2023](#)

10.2 [Public Sector Equality Duty: specific duties in Scotland | EHRC \(equalityhumanrights.com\)](#)

11. APPENDICES

None.

12. REPORT AUTHOR CONTACT DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	25 April 2024
EXEMPT	No. However, in terms of the Local Government (Scotland) Act 1973, the attached appendix is exempt under paragraph 14 as it discusses actions taken in connection with the prevention, investigation or prosecution of crime.
CONFIDENTIAL	No
REPORT TITLE	Counter Fraud Activity, 2023
REPORT NUMBER	RES/24/081
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Matthew Dickson
TERMS OF REFERENCE	4.4 & 5.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with an account of the work undertaken by the Council's Counter Fraud Officers in 2023.

2. RECOMMENDATION(S)

That the Committee:

- 2.1 Note the important work of the Counter Fraud Officers detailed in the Appendix, and the need for continued vigilance in identifying, investigating and dealing with actions of the few that want to perpetrate fraud, bribery and corruption to their own benefit; and
- 2.2 Agree to receive a report on counter-fraud activity for 2024 at it's meeting in May 2025.

3. CURRENT SITUATION

- 3.1 The Council's Audit, Risk and Scrutiny Committee approved the Counter Fraud Policy in February 2021. Per section 2.12 of that policy, the Committee agreed to receive an annual report in relation to the work undertaken by Counter Fraud Officers.
- 3.2 The attached report includes outcomes from the current National Fraud Initiative (NFI) exercise ending 31 March 2024. In summer 2024, Audit Scotland will publish a publicly available national report on the exercise, which will include activity undertaken by Aberdeen City Council.

3.3 The Committee will receive a further report in respect of local NFI administration once the scheduled Internal Audit has concluded during 24/25.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no environmental/ climate risks related to the contents of this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None	n/a	n/a	n/a
Compliance	1. Failure of council to properly manage its financial affairs, <i>contra</i> s.95 Local Government (Scotland) Act 1973. 2. Vicarious liability if staff involved in bribery, money laundering,	1. Chief Officer – Finance makes arrangements to prevent and detect fraud. 2. Development of mandatory training package for all staff and members.	Low	Yes

	procurement fraud, etc.			
Operational	None	n/a	n/a	n/a
Financial	Loss of funds limits ability of Council to fund services and projects	Counter fraud action identifies mis-paid funds, which can be invoiced and recovered. Preventative action reduces risk of financial loss.	Low	Yes
Reputational	Loss of confidence by citizens and partners in Council's ability to properly steward public funds	Tackling fraudulent behaviours demonstrates Council commitments to transparency and accountability.	Low	Yes
Environment / Climate	None	n/a	n/a	n/a

8. OUTCOMES

- 8.1 The contents of this report have no direct impact on the Council Delivery Plan, LOIP or the Working in Partnership policy statement.
- 8.2 However, counter fraud work strengthens control systems and is vital to ensuring that finite Council resources are available to be used in securing its objectives.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Jonathan Belford, Chief Officer - Finance on 28 March 2024.
Data Protection Impact Assessment	Not required.
Other	Not applicable.

10. BACKGROUND PAPERS

- 10.1 [The National Fraud Initiative in Scotland 2022/23 Instructions for Participants](#)

10.2 [National Fraud Initiative in Scotland Self-appraisal checklist](#)

10.3 [The National Fraud Initiative in Scotland 2022](#)

10.4 [Protecting Public Resources in Scotland](#)

11. APPENDICES

11.1 **Appendix A:** Counter Fraud Activity Report, 2023

12. REPORT AUTHOR CONTACT DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/24/006
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale, Chief Internal Auditor
REPORT OFFICER	Jamie Dale, Chief Internal Auditor
TERMS OF REFERENCE	2.3

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with an update on Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the progress of the Internal Audit Plan;
- 2.2 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports;

3. CURRENT SITUATION

- 3.1 Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control and governance, making recommendations for improvement where appropriate. Reports are produced relating to

each audit assignment and summaries of these are provided to the Audit Committee.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The assessment of risk contained within the table below is to be consistent with the Council’s Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of the Council to meet its strategic objectives	The Internal Audit process considers strategic risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those	M	Yes

		that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Compliance	Council does not comply with relevant internal policies and procedures and external guidance.	The Internal Audit process considers compliance risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Operational	Failure of the Council to deliver agreed services.	The Internal Audit process considers operational risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows	L	Yes

		up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Financial	Financial failure of the Council, with risks also to credit rating.	The Internal Audit process considers financial risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	The Internal Audit process considers reputational risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the	L	Yes

		identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Environment / Climate	Service delivery impacting negatively on City net zero targets.	The Internal Audit process considers environmental/climate risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes

8. OUTCOMES

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Appendix A – Internal Audit Update Report

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report May 2024

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Audit, Risk and Scrutiny (ARS) Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2023/24 Internal Audit Plan, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- Seven reviews have been completed.
- Work is underway with regards to delivery of the 2023/24 Internal Audit Plan.
- Three audit recommendations have been closed.

1.3 Action requested of the ARS Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2023/24 Audits

Service	Audit Area	Position
Children and Family Services	Secondary School Visits	Final Report Issued
Commissioning	Procurement Compliance	Review in progress
Commissioning	City Region Deal	Review in progress
Commissioning	Biodiversity and The Natural Environment	Final Report Issued
Council Led HSCP Services	Social Care Financial Assessments	Review in progress
Customer	Volunteer Arrangements	Final Report Issued
Customer	Recruitment	Review in progress
Customer	PREVENT	Review in progress
Customer	Cyber Controls	Final Report Issued
IJB	IJB Hosted Services	Final Report Issued
Resources	Stores Stock Controls	Final Report Issued
Resources	Revenue Budget Setting and Financial Strategy	Final Report Issued
Resources	Creditors System	Review in progress
Resources	Private Sector Housing	Review in progress

2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Conclusion
AC2416 – Secondary School Visits	2023/24	<p>The level of risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over secondary schools' management of the financial aspects of the establishment and compliance with Financial Regulations.</p> <p>The Council's Scheme of Governance clearly set out the financial arrangements that should be followed by schools. In the interests of financial control, Head Teachers receive monthly BOXI based budget monitoring reports for their respective school budgets, which highlight any forecast overspends or underspends for financial control purposes. In addition, Head Teachers, the School Support Services Managers (SSSM), and other staff involved with the budget monitoring process regularly meet with Finance and Finance provide financial management information to schools on request.</p> <p>However, the review identified areas of control weakness that should be addressed, including: Training & Guidance, Procurements in Aggregate, Purchasing Process, Absent Purchase Orders, Inventories, School Funds, Payroll, Monies in Safes, and Control of Income.</p> <p>Recommendations have been made to address the above points and improve financial control, including training new employees; issuing admin & finance guidance; reviewing the school curricular transport procurement requirements; and establishing a system of control for aggregate</p>

Report Title	Assurance Year	Conclusion
		contractual spend and related compliance with the Council's Procurement Regulations. In addition, it is recommended reasons for absent / retrospective orders are identified and procedures established to mitigate these; a system of control is established to ensure all establishments are complying with the Scheme of Governance relating to procurement and payment control matters; Finance revise purchase card guidance for cardholders and approvers; inventories are kept current and complete; staff are made aware of school fund requirements; and reasons for overpayments are investigated to help avoid these in future. Furthermore, recommendations were made to enhance control over petty cash use; timesheet approval; and income management.
AC2418 – Biodiversity and The Natural Environment	2023/24	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the Council's approach to biodiversity and the natural environment.</p> <p>Substantial assurance was available over the following aspects of governance and control: Scheme of Governance, Planning, and Statutory Reporting.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Strategies, Partnership Working and Action Plans, Engagement and Communication, Risk Management, Performance Monitoring, and Grant Funding and Budget Monitoring.</p> <p>Recommendations have been made to address the above risks including fully formalising a SMART plan detailing specific actions to achieve local and national targets; reviewing risk management controls over biodiversity and natural environment targets; completing the planned engagement and awareness raising campaign and formalising a longer term plan for this; identifying biodiversity and natural environment key performance indicators and ensuring these are regularly monitored by NZET Committee and relevant officers. In addition, it is recommended oversight of relevant budgets is enhanced; training delivered to staff should be reviewed to ensure awareness of biodiversity and natural environment responsibilities; and procurement business cases are updated to specifically cover biodiversity and natural environment impacts.</p>
AC2417 – Cyber Controls	2023/24	The level of net risk is assessed as MODERATE , with the control framework deemed to provide REASONABLE assurance over the Council's approach to its Cyber Action Plan.

Report Title	Assurance Year	Conclusion
		The full executive summary of this exempt report is contained within the relevant document.
AC2415 – IJB Hosted Services	2023/24	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to be providing REASONABLE assurance over the arrangements in place to monitor the performance of services hosted on its behalf. Whilst the report identifies a Major risk in respect of under-developed governance arrangements, the relative low level of expenditure in this area compared with the overall budget reduces its significance. However, this still concerns HSCP operations and finances. The risk areas identified impact negatively on the overall level of assurance and raise the requirement for action to strengthen the control framework.</p> <p>The IJB's Integration Scheme sets out that the IJB should consider and agree hosting arrangements. With the exception of the transfer of one service to hosting in 2020, there has been no opportunity for the IJB to consider and agree the arrangements. The rationale needs to be reviewed and considered, and a pan-Grampian review of hosted services would be beneficial to demonstrate that hosting arrangements are the most effective method of service delivery to contribute to the integration and transformation of health and social care services.</p> <p>There have been no opportunities for Aberdeen City IJB to consider strategy and policy in respect of services hosted by the other integration authorities. Whilst the aims of each IJB have similarities, without strategic coordination at the regional level there is a risk hosted services could diverge from Aberdeen City's objectives and impact other commitments (e.g. the scale and pace of transformation), and this may not be identified and mitigated sufficiently in advance.</p> <p>Similar risks have been identified in respect of performance management, and financial planning and monitoring. These require further review to establish consistent and proportionate planning and reporting arrangements to provide assurance over delivery, transformation, and cost management. This will require formal agreement with host IJB's. The nature and detail of agreement necessary may vary depending on the materiality and risk level of the service delivered, however it is important to capture key elements of each arrangement, since control over planning and delivery of each service hosted on behalf of the IJB is limited and therefore risk is increased. Governance arrangements must be proportionate, but also provide the IJB with assurance that financial, strategic, operational, reputational, and other risks are adequately mitigated so that hosted services perform well and provide value for money.</p> <p>A clear Grampian-wide framework for discussing and managing the performance of hosted services is required to ensure the IJB can be confident that services hosted on</p>

Report Title	Assurance Year	Conclusion
		<p>its behalf help deliver its intended strategic priorities. Overarching principles and improved systematic processes are needed to monitor hosted services' delivery and costs, to ensure service quality is appropriate, and transformation opportunities are identified.</p> <p>It is acknowledged that the Aberdeen City HSCP cannot address these matters alone. Collaboration with Aberdeenshire and Moray HSCP's and NHS Grampian will be required to obtain and provide consistent, proportionate, and relevant assurance. As the host IJB for the greatest proportion of hosted service budgets Aberdeen City is in an optimal position to lead on this approach.</p>
AC2404 – Stores Stock Controls	2023/24	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the Council's approach to stores stock control for Buildings, Roads, and Fleet services.</p> <p>There are dedicated systems and procedures in place, and in general stock control is adequate across the areas reviewed. Each of the stores systems is set up to ensure a purchase order is raised, following suitable authorisation, to replenish stock when required. On delivery, stock is checked to the delivery note and order, and booked into the stock system. A sample of purchase orders was reviewed and confirmed that stock receipts had been received in full and booked to the correct stock codes. Samples of stock being requisitioned by tradesmen, roads operatives and mechanics were taken and reviewed to ensure that these were processed to the correct job and stock numbers detailed on the requisition form. In general, testing demonstrated accuracy of stock recording. Assurance has also been taken over the security measures in place across the stock systems including user accounts, password protection, and an audit trail of activity.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control and improve processes, specifically: Stores Systems Utilisation and Coding, Stock Lines, Stock Control, Stock Adjustments, and Stock Valuation. Recommendations have been made to address these points, including: a review of written procedures, the exploration of options to improve efficiency and accuracy through system utilisation, review of stock lines, and the internal reporting of Management information. A final recommendation has also been made to ensure that adjustments made to stock values are appropriate in terms of the stock valuation and job charging policies. Where recommendations have been targeted at operational staff, engagement of central functions such as Finance and Digital is recognised as required to fully address the points.</p>

Report Title	Assurance Year	Conclusion
AC2420 – Volunteer Arrangements	2023/24	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the Council’s control framework regarding the engagement of volunteer arrangements.</p> <p>Effective use of volunteers is under consideration, plan, and review in different areas. However, policies and procedures differed greatly between clusters and activities, and these are not consolidated at a Corporate level to provide a clear framework or process flowchart that could be applied to any potential volunteer to the Council. A draft volunteer policy is under development, and has been since 2021. In the absence of clear policy and strategic intent, or another forum to provide guidance, it will be more difficult to coordinate planning for volunteering within the Council and with wider Community Planning partners, and to effectively measure performance and outcomes. As a result of the varying approaches and absence of central records, it has not been possible to provide details on the level of volunteer engagement by the Council overall.</p> <p>Potential volunteers’ first port of call is likely to be the Council’s website – which should clearly guide them towards relevant and current information regarding the Council’s policy and requirements on engaging volunteers, as well as where to find current opportunities. It does not currently do so, and opportunities are promoted through various means, presenting risks including mixed messaging, out of date information, and increased scope for error; reduced efficiency, and increased costs of administration. A single source of information would aid management and applicants in operating and understanding the relevant processes and opportunities on offer.</p> <p>Further work is required to establish and clarify essential requirements, supporting procedures and documentation. For example, the approach to risk assessment and Disclosure Scotland /PVG checks, data protection and management of records, and confirming evidence of the right to work in the UK. Clear and consistent procedures and documentation would provide greater assurance these are being managed appropriately.</p> <p>In certain circumstances, volunteering can be considered ‘work’, and in these cases a ‘right to work in the UK’ may need to be evidenced. This statutory requirement was partially addressed in one area in March 2023, following the ‘Assurance Review of Heritage and Historical Assets’ December 2022, but has not been considered in other Clusters, and does not currently cover time-limited visa checks. There is a risk of penalties and reputational damage if the Council is identified as having provided volunteering activity which could be considered to be work to an individual without the appropriate right to work in the</p>

Report Title	Assurance Year	Conclusion
		<p>UK, and has not taken adequate steps to check their status.</p> <p>Recommendations have been made in respect of the above areas to mitigate the risks identified and support the Council with its engagement of volunteers</p>
AC2408 – Revenue Budget Setting	2023/24	<p>The level of net risk is assessed as MINOR, with the control framework deemed to provide SUBSTANTIAL assurance over the Council's approach to Revenue Budget setting and Financial Strategy.</p> <p>Revenue Budget setting is an established process of which there is evidence of continuous review and improvement, good engagement in terms of information and meetings with stakeholders, and effective reporting processes. There is evidence of detailed planning of tasks and activities driving production of the budget, however these were not always kept updated to demonstrate interim progress.</p> <p>Income and expense expectations and savings options to bridge the budget gap are generally detailed, well organised, and subject to impact assessments.</p> <p>Whilst there is assurance that all options underwent appropriate levels of challenge and scrutiny, sign-off on impact, deliverability and alignment with corporate strategy is not always evidenced in detail – presenting potential risks to their delivery in the short term, and of the longer term impact.</p> <p>The risk around Strategic Alignment and Delivery makes recommendations around the Integrated Impact Assessment process in general. However it is recognised that Management has, as per reporting and discussion at Full Council meetings, noted that enhancements could be made to specific assessments and are taking this forward as part of ongoing work. For the 2024/25 budget, lessons learned from the previous process have been applied to refine the integrated impact assessment process. Their development is acknowledged as an iterative process – with updates being applied as a result of consultation, engagement, and identification of risks and mitigations.</p> <p>The council continues to refresh and re-evaluate its assumptions through updates to the Medium Term Financial Strategy (MTFS) and regular budget monitoring. A new approach to public consultation on budget priorities has also commenced, with results being published and available to inform future budgeting and consultation activities. Appropriate consideration has been given by management to the level of assurance over the exercise.</p>

2.3 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 29 February 2024 (the baseline for our exercise), seven audit recommendations were due and outstanding:

- Two rated as Major
- Five rated as Moderate

As part of the audit recommendations follow up exercise, three recommendations were closed:

- Two rated as Major
- One rated as Moderate

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

2.3.1 AC2314 - Assurance Review of Adults with Incapacity – Follow Up

At the September Audit, Risk and Scrutiny Committee, in response to a question relating to how the Committee would get assurance that the Service was on track between now and June 2024 with implementation of the recommendations of this Major risk report, it was agreed that progress updates would be presented to each Committee going forward. Internal Audit reached out on the recommendations in advance of Committee and the response from Management is included at Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity. It should be noted that these updates are Management assurance and have not been reviewed by Internal Audit; Internal Audit will follow up on recommendations as they fall due as part of the standard update process. With the exception of 1.6, Management has not provided any evidence to support the closure of the actions.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2405 – Care Management System	Moderate	1.1a (iii)	The H&SCP should review the governance in place for service users. This should look to formalise the role of product owner, which will ensure user needs and training needs continue to be met. A key focus area will be the need for system guidance and wider operational support.	Jan-24	May-24	We have been working closely with colleagues from Hitachi, and recently participated in a workshop looking at establishing a Product Owner Playbook to ensure consistent governance of the role. From an Adult Services perspective, our Product Owner leads a group of "D365 Champions" monthly, whose aim is to create guidance for our processes. This is underway, and some video guidance has also been created. All Guidance will be stored on the same platform for everyone to access. We have imminent plans to link in with Children's Services Colleagues to look at what generic guidance can be shared across all services. The group's other overarching aim is to ensure consistency of user behaviour across all teams. Product Owners meet regularly with staff to discuss any specific issues	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						they feel relevant as well as offering training to new staff. However we are looking at a more structured training framework within our learning and development review and can advise as this progresses.	
AC2307 – Contract Management	Moderate	3.1.3a	The Service should consider its approach to communicating good practice, sharing information that can increase contract manager experience and awareness, and providing assistance as and when required to develop the Council's procurement and contract management culture.	Feb-24	Jun-24	Blog post for Contract Management has been pushed back due to other Communications required due to Scottish Government Guidance issued on Procurement Thresholds/Changes to the use of the Single Procurement Document (SPD) - Expected to be published by end June 2024.	In Progress
AC2307 – Contract Management	Moderate	3.1.6a	The Service should ensure that contract performance reporting is adequate and based on records that are consistent across contracts and held in a suitable shared location, to which CPSS has access.	Feb-24	Jun-24	Refreshed guidance on Contract Register system to be issued based on roll out of new Contract Register Platform - Amelior. Transfer and training to take place Jan/Feb 2024 with Contract Register Guides updated and published to	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						SharePoint. Delegated Procurers will also be notified directly via e-mail.	
AC2307 – Contract Management	Moderate	3.1.4a	The Service should ensure that the allocation of contract management responsibility is appropriate in BOrganised and kept up to date. Any reallocation of current responsibility should be done with the minimum impact on contract management currently.	Feb-24	Jun-24	The review of the guidance has been undertaken and templates currently being finalised based on the review. Revised guidance and templates will be published on CPSS SharePoint page with communication plan developed for Delegated Procurers. Anticipated to now be complete by end June 2024.	In Progress

5 Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity

Report	Grading	Ref	Recommendation	Due Date	Management Update
AC2314 - Adults with Incapacity - management of funds	Major	1.1.a	The Service should document and implement procedures in respect of DWP appointeeship, Intervention Orders, Access to funds, guardianship and POA in dealing with Adults with Incapacity. The Service should ensure these are clear, efficient, provide practical guidance on day-to-day management of funds, and are subject to periodic recorded reviews. Staff required to apply the procedures should be adequately trained in their application.	Jan-24	8 separate AWI Training sessions have been organised. These will take place during April/May/June. 165 social work staff will complete this mandatory AWI training. New procedures regarding Guardianship, Intervention Orders, Power of Attorney, Corporate Appointee Ship have been written. These will be produced and delivered at the AWI training sessions. All new AWI related documents will be stored in the new AWI team's channel which all staff will have access to.
AC2314 - Adults with Incapacity - management of funds	Major	1.1.b	The Service should develop AWI staff training and procedures for key systems, D365, the corporate appointee database, access to funds process, DWP website to provide adequate cover so that key information required can be accessed and audit trails completed for client information stored.	Jan-24	This is captured in the new guidance notes that have been created. Update is the same as 1.1a.

Report	Grading	Ref	Recommendation	Due Date	Management Update
AC2314 - Adults with Incapacity - management of funds	Major	1.2.a	The Service should implement processes and controls to ensure consistent and complete AWI records are held in line with the GDPR accuracy principle, and these are accessible to relevant officers to avoid the risk of duplication and misalignment.	Apr-24	The relevant documents have been created. These documents will be included in the new D365 handbook for all staff to follow.
AC2314 - Adults with Incapacity - management of funds	Major	1.2.b	A reconciliation of existing file records against new system records should be undertaken, and corrections applied where necessary.	Apr-24	Completed by the Payment Controls Team.
AC2314 - Adults with Incapacity - management of funds	Major	1.2.c	A system of review should be developed and implemented to obtain regular periodic assurance over the content and accuracy of AWI funds management records	Apr-24	Review processes have been incorporated into the new guidance/procedures.

Report	Grading	Ref	Recommendation	Due Date	Management Update
AC2314 - Adults with Incapacity - management of funds	Major	1.3	The Service should review the appointeeship process to ensure it reflects the requirements of the scheme, and minimises intervention where possible. As part of the review the Service should ensure all interventions are subject to secondary review to ensure they are appropriate in line with policy and procedure in advance of their implementation.	Mar-24	New Corporate Appointeeship Guidance/Procedure has been developed and completed.
AC2314 - Adults with Incapacity - management of funds	Major	1.4.a	All requests for funds and payments should have clearly documented review and approval before funds are released. Segregation of duties should be in place for each stage	May-24	This has been incorporated into the new Corporate Appointee Ship Guidance/Procedure.
AC2314 - Adults with Incapacity - management of funds	Major	1.4.b	The identity of funds recipients should be verified and documented. Variations should be subject to approval.	May-24	This new process has been incorporated into the new Corporate Appointeeship guidance/procedure document.

Report	Grading	Ref	Recommendation	Due Date	Management Update
AC2314 - Adults with Incapacity - management of funds	Major	1.4.c	All funds movements and transfers should be documented and countersigned at the point such movements take place, with such documentation held separately from the physical funds	May-24	This has been covered by the new Corporate Appointeeship guidance/procedure.
AC2314 - Adults with Incapacity - management of funds	Major	1.4.d	Consideration should be given to whether collecting and distributing cash remains the most appropriate means of providing support to individuals.	May-24	Consultation has taken place with individual services on the process of dealing with cash. Taking into consideration a person-centred approach, it was agreed for this process to continue. However, this process has been redeveloped to include more checks/assurances on each cash transaction.
AC2314 - Adults with Incapacity - management of funds	Major	1.4.e	The bank reconciliation to the corporate appointee database should be regularly completed, reviewed, and actions approved and monitored to conclusion.	May-24	This is regularly completed every month.

Report	Grading	Ref	Recommendation	Due Date	Management Update
AC2314 - Adults with Incapacity - management of funds	Major	1.4.f	Accounts of deceased clients that are still active should be reviewed for necessary actions to close.	May-24	This continues to be an ongoing piece of work by members of the SLWG. All deceased cases have been identified. Steps to resolve this issue is ongoing.
AC2314 - Adults with Incapacity - management of funds	Major	1.5	The Service should ensure there is a clear and consistent audit trail for all instances where funds are managed on behalf of service users. This should be subject to periodic reconciliation against other records (e.g. bank statements, cash balances, inventories, DWP data and other source documentation), and potential discrepancies escalated and the results and actions recorded.	Feb-24	This continues to be an ongoing piece of work by members of the SLWG. All deceased cases have been identified. Steps to resolve this issue is ongoing.
AC2314 - Adults with Incapacity - management of funds	Moderate	1.6	The Service should ensure client accounts with balances in excess of specified thresholds are reviewed to ensure they are managed appropriately.	Jan-24	Complete

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2415 – IJB Hosted Services
REPORT NUMBER	IA/AC2415
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on IJB Hosted Services

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix, and then endorse the recommendations made.

3. CURRENT SITUATION

3.1 Internal Audit has completed the attached report which relates to an audit of IJB Hosted Services

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2415 – IJB Hosted Services

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review IJB Hosted Services

Status: Final

Date: 4 March 2024

Risk Level: Corporate

Report No: AC2415

Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	11-Dec-23	11-Dec-23
Scope agreed	12-Jan-24	09-Jan-24
Fieldwork commenced	12-Jan-24	09-Jan-24
Fieldwork completed	09-Feb-24	21-Jan-24
Draft report issued	23-Feb-24	29-Jan-24
Process owner response	08-Mar-24	23-Feb-24
Director response	22-Mar-24	04-Mar-24
Final report issued	05-Apr-24	04-Mar-24
RAP Committee	02-Apr-24	

Distribution	
Document type	Assurance Report
Director	Sandra MacLeod, Chief Officer (ACHSCP)
Process Owner	Alison MacLeod, Strategy and Transformation Lead (ACHSCP)
Stakeholder	Fraser Bell, Chief Operating Officer (ACHSCP)
	Paul Mitchell, Chief Finance Officer (ACHSCP)
	Vikki Cuthbert, Interim Chief Officer – Governance (ACC)*
Final only	External Audit
Lead auditor	Phil Smith, Auditor

1 Introduction

1.1 Area subject to review

The Public Bodies (Joint Working) (Scotland) Act 2014 mandated that Health Boards and Councils must delegate certain adult health and social care services to the Integration Joint Boards (IJBs) for planning and delivery. This included a group of delegated services where it was agreed locally within the Grampian region that these should be delivered by a single IJB on a 'hosted' basis, where disaggregation would present significant risk to deliverability, quality, and efficiency of the service.

There are 12 Hosted Services across Grampian ranging in size and complexity, three of which make up 87% of the £85m budget (2023/24). Three services are hosted by the Aberdeen City IJB and account for 76% of the Hosted Services budget. The remaining nine are hosted by either the Aberdeenshire or the Moray IJB.

Service	Host	Budget (£m)
Inpatient & Specialist MHL D Services	Aberdeen City	40
Specialist Older Adult Assessment & Rehab Services (SOARS)	Aberdeen City	23
GMED	Moray	11
HMP Grampian	Aberdeenshire	3
Sexual Health Services	Aberdeen City	2
Police Custody / Forensic Examiners	Aberdeenshire	2
Retinal Screening / Diabetes MCN	Aberdeenshire	1
Marie Curie Nursing	Aberdeenshire	0.8
Continence Service	Aberdeenshire	0.7
Primary Care Contracts	Moray	0.6
Heart Failure Service	Aberdeenshire	0.3
Chronic Oedema Service	Aberdeenshire	0.3
TOTAL		85

A service may be hosted on grounds of geography, efficiency and/or speciality. While the hosting service is responsible for operational delivery, the strategic direction of the service remains with each IJB.

1.2 Rationale for the review

The objective of this audit is to obtain assurance that the IJB has adequate arrangements in place to monitor the performance of services hosted on its behalf.

The area has not been subject to review previously by Internal Audit but has been included in the 2023/24 Internal Audit plan following a recognition that governance and performance monitoring and reporting over hosted services, particularly in the smaller hosted services, could be further improved. Service delivery and additional demands faced by all three IJBs have diverted management intentions expressed in 2021 to improve visibility and accountability. It is hoped the audit can refocus the commitment across the IJBs to this, since to date it has not yet been possible to agree the detail and metrics required by partners across the region.

There is a risk that without clear agreements for hosted services, this could impact on value for money and service quality. Where there is no standard against which key performance measures can be considered, and / or where appropriate key performance measures have not been established, the host IJB's assurance and that of the recipient IJB will be limited. Performance monitoring mechanisms and reporting must be proportional and allow IJB's to interact and transform hosted services through effective management, efficient processes, and cost savings at an operational level. The IJB's each need assurance that service users are appropriately provided for, and that payment made for services delivers Best Value and is in line with established agreements. Robust, risk-appropriate agreements, monitoring, and reporting will mitigate financial, operational, and reputational risk for all of the IJB's, and will allow each IJB to assess if their own strategic intentions are being met.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the IJB as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to be providing **REASONABLE** assurance over the arrangements in place to monitor the performance of services hosted on its behalf. Whilst the report identifies a Major risk in respect of under-developed governance arrangements, the relative low level of expenditure in this area compared with the overall budget reduces its significance. However, this still concerns HSCP operations and finances. The risk areas identified impact negatively on the overall level of assurance and raise the requirement for action to strengthen the control framework.

The IJB's Integration Scheme sets out that the IJB should consider and agree hosting arrangements. With the exception of the transfer of one service to hosting in 2020, there has been no opportunity for the IJB to consider and agree the arrangements. The rationale needs to be reviewed and considered, and a pan-Grampian review of hosted services would be beneficial to demonstrate that hosting arrangements are the most effective method of service delivery to contribute to the integration and transformation of health and social care services.

There have been no opportunities for Aberdeen City IJB to consider strategy and policy in respect of services hosted by the other integration authorities. Whilst the aims of each IJB have similarities, without strategic coordination at the regional level there is a risk hosted services could diverge from Aberdeen City's objectives and impact other commitments (e.g. the scale and pace of transformation), and this may not be identified and mitigated sufficiently in advance.

Similar risks have been identified in respect of performance management, and financial planning and monitoring. These require further review to establish consistent and proportionate planning and reporting arrangements to provide assurance over delivery, transformation, and cost management. This will require formal agreement with host IJB's. The nature and detail of agreement necessary may vary depending on the materiality and risk level of the service delivered, however it is important to capture key elements of each arrangement, since control over planning and delivery of each service hosted on behalf of the IJB is limited and therefore risk is increased. Governance arrangements must be proportionate, but also provide the IJB with assurance that financial, strategic, operational, reputational, and other risks are adequately mitigated so that hosted services perform well and provide value for money.

A clear Grampian-wide framework for discussing and managing the performance of hosted services is required to ensure the IJB can be confident that services hosted on its behalf help deliver its intended strategic priorities. Overarching principles and improved systematic processes are needed to monitor hosted services' delivery and costs, to ensure service quality is appropriate, and transformation opportunities are identified.

It is acknowledged that the Aberdeen City HSCP cannot address these matters alone. Collaboration with Aberdeenshire and Moray HSCP's and NHS Grampian will be required to obtain and provide consistent, proportionate, and relevant assurance. As the host IJB for the greatest proportion of hosted service budgets Aberdeen City is in an optimal position to lead on this approach.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Board. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.3	<p>Governance Arrangements – There are currently no formalised arrangements for cross-IJB reporting on the delivery of hosted services. Whilst Aberdeen City has sought to gather performance information for annual reporting, and is able to comprehensively report on the services it hosts on behalf of others, there are no clear and agreed governance and reporting arrangements across the board. It is recognised data may not be available in every hosted service.</p> <p>There is a risk that in the absence of suitable agreements and reporting lines the HSCP will not be aware if there are issues affecting operational delivery of services hosted on its behalf, and will not have sufficient opportunities to provide input to addressing such issues, resulting in impacts on delivery of its own strategic objectives. The HSCP's Strategic Risk Register recognises this risk, and sets out mitigating actions including ongoing development of SLA's.</p> <p>Until governance arrangements to be applied for hosted services are agreed, there will be less clarity over the expectations, responsibilities, and standards which should be adhered to in each arrangement. This can cause difficulties e.g. the Service noted ACHSCP made an operational change to an element of the SOARS service which it hosts on behalf of the other IJBs, and due to the absence of defined delegations or an agreed change management procedure objections were received, since not all IJBs had approved the change prior to the changes in service delivery.</p> <p>The nature and detail of agreement necessary may vary depending on the significance of the service delivered, however it is important to capture key elements of each arrangement, since control over planning and delivery of each service hosted on behalf of the IJB is limited and therefore risk is increased.</p>	Yes	Major	10

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>Any approach must be proportionate to the risk. Rationalising the number and distribution of hosted services may help in this respect, however there is currently an absence of assurance, and any review should not delay progress with determining a means of addressing this risk. In respect of lower-risk services, if a series of shared principles can be agreed supporting governance, delegations, and transparency, a level of mutual assurance could be provided between each IJB. Such principles could equally apply to higher-risk areas, but these may require further or more specific sources of assurance or risk mitigation to be determined. Governance arrangements must provide the IJB with assurance that financial, strategic, operational, reputational, and other risks are adequately mitigated so that hosted services perform well and provide value for money.</p>			

2.4 Management response

The absence of clear and agreed governance arrangements was recognised in 2021 and plans were made to address this however lack of capacity due to the ongoing response to the COVID-19 pandemic meant these were not fully progressed. We welcome the renewed focus that this report provides and are committed to delivering improved governance arrangements in respect of hosted services. We will devise a schedule that facilitates this around other priorities.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Rationale for Hosting Services – The original rationale for hosting a service was that disaggregation would present significant risk to deliverability, quality, and efficiency. A service may be hosted on grounds of geography, efficiency and/or speciality. However, a pan-Grampian review of the appropriateness and distribution of hosting the 12 services has not been undertaken, certainly since integration in 2016. In the absence of review at this level there is a risk that justifications for maintaining the status quo in terms of service delivery models and locations may no longer hold true.</p> <p>The Aberdeen City Integration Scheme references the following (<i>emphasis added</i>):</p> <p><i>“Some delegated services may be hosted by the IJB on behalf of other integration authorities, or some delegated services may be hosted by another integration authority on behalf of the IJB. The IJB will consider and agree the hosting arrangements.”</i></p> <p>Except for Inpatient & Specialist MHL D Services where a transfer to a hosted arrangement was approved in 2020, there have been no reports provided to the IJB to allow it to consider and agree the hosting arrangements since integration in 2016.</p> <p>There is a risk that post-integration and revised strategic planning, hosted arrangements may no longer be aligned with the area’s needs, or represent Best Value and best practice across the region. The IJB will need periodic assurance that the arrangements are appropriate, or opportunities to agree proposals for their development.</p>		
IA Recommended Mitigating Actions			
<p>Aberdeen City HSCP should review the rationale for services it hosts to ensure hosting remains the most relevant and appropriate approach.</p> <p>The appetite, scope, and timeline for a pan-Grampian review of overall hosting arrangements and rationale should be discussed with regional partners.</p> <p>The three Grampian IJBs should be provided with the opportunity to review and agree hosting arrangements, and any proposals for their variation.</p>			
Management Actions to Address Issues/Risks			
<ol style="list-style-type: none"> 1. <i>Aberdeen City HSCP will review the rationale for services it hosts to ensure hosting remains the most relevant and appropriate approach.</i> 2. <i>Aberdeen City HSCP has gained approval from the three Grampian HSCP Chief Officers that there is an appetite for a pan Grampian review of overall hosting arrangements and rationale and will liaise with regional partners to develop a scope and timeline for this, including presentation of proposals to each IJB.</i> 			
Risk Agreed		Person(s)	Due Date
Yes		Lead for Strategy and Transformation, Aberdeen City HSCP	<ol style="list-style-type: none"> 1. December 2024 2. December 2024

Ref	Description	Risk Rating	Moderate
1.2	<p>Strategic Direction and Alignment – The Aberdeen City Integration Scheme also states (<i>emphasis added</i>):</p> <p><i>“The IJB makes decisions on matters of strategy, policy and the annual budget as well as having oversight of, and obtaining assurance on, the performance of delegated services, including services that it hosts but not including the health services listed in Annex 4 or services which are hosted by another integration authority.”</i></p> <p>This matches a clause contained in Moray’s Integration Scheme. Aberdeenshire IJB sets out that it does not have ‘operational oversight’ of services hosted by another authority, whilst not explicitly excluding decision making on strategy, policy, and budget in this regard. This approach aligns with discussion at the North East Strategic Partnership Group (NESPG) in 2021 which identified that each individual IJB retains strategic responsibility, with the hosting IJB having operational responsibility only.</p> <p>There have been no reports to the Aberdeen City IJB to allow it to consider strategy and policy in respect of services hosted by the other integration authorities. Whilst the aims of each IJB have similarities, without strategic coordination at the regional level there is a risk hosted services could diverge from Aberdeen City’s objectives and impact other commitments (e.g. the scale and pace of transformation), and this may not be identified and mitigated sufficiently in advance.</p>		
IA Recommended Mitigating Actions			
Aberdeen City HSCP should work with regional partners to obtain and provide assurance over the strategic alignment of services hosted on its behalf and on behalf of others. The IJB should be provided with opportunities to review and input to hosted services’ shared strategic objectives.			
Management Actions to Address Issues/Risks			
Aberdeen City HSCP will work with Aberdeenshire and Moray HSCPs to ensure the services it hosts on their behalf align with their Strategic Plans and, at the same time, seek to understand the current strategy for each of the services hosted by them on behalf of Aberdeen City IJB to confirm alignment to the Aberdeen City Strategic Plan.			
Risk Agreed		Person(s)	Due Date
Yes		Lead for Strategy and Transformation, Aberdeen City HSCP	December 2024

Ref	Description	Risk Rating	Major
1.3	<p>Governance Arrangements – There are currently no formalised arrangements for cross-IJB reporting on the delivery of hosted services. Whilst Aberdeen City has sought to gather performance information for annual reporting, and is able to comprehensively report on the services it hosts on behalf of others, this is not the case across the board. In the absence of clear and agreed governance and reporting arrangements it may be difficult to obtain this level of detail from the other HSCP’s.</p> <p>In 2021 NESPG set out options including Service Level Agreements (SLA’s), Commissioned Services, and Shared Plans. It was intended that SLA’s would be developed for the smaller, less complex, lower risk services, and other options given consideration for more complex areas. Templates were prepared in 2022 but have not yet been adopted or populated. Engagement on this topic has reportedly proven difficult due to the shared challenges faced</p>		

Ref	Description	Risk Rating	Major
	<p>by HSCP partners across the region in respect of increased service demand, workforce stability, and financial constraints.</p> <p>There is a risk that in the absence of suitable agreements and reporting lines the HSCP will not be aware if there are issues affecting operational delivery of services hosted on its behalf, and will not have sufficient opportunities to provide input to addressing such issues, resulting in impacts on delivery of its own strategic objectives. The HSCP's Strategic Risk Register recognises this risk, and sets out mitigating actions including ongoing development of SLA's.</p> <p>Until the governance arrangements to be applied for hosted services are agreed, there will be less clarity over the expectations, responsibilities, and standards which should be adhered to in each arrangement. This can cause difficulties e.g. the Service noted ACHSCP made an operational change to an element of the SOARS service that it hosts on behalf of the other IJBs, and due to the absence of defined delegations or an agreed change management procedure objections were received, since not all IJBs had approved the change prior to the changes in service delivery.</p> <p>The nature and detail of agreement necessary may vary depending on the significance of the service delivered, however it is important to capture key elements of each arrangement, since control over planning and delivery of each service hosted on behalf of the IJB is limited and therefore risk is increased.</p> <p>Any approach must be proportionate to the risk. 36 separately negotiated agreements (across three IJB's and 12 services) may be disproportionate. Rationalising the number and distribution of hosted services (as recommended at 1.1 above) may help in this respect, however there is currently an absence of assurance, and any review should not delay progress with determining a means of addressing this risk. In respect of lower-risk services, if a series of shared principles can be agreed supporting governance, delegations, and transparency, a level of mutual assurance could be provided between each IJB. Such principles could equally apply to higher-risk areas, but these may require further or more specific sources of assurance or risk mitigation to be determined. Governance arrangements must provide the IJB with assurance that financial, strategic, operational, reputational, and other risks are adequately mitigated so that hosted services perform well and provide value for money.</p>		
	IA Recommended Mitigating Actions		
	Aberdeen City HSCP should work with regional partners to develop and implement proportionate risk-based governance arrangements setting out key expectations and controls over hosted services.		
	Management Actions to Address Issues/Risks		
	<ol style="list-style-type: none"> 1. <i>Aberdeen City HSCP will work with Aberdeenshire and Moray HSCPs to develop and agree proportionate, risk based governance arrangements.</i> 2. <i>Aberdeen City HSCP will work with Aberdeenshire and Moray HSCPs to implement the agreed governance arrangements.</i> 		
	Risk Agreed	Person(s)	Due Date
	Yes	Lead for Strategy and Transformation, Aberdeen City HSCP	<ol style="list-style-type: none"> 1. December 2024 2. September 2025

Ref	Description	Risk Rating	Moderate
1.4	<p>Financial Planning and Reporting – Integration Authorities are funded by both the NHS and local government to provide health and social care services. The funding distribution and allocation depends on the specific needs and priorities of each IJB area, and should be aligned to the strategic objectives of each Health and Social Care Partnership. In the case of hosted services, while each IJB contributes to the service costs, the hosting IJB retains budgetary control.</p> <p>Of the 12 hosted services in the region, three are hosted by Aberdeen City, and account for 76% of the total hosted services budget (£65m out of £85m). Although hosting the more significant services gives Aberdeen City greater visibility over spend, demand led expenditure continues to present risks in these areas. Visibility and the ability to influence budgetary control (e.g. managing the risk and impact of expenditure variations) in the areas hosted by other IJB's (the remaining 24% / £20m) is limited. For 2023/24 Aberdeen City HSCP budgeted £28.4m towards delivery of hosted services across Grampian: less than 8% of the Partnership's total budget (£377.7m).</p> <p>Budget allocations for hosted services were initially determined at the point of integration in 2016. Annual budget setting for these services is reported as largely iterative rather than being informed by the sharing of data, risks, and assumptions from NHS Grampian (which remains largely responsible for operational delivery) and between the HSCP's. There has been no subsequent review of the cost and allocation bases within and between services and IJB's. There is a risk these may no longer be reflective of requirements and utilisation.</p> <p>Quarterly financial reporting is received by the HSCP from NHS Grampian but there is limited commentary and assurance over financial risks and mitigating actions in respect of individual hosted services. For example: from current financial reporting the IJB's Chief Finance Officer cannot determine whether mitigating action can or is being taken in respect of £250,000 overspends forecast in both HMP Peterhead and Marie Curie services. Explanation for the challenges faced by hosted services is only reported in performance reports following the financial year-end in April. Opportunities for the IJB to apply scrutiny and to direct action are therefore limited.</p>		
IA Recommended Mitigating Actions			
Aberdeen City HSCP should seek additional assurance over budgeting and expenditure on hosted services (both hosting and hosted on its behalf), and report on this periodically to the IJB.			
Management Actions to Address Issues/Risks			
Agreed.			
Risk Agreed		Person(s)	Due Date
Yes		Chief Finance Officer, Aberdeen City HSCP	September 2024

Ref	Description	Risk Rating	Moderate
1.5	<p>Performance and Transformation – Hosted services performance reporting is presented annually to the IJB each April. The format differs between IJB's making an overview of performance difficult to establish. It is recognised this may be due in part to a variation in the breadth and depth of data available for each service and on the nature of service delivery. Information on performance, financial challenges, and risk management is clearer in some reports than others and there is a risk that without standardisation certain aspects which</p>		

Ref	Description	Risk Rating	Moderate
	<p>should be reported may not be. IJBs should be able to discern whether hosting arrangements are efficient and effective and are delivering best value and intended outcomes. Information regarding service changes, financial and workforce challenges, performance measures, service demand, adverse incidents and transformation may not have been considered, reducing the IJBs' assurance over services hosted on its behalf.</p> <p>Quarterly performance reporting to the Aberdeen City HSCP Strategic Planning Group was planned, and this is referenced as a mitigating action in the Strategic Risk Register. Reporting has been postponed pending establishment of SLA's and determination of performance metrics. Without these measures, the IJB lacks certainty that the services hosted on its behalf will provide high-quality, cost-effective solutions that achieve desired outcomes and offer the best value under the current governance frameworks.</p> <p>Assurance is derived from the procedures established by NHS Grampian before delegating services to the IJBs. The Aberdeen City HSCP risk register indicates it has conducted an in-depth review of the processes in the three hosted services it manages, however it has not examined the procedures in other hosted services to confirm their effectiveness in risk mitigation.</p> <p>Due to the lack of a Grampian-wide framework under which the three IJB's deliver hosted services, there is limited assurance that significant matters and observations are shared between the IJBs and NHS Grampian for hosted services. There is no systematic process to capture and disseminate information where lessons have been learned from the delivery of hosted services across Grampian. Without a mandated focus for IJBs to regularly review and discuss the performance of hosted services, there is a risk of declining service efficiency and effectiveness, unmet expectations and missed opportunities for further integration, savings / investment, and transformation in health and social care within these areas.</p>		
IA Recommended Mitigating Actions			
Aberdeen City HSCP should work with regional partners to obtain and provide a consistent level of assurance over performance and transformation of services hosted on its behalf and on behalf of others, and report on this periodically to the IJB.			
Management Actions to Address Issues/Risks			
This action is linked to the one above in relation to overall governance arrangements.			
<ol style="list-style-type: none"> 1. As part of the development of the governance arrangements, Aberdeen City HSCP, in conjunction with relevant colleagues in Aberdeenshire and Moray HSCPs, will develop relevant performance metrics and agree reporting routes and frequency. It is envisaged that the governance arrangements will include routes for agreement of transformation activity and any performance reporting will capture the progress on delivery and impact of this. 2. Once agreed, Aberdeen City HSCP, in conjunction with relevant colleagues in Aberdeenshire and Moray HSCPs, will implement the governance arrangements. 			
Risk Agreed	Person(s)	Due Date	
Yes	Alison MacLeod Lead for Strategy and Transformation, Aberdeen City HSCP	1. March 2025 2. September 2025	

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the IJB as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the IJB's objectives or could impact the effectiveness or efficiency of the IJB's activities or processes. Action is considered imperative to ensure that the IJB is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance review scoping document

5.1 Area subject to review

The Public Bodies (Joint Working) (Scotland) Act 2014 mandated that Health Boards and Councils must delegate certain adult health and social care services to the Integration Joint Boards (IJBs) for planning and delivery. This included a group of delegated services where it was agreed locally within the Grampian region that these should be delivered by a single IJB on a 'hosted' basis, where disaggregation would present significant risk to deliverability, quality, and efficiency of the service.

There are 12 Hosted Services across Grampian ranging in size and complexity, three of which make up 87% of the £85m budget (2023/24). Three services are hosted by the Aberdeen City IJB and account for 76% of the Hosted Services budget. The remaining nine are hosted by either the Aberdeenshire or the Moray IJB.

Service	Host	Budget (£m)
Inpatient & Specialist MHL D Services	Aberdeen City	40
Specialist Older Adult Assessment & Rehab Services (SOARS)	Aberdeen City	23
GMED	Moray	11
HMP Grampian	Aberdeenshire	3
Sexual Health Services	Aberdeen City	2
Police Custody / Forensic Examiners	Aberdeenshire	2
Retinal Screening / Diabetes MCN	Aberdeenshire	1
Marie Curie Nursing	Aberdeenshire	0.8
Continence Service	Aberdeenshire	0.7
Primary Care Contracts	Moray	0.6
Heart Failure Service	Aberdeenshire	0.3
Chronic Oedema Service	Aberdeenshire	0.3
TOTAL		85

A service may be hosted on grounds of geography, efficiency and/or speciality. While the hosting service is responsible for operational delivery, the strategic considerations and implications remain with each IJB.

5.2 Rationale for review

The objective of this audit is to obtain assurance that the IJB has adequate arrangements in place to monitor the performance of services hosted on its behalf.

The area has not been subject to review previously by Internal Audit but has been included in the 2023/24 Internal Audit plan following a recognition that governance and performance monitoring and reporting over hosted services is limited, particularly in the smaller hosted services. Service delivery and additional demands faced by all three IJBs have diverted management intentions expressed in 2021 to address this recognised governance gap and improve visibility and accountability. It is hoped the audit can refocus the commitment across the IJBs to this in 2024, since to date it has not yet been possible to agree the detail and metrics required by partners across the region.

There is a risk that without clear agreements for hosted services, this could impact on value for money and service quality. Where there is no standard against which key performance measures can be considered, and / or where appropriate key performance measures have not been established, the host IJB's assurance and that of the recipient IJB will be limited. Performance monitoring mechanisms and reporting must be proportional and allow IJB's to interact and transform hosted services through effective management, efficient processes, and cost savings at an operational level. The IJB's each need assurance that service users are appropriately provided for, and that payment made for services rendered delivers Best Value and is in line with established agreements. Robust, risk-appropriate agreements, monitoring, and reporting will mitigate financial, operational, and reputational risk for all of the IJB's, and will allow each IJB to assess if their own strategic intentions are being met.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Written Agreements, Policies & Processes
- Strategic and Financial Planning
- Systems and Record Keeping
- Data Sharing
- Key Performance Measures, Monitoring, and Reporting
- Lessons Learned and Improvement Management

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Phil Smith, Auditor (**Audit Lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor

5.7 Partnership key contacts

The key contacts for this review across the Partnership are:

- Sandra MacLeod, Chief Officer
- Fraser Bell, Chief Operating Officer
- Paul Mitchell, Chief Finance Officer
- Alison MacLeod, Strategy & Transformation Lead (**process owner**)

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	11/12/2023
Scope agreed	12/01/2024
Fieldwork commences	12/01/2024
Fieldwork completed	09/02/2024
Draft report issued	23/02/2024
Process owner response	08/03/2024
Director response	22/03/2024
Final report issued	05/04/2024

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2404 – Stores Stock Control
REPORT NUMBER	IA/AC2404
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Stores Stock Control

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix, and then endorse the recommendations made.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Store Stock Control

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2404 – Store Stock Control

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of Stores Stock Control

Status: Final

Date: 29 February 2024

Risk Level: Function

Report No: AC2404

Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	19-Jun-23	19-Jun-23
Scope agreed	30-Jun-23	28-Jun-23
Fieldwork commenced	03-Jul-23	28-Jun-23
Fieldwork completed	21-Jul-23	27-Sep-23
Draft report issued	11-Aug-23	27-Oct-23
Process owner response	01-Sep-23	29-Nov-23
Director response	08-Sep-23	29-Feb-24
Final report issued	15-Sep-23	29-Feb-24
Audit Committee	25-April-24	

Distribution	
Document type	Assurance Report
Director	Steve Whyte, Director of Resources
Process Owner	Graham Williamson, Operations Manager Neale Burrows, Roads Operations Manager John Weir, Fleet Manager
Stakeholder	Mark Reilly, Chief Officer - Operations Kenneth Don, Contract Manager – Buildings Vikki Cuthbert, Interim Chief Officer - Governance*
Final only	Jonathan Belford, Chief Officer - Finance External Audit*
Lead auditor	Phil Smith, Auditor

1 Introduction

1.1 Area subject to review

Operations is responsible for overseeing the control of stocks held for the purposes of delivering road, building and fleet services. Services include those for the repair and maintenance of the Council's housing stock and operational buildings; the upkeep of roads for which the Council is responsible; and the service and repair of Council vehicles.

Roads and Buildings stock is managed by the Contract Manager – Buildings, while the Fleet Manager oversees stock relating to Council vehicles.

The Buildings Maintenance store is located at Kittybrewster, and vans carry quantities of commonly used Buildings stock. Roads' stock is largely located at the main store in West Tullos. The Fleet depot is at Kittybrewster.

1.2 Rationale for the review

The total value of stock held at the 2022/23 year end was £1,817,000 (Roads), £956,000 (Buildings), and £83,000 (Fleet). Fleet also holds stock on behalf of its suppliers for which there is a separate procedure and financial code. The value of this imprest stock was £39,000 at the 2022/23 year end, it is not however Council owned.

The objective of this review is to obtain assurance that stock procedures are adequate and stock movements are adequately accounted for. The audit was last completed in 2019 (Report AC2007) but did not include Fleet stocks. Following that review and as part of an ongoing service redesign, the Service indicated its intention to merge the stores function for Roads and Buildings and amalgamate the associated procedures which would address many of the risks identified in the audit relating to varying practice and procedure for the administration of stock receipts and issues, the authorisation of stock adjustments and write-offs, and consistency and compliance with stock check procedures.

Stock is a vulnerable asset that if not controlled appropriately, properly accounted for, and stored securely can result in financial loss for the Council or misstatement of the value of the Council's assets. In addition to the reputational impact of misappropriation of stock, service delivery across the Council's housing stock, roads network and fleet could be impacted where stock levels are insufficient.

Roles, responsibilities, and correct procedure must be clear, and authority levels set appropriately. Stock ordering and issues, stores security, and stock system access should be adequately controlled to mitigate risk and lessen any potential knock-on effect for service delivery e.g. repair response times, service quality and the safety of tenants and road users. The appropriate Fleet stock must be available in order to ensure the longevity and legality of the Council's vehicles.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Function	This issue/ risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to stores stock control for Buildings, Roads, and Fleet services.

There are dedicated systems and procedures in place, and in general stock control is adequate across the areas reviewed. Each of the stores systems is set up to ensure a purchase order is raised, following suitable authorisation, to replenish stock when required. On delivery, stock is checked to the delivery note and order, and booked into the stock system. A sample of purchase orders was reviewed and confirmed that stock receipts had been received in full and booked to the correct stock codes. Samples of stock being requisitioned by tradesmen, roads operatives and mechanics were taken and reviewed to ensure that these were processed to the correct job and stock numbers detailed on the requisition form. In general, testing demonstrated accuracy of stock recording. Assurance has also been taken over the security measures in place across the stock systems including user accounts, password protection, and an audit trail of activity.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control and improve processes, specifically:

- **Stores Systems Utilisation and Coding** – Increased manual processes are relied upon due to system upgrades not having been applied, a lack of refreshing handheld devices and many being aged or broken. Stock coding and labelling has also been identified as needing reviewed.
- **Stock Lines** – Removing low value items from the stock system could free up capacity without presenting a material financial risk. For example, out of 2205 Building services stock lines, 397 (18%) had an average cost per item of under £1, e.g. screws, bolts, nails. From 531 Roads stock lines, 50 (9%) had an average cost per item of under £1. Similarly Fleet holds stock of multiple items under £1 (e.g. automotive light bulbs)¹. It was also noted that some items are listed on the stock system that should be on an inventory list rather than in stock. This includes pasting tables in building services and crowd barriers in roads which are brought in and out of stock as necessary.
- **Stock Control** – Stocks are not always being booked out promptly. It was not possible to confirm fully the accuracy of system stock balances to stock on the shelf at Buildings and Roads stores due to variable timing differences. Of 15 requisition forms checked for Roads, only four

¹It was not possible to extract data from system reports in their current format for further analysis.

had been processed to the system on the same day of issue (27%). In one case (7%) it was 12 days later before the system was updated.

- **Stock Adjustments** – Where adequate arrangements were in place for general user access, similar controls were not in place to ensure adjustments made to stock balances in the systems are actioned, reviewed, and approved at an appropriate level. There is limited management information and review of stock accuracy and adjustments to support targeted and proportionate action.
- **Stock Valuation** – Contrary to the Council's accounting policy, Buildings and Roads services are valuing stock at the latest price. For the latter this should be at average price. Issues were also noted with imprest/consignment stocks included in the Council's stock valuation, and a lack of comprehensive physical verification.

Recommendations have been made to address these points, including: a review of written procedures, the exploration of options to improve efficiency and accuracy through system utilisation, review of stock lines, and the internal reporting of Management information. A final recommendation has also been made to ensure that adjustments made to stock values are appropriate in terms of the stock valuation and job charging policies. Where recommendations have been targeted at operational staff, engagement of central functions such as Finance and Digital is recognised as required to fully address the points.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. There were no Severe or Major risks identified as part of this review.

2.4 Management response

Management welcomes the findings of the Internal Audit review, which identified a reasonable level of assurance over stores stock control for Buildings, Roads, and Fleet services.

It is recognised that efficiencies and improvements to the accuracy and timely recording of stock movements can be obtained by moving away from current manual processes. A transformation project is planned to review, update, and where appropriate further develop digital stock management and stores processes. We are currently reviewing coding and labelling with a view to making improvements.

There are generally good reasons for larger stock holdings, retention of stock lines, and for logging all materials through the stock system to aid visibility and efficiency of stock replenishment. However, we have committed to reviewing these areas periodically to identify proportionate options balancing efficiency and control. Reports on adjustments and deviations will also be prepared and reviewed by management on a regular basis.

A joint review of stock valuation practice, with Finance, to provide assurance this is aligned with accounting policy is also planned.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p>Stores Systems Utilisation and Coding – The Job Control and Stores System used by Buildings and Roads services was introduced in 2008. It brought a more modern approach to stock management with handheld devices used to scan shelf barcodes, allowing stock to be booked directly to jobs. This reduced the amount of data input required of stores personnel thus reducing the risk of error which can affect service delivery.</p> <p>Although system upgrades have been available since 2009, these have not been applied. The Service reported issues with the use of the handheld devices. As a result, more manual input is now involved in processing stock receipts and stock requisitions, and operatives regularly revert to paper-based processes, with forms used to record stock movements prior to input to the system. Whilst no errors were identified in the sample of purchase orders and requisitions tested, manual entry presents an increased risk, and impacts on the efficiencies that the system should offer.</p> <p>The Fleet Management System was replaced shortly before the COVID-19 pandemic. The pandemic interrupted system implementation, and although this was further exacerbated by experienced staff leaving the organisation, the stores and job control modules appear to be operating effectively. The system has many functionalities that will be advantageous for Fleet Management, however resource pressures have restricted further expansion of management reporting to date. Changes in financial code mapping also require manual intervention to ensure accurate budget monitoring. The potential of the system, the benefits of having access to robust management information, and the resolution of areas that impact on financial and other internal controls still need to be addressed. Whilst associated processes have not changed substantially, written procedures still refer to the previous fleet management system and require to be updated.</p> <p>Stock coding is an important feature of control within a stores environment, which enables staff to communicate precisely regarding the stock required on a particular job. Although it can be difficult for a standard approach to be adopted, that approach should be methodical and should facilitate the store's operation. Fleet's stock coding is generally based on the manufacturers' own stock codes, which is more likely to ensure deliveries will be correct. In recent years Building Services has attempted to group codes according to trade where new stock lines are introduced. Store staff indicated that stock coding and labelling across the warehouse needs to be reviewed. This could be done as part of a larger review of depot storage and layout and should be considered at all three depots. Effective stock coding, layout and labelling provides for a more efficient stores function.</p>		
IA Recommended Mitigating Actions			
<p>Written procedures should be revised for all three service areas to reflect the current systems, controls and practice which governs the stores functions. These should be reviewed annually to capture system developments and other change.</p> <p>In conjunction with IT, the Service should explore options to improve the efficiency and accuracy of the job and work order management system used for managing Buildings services and Roads services. Fleet should develop an iterative system development plan which it can work through with the software supplier, with the support of Digital and Finance to ensure the full potential of the fleet management system is realised.</p>			

Ref	Description	Risk Rating	Minor
	<p>Management should consider whether stock coding across Building Maintenance and Roads Services could be more informative and effectively structured to aid stores operations, layout, and stock control.</p> <p>Stock labelling should be included as part of the wider review of systems and storage to ensure stock labelling facilitates stores stock control and service delivery.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Written procedures will be reviewed for all three service areas to reflect the current systems, controls and practice which governs the stores functions. As processes are likely to change as a result of scheduled system upgrades, any further updates will be kept under review by Management, with consideration for improvements through system functionality. In conjunction with other stakeholders, Management will explore options to improve the efficiency and accuracy of the job and work order management System. The Service is currently reviewing the stock coding and labelling as part of a larger project, reviewing the stock codes, grouping together codes where possible to aid stores operations and layout. Fleet continue to expand knowledge and use of the Jaama Key2 system using the Jaama document sets which will be adapted to comply with the recommendation.</i></p> <p><i>Fleet continue to expand knowledge and use of the Jaama Key2 system using the Jaama document sets which will be adapted to comply with the recommendation.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Building Services Manager	December 2024
		Fleet Manager	December 2024

Ref	Description	Risk Rating	Moderate
1.2	<p>Stock Lines – Only stock that is used in the provision of services, or held for re-sale, requires to be actively managed and recorded on the stock system(s). There is a cost involved in processing the receipt and issue of stock items, but there is currently no categorisation or threshold below which the services have determined items do not need to be recorded as stock. For example, out of 2205 Building services stock lines, 397 (18%) had an average cost per item of under £1, e.g. screws, bolts, nails. From 531 Roads stock lines, 50 (9%) had an average cost per item of under £1. Similarly Fleet holds stock of multiple items under £1 (e.g. automotive light bulbs)²</p> <p>Removing low value items from the stock system could free up capacity without presenting a material financial risk. Low value stocks could be redesignated as consumable items, and replenished as necessary. Costs could be monitored to identify unanticipated variances, and recovered via a proportional overhead charge on parts costs or labour hours. This may not be appropriate in every case – for example if there is a requirement to demonstrate that specific parts have been fitted/used.</p> <p>Some items are listed on the stock system that should be on an inventory list rather than in stock. This includes pasting tables in building services and crowd barriers in roads which are brought in and out of stock as necessary. Stock and job valuations may be affected depending on the point in time reports are run.</p> <p>Other smaller tools used by individual tradespersons (e.g. saws, tape measures, shovels) are frequently booked out against the next available job following their purchase for general</p>		

²It was not possible to extract data from system reports in their current format for further analysis.

Ref	Description	Risk Rating	Moderate
	<p>use. These items do not directly relate to and will not be used up on that job, and will not be returned to stock thereafter. Whilst this facilitates internal cost recovery, it means the cost of some jobs will be inflated, and there is less assurance of control over these items as their overall use and cost is spread amongst multiple job records. As with consumable items, these are a cost of delivering the service, rather than a cost relating to a specific job – and should be managed and charged accordingly.</p> <p>Finance data indicated year-end valuations of £1.82m for Roads in 2022/23, and £956k for Building services. Stock turnover was recorded as £1.97m for Roads, and £3.84m for Building services. Whilst the timing of specific stock movements or planned jobs, and the impact of inflation, will impact on the year-end valuation, these figures could indicate a substantial level of stock being held continuously throughout the year, presenting a risk of deterioration and obsolescence. Management information on slow moving stocks is available from the systems, but this has yet to be developed for the fleet management system. In each case, decisions have not been made by management regarding thresholds and relevant action. If there are stock lines that are no longer required, this could impact on available storage, and if not identified promptly their value in disposal could be reduced.</p>		
IA Recommended Mitigating Actions			
<p>Management should periodically review all stock lines in the stock systems to ensure only appropriate and relevant items are recorded. Assets that are not technically stock should not be included in the stock valuation; the movement of such items should however continue to be controlled by appropriate means. Consideration should be given to items which can be reclassified as consumables, and to the continued retention or disposal of slow moving stocks.</p>			
Management Actions to Address Issues/Risks			
<p><i>There are generally good reasons for larger stock holdings, e.g. Roads purchase large quantities of items in advance to meet programmed upgrades such as light fittings and other electrical stocks, and salt quantities may be substantial at year-end depending on winter conditions.</i></p> <p><i>We will review usage of all slow-moving codes, to establish need to keep such items, in consultation with Operational Teams as to an alternative strategy should there be a need for such an item (including assets not technically stock) e.g. replacing/upgrading/ fitting. The service will review these items annually.</i></p> <p><i>With regard to consumables, whilst there are no doubt benefits in treating them as so, because on occasion these are recharged, the Service preference is to continue to record and issue them as stock items. Additionally, as they are counted as part of stock, the system “automatically” generates replenishment orders when required, If no controls are in place there is a risk of stock-outs. Consideration to be given to reclassify as non-stock items.</i></p> <p><i>Hand tools (not technically stock) etc are also re-ordered through the system. Consideration will be given to alternative means of recording and charging for their use. Consideration to be given to reclassify as non-stock items.</i></p> <p><i>Fleet will review stock lines, classifications, and movements in conjunction with Finance, taking into consideration the values of the stock held.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Building Services Manager	October 2024
		Fleet Manager	October 2024

Ref	Description	Risk Rating	Moderate
1.3	<p>Stock Control – Each of the stores systems is set up to ensure a purchase order is raised, following suitable authorisation, to replenish stock when required. On delivery, stock is checked to the delivery note and order, and booked into the stock system. A sample of purchase orders from Building Services and Fleet was reviewed and confirmed that stock receipts had been received in full and booked to the correct stock codes.</p> <p>Samples of stock being requisitioned by tradesmen, roads operatives and mechanics were taken and reviewed to ensure that these were processed to the correct job and stock numbers detailed on the requisition form. In general, testing demonstrated that the accuracy of stock recording is good although where differences between requisitioned and issued stock at Roads were identified, explanations were not noted on the requisition form, which reduces the quality of the audit trail.</p> <p>Stocks are not always being booked out promptly. While the fleet system was fully up to date, it was not possible to confirm fully the accuracy of system stock balances to stock on the shelf at Buildings and Roads stores due to variable timing differences. Of 15 requisition forms checked for Roads, only four had been processed to the system on the same day of issue (27%). In one case (7%) it was 12 days later before the system was updated. Staff indicated that stock is frequently removed from the depot before a requisition form is received by the storeman. Requisitions for Roads are signed by the storeman when they are input to the stock system however the requisitioner, although identified on the form by the storeman, does not sign the form for themselves. There is a greater risk of uncertainty over who received the stock, and the benefit of the audit trail diminishes.</p>		
IA Recommended Mitigating Actions			
Management should review operations and work with staff to ensure that: where stock issued varies from what was requisitioned, the reason for this should be adequately explained, stock should only be issued on receipt of a requisition form, signed by both the storeman and receiver, and all stock issues should be recorded on the stock system promptly.			
Management Actions to Address Issues/Risks			
<i>Management will review operations and work with staff to ensure that where stock issued varies from what was requisitioned, the reason for this will be adequately explained and give consideration to the recommendations from Internal Audit with regards to issue. This review will consider the functionality of any upgraded systems, with a view to ensuring automation where possible. Where manual processes are required these will be considered along with other operational priorities and may not be progressed based on risk appetite.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Building Services Manager	October 2024
		Fleet Manager	October 2024

Ref	Description	Risk Rating	Moderate
1.4	<p>Stock Adjustments – The stock systems have security measures including user accounts, password protection, and an audit trail of activity within the system. User access levels that determine what an individual can view, input, and modify are essential as are financial thresholds which, for the likes of purchase orders, are in place to ensure that the appropriate level of management can approve transactions as their value and nature requires. Similar controls should be in place to ensure adjustments made to stock balances in the systems can be actioned, reviewed, and approved at an appropriate level. This gives Management</p>		

Ref	Description	Risk Rating	Moderate
	<p>the opportunity to consider whether errors between stock on the shelf and that recorded in the system indicate a training need, a system control weakness, loss, or theft.</p> <p>Relevant restrictions are in place for the fleet management system to provide adequate governance over purchase orders, stock issues, and stock balance adjustments. Fleet advised that since the system was implemented, the only adjustments have been as a result of stock count variances. For Buildings and Roads stores, there are few restrictions built into the system, and no financial thresholds for stock adjustments; instead there is a manual adjustment approval form. Whilst there is an opportunity to add reasons for adjustment to the system in a free-text field, there is no requirement to use this consistently, reducing the opportunity to generate informative management information. Robust adjustments information allows management to monitor the quality of stock control and discern where there may be variances between trades or fluctuations and spikes which may merit investigation. It will also allow management to consider the frequency of stock checks required and ensure they are targeted appropriately. Currently in addition to spot checks and the annual stock count, a full mid-year stock check is undertaken by Buildings and Roads services which requires significant planning and resources to be set aside. This may not be necessary, provided an adequate interim stock check regime is in place. However, suitable management information on the frequency and value of errors and adjustments will be necessary to determine a proportionate level of checks.</p>		
IA Recommended Mitigating Actions			
<p>The services should ensure that user restrictions and authorisation thresholds for stock adjustments are set appropriately in the stock systems.</p> <p>Management should have access to robust stock check and stock adjustment information to provide assurance, inform decision making, and determine the appropriate frequency and focus of stock checks required.</p>			
Management Actions to Address Issues/Risks			
<p><i>A quarterly report will be submitted to and reviewed by Senior Management detailing any Stock Adjustments. User access has been reviewed to restrict options where relevant. All adjustments over a defined value require management sign-off. Reporting has been developed which shows the user, values, and reasons for Adjustments – any exceptions will be reviewed.</i></p> <p><i>A schedule will be set up for Interim Stock-checks to alleviate the need for mid-term Stocktake. This will be reviewed annually to reflect and focus resources on potential risk areas.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Operations Manager	June 2024

Ref	Description	Risk Rating	Moderate
1.5	<p>Stock Valuation – The Council’s accounting policy for the valuation of stock states that:</p> <p><i>“Inventories are included in the Balance Sheet at the lower of cost or net realisable value except for the inventories held by Building Services and Roads Services which are valued at latest price and average price respectively.”</i></p>		

Ref	Description	Risk Rating	Moderate
	<p>Within Buildings and Roads services reports are run monthly to identify variations between the system generated average price of stock in the system, and the current purchase price, and adjustments are being made to the average price in order to charge the most up to date prices to jobs. This means that, contrary to the declared accounting policy, both services are valuing stock at the latest price.</p> <p>Fleet stocks are complemented by imprest/consignment stocks, which are held in the store, but belong to the parts supplier until used and paid for. Whilst separately disclosed, these are included in the Council's stock valuation, contrary to standard accounting practice that only recognises goods for which title has been transferred.</p> <p>All stocks must be physically verified as part of the year-end process to provide confirmation of their existence and accuracy. Fleet uses a fuel management system to monitor fuel deliveries, vehicle fuelling and utilisation. This includes live data on remaining volumes of fuel in each tank, based on fuel added and drawn. Whilst there is volumetric monitoring of tank contents, this is only reviewed and used to adjust the stock balance following a 'digital dip' reading being taken. Records indicated that for the 2022/23 year-end count, only three of twelve tanks (25%) had a recent digital dip measurement recorded. Six of twelve had not been updated since 2021 (50%). Placing reliance on system records of stock levels presents risks in the event of system errors or manual intervention.</p>		
	IA Recommended Mitigating Actions		
	<p>Management should ensure that adjustments made to stock values are appropriate in terms of the stock valuation and job charging policies. Stock valuation practice, and the inclusion of third-party stocks, should be reviewed in conjunction with Finance.</p> <p>All stocks should be physically verified as part of the year-end process.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed. Discussions will be held between Finance , Operations and, if necessary, Software supplier to review the charging/valuation processes within the system to ensure that the two are reconciled and aligned with accounting policy.</i></p> <p><i>Physical verifications will be confirmed as part of the year-end process.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Building Services Manager	July 2024
		Fleet Manager	July 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

Operations is responsible for overseeing the control of stocks held for the purposes of delivering road, building and fleet services. Services include those for the repair and maintenance of the Council's housing stock and operational buildings; the upkeep of roads for which the Council is responsible; and the service and repair of Council vehicles.

Roads and Buildings stock is managed by the Contract Manager – Buildings, while the Fleet Manager oversees stock relating to Council vehicles.

The Buildings Maintenance store is located at Kittybrewster, and vans carry quantities of commonly used Buildings stock. Roads' stock is largely located at the main store in West Tullos, but there are three further satellite stores at Bucksburn, Mundurno and Reedbed. The Fleet depot is at Kittybrewster.

5.2 Rationale for review

The total value of stock held at the 2022/23 year end was £1,817,000 (Roads), £956,000 (Buildings), and £83,000 (Fleet). Fleet also holds stock on behalf of its suppliers for which there is a separate procedure and financial code. The value of this imprest stock was £39,000 at the 2022/23 year end, it is not however Council owned.

The objective of this review is to obtain assurance that stock procedures are adequate and stock movements are adequately accounted for. The audit was last completed in 2019 (Report AC2007) but did not include Fleet stocks. Following that review and as part of an ongoing service redesign, the Service indicated its intention to merge the stores function for Roads and Buildings and amalgamate the associated procedures which would address many of the risks identified in the audit relating to varying practice and procedure for the administration of stock receipts and issues, the authorisation of stock adjustments and write-offs, and consistency and compliance with stock check procedures.

Stock is a vulnerable asset that if not controlled appropriately, properly accounted for, and stored securely can result in financial loss for the Council or misstatement of the value of the Council's assets. In addition to the reputational impact of misappropriation of stock, service delivery across the Council's housing stock, roads network and fleet could be impacted where stock levels are insufficient.

Roles, responsibilities, and correct procedure must be clear, and authority levels set appropriately. Stock ordering and issues, stores security, and stock system access should be adequately controlled to mitigate risk and lessen any potential knock-on effect for service delivery e.g. repair response times, service quality and the safety of tenants and road users. The appropriate Fleet stock must be available in order to ensure the longevity and legality of the Council's vehicles.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Function level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Stores Layout and Security
- Written Procedures
- Compliance Testing (Stock Receipts, Issues, Returns, System Adjustments, Stock write offs)

- Stock Checks (Interim, Year-end, and Spot checks)
- Stock Monitoring, System Reporting and follow up

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely with a selection of stores visits being undertaken to confirm on-site application of key controls.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Phil Smith, Auditor (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Steve Whyte, Director of Resources
- Mark Reilly, Chief Officer - Operations
- Graham Williamson, Operations Manager (**process owner**)
- Neale Burrows, Roads Operation Manager (**process owner**)
- John Weir, Fleet Manager (**process owner**)
- Kenneth Don, Contract Manager – Buildings

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	19-Jun-23
Scope agreed	30-Jun-23
Fieldwork commences	3-Jul-23
Fieldwork completed	21-Jul-23
Draft report issued	11-Aug-23

Milestone	Planned date
Process owner response	1-Sep-23
Director response	8-Sep-23
Final report issued	15-Sep-23

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2416 – Secondary School Visits
REPORT NUMBER	IA/AC2416
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Secondary School Visits.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix, and then endorse the recommendations made.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Secondary School Visits.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2416 – Secondary School Visits

12. REPORT AUTHOR CONTACT DETAILS

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Tel

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Internal Audit

Assurance Review of Secondary Schools Visits

Status: Final

Date: 8 February 2024

Risk Level: Function

Report No: AC2416

Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	26-Oct-23	26-Oct-23
Scope agreed	03-Nov-23	29-Oct-23
Fieldwork commenced	15-Nov-23	15-Nov-23
Fieldwork completed	14-Dec 23	16-Jan-24
Draft report issued	12-Jan-24	19-Jan-24
Process owner response	26-Jan-24	30-Jan-24
Director response	02-Feb-24	08-Feb-24
Final report issued	09-Feb-24	08-Feb-24
Audit Committee	25-Apr-24	

Distribution	
Document type	Assurance Report
Director	Eleanor Sheppard, Interim Director Children's & Family Services
Process Owner	Caroline Johnstone, Quality Improvement Manager
Stakeholder	Shona Milne, Interim Chief Education Officer
	James Purdie, Head Teacher, Hazlehead Academy
	Ross McLaren, Head Teacher, Harlaw Academy
	Judith Hesford, Head Teacher, Oldmachar Academy
	Iona Reid, Head Teacher, St Machar Academy
	Helen Sherrit, Finance Partner
	Richard Burnett, Senior Accountant
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer – Finance*
Final only	External Audit
Lead auditor	Graeme Flood, Auditor

1 Introduction

1.1 Area subject to review

As at 31 October 2023, Aberdeen City Council has 11 Secondary Schools. These establishments employ 862 teaching staff (796 FTE) and 284 support staff (201 FTE), teaching approximately 10,897 pupils. They have a combined budget of £81.3m and under the devolved school management policy approximately 72% of this budget is managed directly at the school level by the Head Teacher. As well as Council budget provision, Secondary Schools generate their own funds through various means that are managed through standalone bank accounts held in each school's name with the responsibility for their management and financial control resting with the Head Teacher and the operational management with the school administrator. Turnover within these accounts can, for larger establishments, exceed six figures. The school fund should have a written constitution detailing the roles and responsibilities of staff as well as the uses to which the funds can be made.

1.2 Rationale for review

The objective of this audit is to provide assurance schools have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.

This area was last subject to review in November 2015. Recommendations were made to enhance controls in relation to areas such as: Governance, Compliance with HMRC VAT legislation, Retention and Documentation for Monies Received, and Compliance with Financial Regulations.

As Secondary Schools are managing financial transactions outwith the Council's centralised financial controls, with turnover in larger establishments reaching six figures, along with online and cash transactions being processed through standalone bank accounts and financial spreadsheets, it is essential a system of independent review is undertaken.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.

2.2 Assurance assessment

The level of risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over secondary schools' management of the financial aspects of the establishment and compliance with Financial Regulations.

The Council's Scheme of Governance clearly set out the financial arrangements that should be followed by schools. In the interests of financial control, Head Teachers receive monthly BOXI based budget monitoring reports for their respective school budgets, which highlight any forecast overspends or underspends for financial control purposes. In addition, Head Teachers, the School Support Services Managers (SSSM), and other staff involved with the budget monitoring process regularly meet with Finance and Finance provide financial management information to schools on request.

However, the review identified areas of control weakness that should be addressed, including:

- Training & Guidance** – The sample of four schools reviewed included those with new administrative staff who had taken up position in the previous 18 months. All indicated a lack of adequate handover with the previous post holder who left prior to their start date, and a lack of training in the admin and finance tasks required to be undertaken. Whilst the Council's Scheme of Governance is readily available on the Council's intranet, all staff indicated that a single point of information with links to the regulations and guidance relevant to their role would ensure awareness of relevant policies / guidance and mitigate against the instances of poor practice identified in this review.
- Procurements in Aggregate** – Purchases with a single supplier for curricular transportation for the four-year period ending 31 December 23 totalled over £624k for two schools sampled. There was no record of any formal contract in place with the supplier and the spend had not been recorded on a workplan or a business case approved in accordance with the Council's Scheme of Governance, nor was it included on the Council's Contracts Register in breach of Procurement Legislation. Internal Audit ascertained that spend with the same company had been ongoing since at least 2001 with no record of any competitive tendering process having been undertaken. Subsequent analysis across the whole of Education found 101 suppliers with aggregate spend per supplier exceeding £50k between April 2020 and December 2023. A review of 20 of these suppliers found 12 (60%) did not follow the Council's Scheme of Governance and had not been recorded on the Council's Contracts Register. Failure to comply with the Council's Scheme of Governance risks Best Value, a breach of Procurement Legislation and the Council being challenged by suppliers who have not had the opportunity to bid on contracts.

- **Purchasing Process** – Whether an order for goods/services is processed through the Council's procurement system (PECOS) or a purchase card they should comply with Financial and Procurement Regulations. All schools had devolved some level of budget management to Principal Teacher level with orders raised by administrative staff. However, none of the schools had a record of this devolved authorisation to approve requisitions, 40% of 40 orders tested did not have fully documented requisition documents approved by the budget holder. In addition, 60% of 40 orders raised had not have a supporting record of quotations being sought. When good/services have been provided it is essential that proof of this receipt is documented otherwise payments could be made where the Council has not fully received what they are being charged for. 68% of 40 orders tested had no proof of receipt recorded. Similarly, for purchase card spend, three (75%) schools had no documented approval from a budget holder in eight (80%) of 10 transactions reviewed, while 18 (40%) of the 30 purchase card transactions reviewed across all schools had no documented confirmation of the receipt of the goods ordered. These issues risk unjustified spend, payments for goods or services not received and Best Value.
- **Absent Purchase Orders** – In the period 1 April - 30 November 2023, 82 invoices across all eleven secondary schools did not have a purchase order raised. This equates to 2.84% of invoices processed and an increase from 0.42% in financial year 2022/23. Failure to raise purchase orders in advance of the receipt of goods/services affects commitment accounting increasing the risk budget holders will overspend their budgets and prevents goods/services received and associated invoices being accurately matched to what was expected, reducing payment control.
- **Inventories** – Whilst inventories were in place for all schools none were fully complete and current in line with Financial Regulation requirements, risking control over Council assets, and theft investigation / insurance claim difficulties if necessary.
- **School Funds** – Instances of poor governance arrangements and record keeping were identified over school funds. This included instances of absent constitutions, incorrect VAT accounting, poor bank reconciliation control, and historic undistributed funds.
- **Payroll** – In the current financial year to 30 November 2023, there have been 24 school overpayments totalling approximately £23k due to late notifications to Payroll or errors by all schools (primary, secondary, and special). This is an ongoing problem and consistent with findings from prior years, despite this issue being raised previously in Internal Audit AC2115 Teachers Payroll and Payroll issuing an email to all heads of establishments highlighting the area of late notifications and the resultant overpayments for future avoidance.
- **Monies in Safes** – Financial Regulations require all monies received by the Council to be paid into the Council's bank accounts daily or remitted to the Chief Officer - Finance without delay. It was not possible to verify the accuracy of monies held by two (50%) schools visited due to a lack of supporting documentation and the funds had been held up to eight months from the time of collection. Where safe record keeping is inadequate this places staff at risk of accusations of misappropriation of funds.
- **Control of Income** - One (25%) of the schools visited was not providing receipts to staff for cash submitted to the office, whilst the other three (75%) were not always receipting at the time of the money being deposited. The failure to maintain a full and complete and timeous audit trail for the transfer of monies can leave staff open to allegations of misappropriation should differences arise. In addition, at all four schools visited, charity income was being counted by only one person risking error and accusations of theft should a shortfall arise.

Recommendations have been made to address the above points and improve financial control, including training new employees; issuing admin & finance guidance; reviewing the school curricular transport procurement requirements; and establishing a system of control for aggregate contractual spend and related compliance with the Council's Procurement Regulations. In addition, it is recommended reasons for absent / retrospective orders are identified and procedures established to mitigate these; a system of control is established to ensure all establishments are complying with the Scheme of Governance relating to procurement and payment control matters; Finance revise purchase card guidance for cardholders and approvers; inventories are kept current and complete; staff are made aware of school fund requirements; and reasons for overpayments are investigated to help avoid these

in future. Furthermore, recommendations were made to enhance control over petty cash use; timesheet approval; and income management.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.2	<p>Procurement Scheme of Governance – The Council’s Procurement Regulations require all non-capital contracts for supplies and services with a value of £50k and above to be included in a workplan with a business case for consideration and approval by Council or the Finance and Resources Committee, prior to the related procurement being progressed. Procurements of this value must also be subject to competitive tendering and included on the Contracts Register in accordance with Procurement Legislation.</p> <p>A review of spend by the schools sampled identified one supplier where the annual spend exceeded £50k. The supplier was providing daily school transport for two schools to outdoor pitches situated a distance from both schools. The total spend for both schools, for the four-year period ending 31 December 2023 totalled over £624k, and a review of the historic financial ledger data available, found these payments dated back to at least 2001 (£1.9m).</p> <p>The schools manage the requirement for the transport, contacting the company directly to either add or cancel dates depending on weather conditions. However, the School Support Service Managers, Education and the Council’s Public Transport Unit confirmed they had no knowledge of any procurement process being undertaken and the contract was absent from the Council’s Contracts Register.</p> <p>Due to these apparent failings IA reviewed spend further across all Education cost centres. In the period 1 April 2020 to 31 December 2023 Education spent over £50k with 101 different suppliers. A review of 20 suppliers was undertaken to ascertain if contract details and Scheme of Governance documentation had been recorded on the Council’s Contracts Register database found 12 (60%) did not comply.</p> <p>Failure to comply with the Council’s Procurement Regulations risks Best Value</p>	Yes	Major	8

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	and challenge by alternative suppliers, which may lead to reputational damage for the Council and financial loss. In addition, failure to publish contracts of £50k or more is a breach of Procurement Legislation.			

2.4 Management response

The Service welcomes this review of secondary school admin, which has provided the Service with a clear set of priorities to help strengthen our arrangements. The Service has already progressed a number of agreed actions. Finance guidance to schools will be reviewed, updated and reshared with all schools to ensure the relevant staff have access to the most up to date guidance. The guidance will be stored in a Teams or SharePoint site to ensure school staff always have access to the most up to date guidance and that the guidance can be updated easily as required. Financial and procurement regulations have been shared with all schools and this will be regularly signposted to clarify expectations and signpost staff to sources of support and guidance on the necessary steps to take in line with procurement regulations. The Service will work with Finance colleagues to consider how best to gain assurance that these processes are being followed across all city schools with remedial action already progressing where vulnerabilities have been identified by Internal Audit.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Administrators' Guidance and Training – Training of current and new employees provides management with assurance that staff are adequately informed on policy and procedures and reduces the risk of inappropriate decision making, or inefficient and inconsistent completion of required duties.</p> <p>Interviews were conducted with staff to identify whether the training received to undertake their duties was sufficient. All staff indicated whilst training for the use of the pupil management system (SEEMIS) was comprehensive, there was a lack of training on cash collection and handling, cash record keeping and banking arrangements, purchasing of goods and services, school fund management and general administrative duties.</p> <p>Schools have access to the Council's Scheme of Governance relating to procurement and training courses relating to some administrative and financial procedures. However, they do not have a manual or single document that they can refer to for guidance and information on financial administration procedures in a school setting such as cash collection and handling, record keeping and banking of cash, purchasing of goods and services, and school fund management.</p> <p>Where new staff involved in financial management are inadequately trained this reduces financial control and risks Best Value.</p>		
IA Recommended Mitigating Actions			
The Service should review and enhance where necessary the training offer in place and ensure it is comprehensive for school administrators, addressing the requirements of their role. This should also extend to a guidance manual for administrative staff as a single point of reference for admin and finance duties. Where a manual is not created, the Service should put in place alternatives to ensure that staff are aware of where guidance can be sought.			
Management Actions to Address Issues/Risks			
<i>The Service will establish a short life working group to review the training requirements for school admin staff and create training materials and guidance documents.</i>			
Risk Agreed	Person(s)	Due Date	
Yes	Quality Improvement Manager	December 24	

Ref	Description	Risk Rating	Major
1.2	<p>Procurement Scheme of Governance – The Council's Procurement Regulations require all non-capital contracts for supplies and services with a value of £50k and above to be included in a workplan with a business case for consideration and approval by Council or the Finance and Resources Committee, prior to the related procurement being progressed. Procurements of this value must also be subject to competitive tendering and included on the Contracts Register in accordance with Procurement Legislation.</p> <p>A review of the spend within the schools sampled found one supplier where the annual spend exceeded £50k. The supplier was providing daily school transport to the outdoor pitches that were situated externally from the school. A second school was also identified incurring</p>		

Ref	Description	Risk Rating	Major
	<p>similar regular costs with this supplier. The total annual spend for both schools, with the same supplier was approx. £160k, £624k for the four-year period ending 31 December 2023, and a review of the historic financial ledger data available, found these payments dating back to at least 2001 (£1.9m).</p> <p>The schools manage the requirement for the transport, contacting the company directly to either add or cancel dates depending on weather conditions. However, when current Support Service managers were questioned on the contract position and procurement process for the provision, they indicated no knowledge of how they had come about. IA contacted the Public Transport Unit and Corporate Education but received no assurance from anyone, with a lack of knowledge of any procurement process being undertaken identified. In addition, the contract was absent from the Council's Contracts Register.</p> <p>Due to the apparent failings in these instances IA reviewed spend further, across all Education cost centres to establish whether such failures in procurement compliance was more widespread. Education had aggregate spend in excess of £50k with 101 suppliers. The aggregate spend covered the period April 2020 and December 2023. A review of 20 of these suppliers was undertaken to ascertain if contract details and documentation had been recorded on the Councils contracts register found 12 (60%) did not comply.</p> <p>Failure to comply with the Council's Procurement Regulations risks Best Value and challenge by alternative suppliers, which may lead to reputational damage for the Council and financial loss. In addition, failure to publish contracts of £50k or more is a breach of Procurement Legislation.</p>		
IA Recommended Mitigating Actions			
<p>a) Education in consultation with C&PSS and PTU should apply the Council's Scheme of Governance to the transportation requirements for the two schools concerned.</p> <p>b) Education should establish a system of control to ensure the Scheme of Governance is complied with fully where the value of aggregate expenditure exceeds authority to spend and competitive procurement thresholds.</p>			
Management Actions to Address Issues/Risks			
<p>a) <i>The Service will work with C&PSS and PTU to establish an appropriate contract for the transportation of pupils for the two schools named in the report.</i></p> <p>b) <i>The Service has begun work with colleagues in C&PSS to review aggregate expenditure with suppliers where contracts are not already in place and to develop business cases to ensure appropriate contracts are in place for all suppliers where required.</i></p>			
Risk Agreed		Person(s)	Due Date
a) Yes		Quality Improvement	a) September 24
b) Yes		Manager	b) September 24

Ref	Description	Risk Rating	Moderate
1.3	<p>Purchasing – It is a requirement of the Council's Procurement Regulations that:</p> <p><i>"No supplies, services, or works shall be ordered or instructed except on an official order form.... The order, with the contract references /schedule numbers added, shall be approved by the Director or other authorised signatory. All Directors must furnish the Chief Officer - Finance with a list of signatories approved for this purpose and shall advise him or her of additions to or deletions from the list as they occur as per the Council's Scheme of Delegation. The officer approving the purchase order must be satisfied that there is</i></p>		

Ref	Description	Risk Rating	Moderate																											
	<p><i>appropriate budgetary provision covering the estimated cost and the Council's procurement procedures have been followed prior to authorisation."</i></p> <p>Orders for goods/services are raised by School Administrative staff on the Council's purchasing system (PECOS) and approved by School Support Service Managers (SSSM) or Head Teachers who are set up as approvers by Finance in PECOS. The Head Teacher delegates authority for specified officer to manage elements of the school budget using a requisition system, whereby those officers are permitted to submit requisitions to the school administrator for onward referral to the Head Teacher for approval of the related purchase order raised in PECOS.</p> <p>However, none of the schools visited held authorised signatory records to identify who was delegated to approve requisitions risking unauthorised requests for orders to be raised and related expenditure to be incurred, in the absence of related budgetary provision.</p> <p>Each of the schools had a requisition template however seven (18%) of 40 orders tested across the 4 schools had no requisitions present while 9 (27%) of 33 requisitions weren't approved, meaning it was unclear if authorised officers had requested the orders to be raised.</p> <p>For procurements of supplies or services below £50k, the Council's Procurement Regulations require written quotations to be obtained to demonstrate Best Value or for the Delegated Procurer to complete a Non-Competitive Action Form (included in the Procurement Manual) explaining why this is the case and submitted it to the relevant Chief Officer for approval. The sample tested found 16 of 40 purchases (40%) had no form of supporting documentation to show quotations had been sought. For the remainder a non-competitive action form was not present risking Best Value.</p> <p>Prior to invoices being approved for payment the goods/services should have been received. Testing found none of the schools had fully documented proof of receipt (27/40 - 67.5% no proof of receipt) risking payment for supplies / services not received.</p> <p>Financial Regulation 5.12.2 requires purchase orders to be raised in advance for the purchase of all works, goods, or services, in a format approved by the Chief Officer – Finance, unless a dispensation from Financial Regulations has been granted by the Chief Officer – Finance. Although small, between 2022/23 and 2024 Education as a Service (excluding Children's Services) has increased the percentage of orders not being raised in relation to total invoices processed.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #003366; color: white;"> <th rowspan="2">Year</th> <th colspan="2">Invoices Processed</th> <th colspan="2">No PO</th> <th colspan="2">% No PO</th> </tr> <tr style="background-color: #003366; color: white;"> <th>No.</th> <th>£</th> <th>No.</th> <th>£</th> <th>No.</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>2023/24</td> <td>2,883</td> <td>1,282,460</td> <td>82</td> <td>62,623</td> <td>2.84%</td> <td>4.88%</td> </tr> <tr> <td>2022/23</td> <td>5,908</td> <td>2,695,365</td> <td>25</td> <td>61,964</td> <td>0.42%</td> <td>2.30%</td> </tr> </tbody> </table> <p>Failure to raise purchase orders in advance of the receipt of goods/services affects commitment accounting for budget monitoring purposes which could result in budget managers believing incorrectly, they have more funds available than they do. It also means when goods/services are received they cannot be accurately checked against what was expected, risking overpayment.</p>	Year	Invoices Processed		No PO		% No PO		No.	£	No.	£	No.	£	2023/24	2,883	1,282,460	82	62,623	2.84%	4.88%	2022/23	5,908	2,695,365	25	61,964	0.42%	2.30%		
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IA Recommended Mitigating Actions																														
	<p>a) Schools should maintain authorised signatory lists for requisition purposes.</p> <p>b) Schools should be made aware of their requirement to follow the Council's Financial and Procurement Regulations and to fully document and approve the process.</p> <p>c) A system of control should be established to ensure schools are complying with the Council's Scheme of Governance in relation to procurement, purchase orders and receipting of goods / services.</p>																													

Ref	Description	Risk Rating	Moderate
Management Actions to Address Issues/Risks			
<p><i>Updated guidance will include guidance on authorised signatories and guidance on Financial Procurement Regulations.</i></p> <p><i>The Service will work with finance colleagues to develop a scheme of governance.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	December 24

Ref	Description	Risk Rating	Minor
1.4	<p>Purchase Cards – Purchase cards allow goods and services to be purchased and charges made electronically. As per the Council's Financial Regulations, they are for business use only, must be supported by a VAT receipt where relevant, and all purchases should be reviewed and approved within the purchase card system by appropriate members of staff.</p> <p>Three (75%) of the four schools visited held multiple purchase cards, mainly for dealing with Home Economics supplies. However, schools advised their use was expected to extend to other types of purchases allowed corporately.</p> <p>One cardholder had not been uploading the supporting documentation for the transactions onto the payment card system. This is a process requirement (as described in the system manual) to ensure those approving the transaction can verify items purchased and to retain VAT documentation in a single location. The cardholder indicated she was unaware of this requirement, while the approver authorised the transactions with the documents absent.</p> <p>Whilst Finance has formalised guidance for E&CS on the use of purchase cards, this is out of date, since it refers to the previous manual system involving the use of a purchase card log.</p> <p>Prior to a transaction being approved a fully authorised procurement process should have been completed. This process, while sitting outwith the Council's corporate procurement system (PECOS) should include authority from the budget holder to the card holder to undertake the purchase, proof of Best Value being achieved, proof of receipt of the supply/service, and the supporting documentation to be uploaded to the purchase card system prior to approval.</p> <p>Testing of 10 transactions in each of the three schools found purchases were appropriate and provided Best Value. However, one school had no documented approval from a budget holder in eight of 10 (80%) transactions reviewed, while 18 (40%) of the 30 transactions across all schools had no documented confirmation of the receipt of the goods ordered.</p> <p>A system of control is in place whereby cardholders are reminded by Finance of the requirement to review and approve transactions twice monthly, advising cardholders their cards will be cancelled if they not review and approve their transactions in a timely manner.</p> <p>However, in the absence of clear guidance for staff, this risks unjustified spend without required budgetary provision as well as payment for goods / services not received.</p>		
IA Recommended Mitigating Actions			
<p>Finance should work with relevant stakeholders, including C&PSS to revise guidance for cardholders and approvers as to what controls are required to provide a fully documented and approved purchasing process. This should cover from requisition, through ordering of goods, to receipt, review and approval of transactions in the system.</p>			

Ref	Description	Risk Rating	Minor
	Management Actions to Address Issues/Risks		
	Agreed.		
	Risk Agreed	Person(s)	Due Date
	Yes	Senior Accountant	July 24

Ref	Description	Risk Rating	Minor
1.5	<p>Petty Cash – The Council’s procedure for use of petty cash states:</p> <p><i>“Petty cash imprest is intended to cover the purchase/reimbursement of small, relatively low value items. Therefore, in most cases the level of the petty cash float is also relatively low. Petty cash should only be used to re- imburse purchases where normal ordering procedures would normally be followed... Individual purchases can be for no more than £20.”</i></p> <p>The schools visited held floats ranging from £100 to £200. Two of the schools had used the petty cash to pay for seven of 25 (28%) purchases exceeding the £20 limit. Both schools held purchase cards which could have been used had the items not been available through PECOS.</p> <p>At one school the petty cash had not been reimbursed even though the balance remaining was £1.10, while receipts dating back to January 2023 totalled £212.85. When checking the reason for the apparent overspend it was found that expenditure going through petty cash was being funded from income collected by the school for other activities. At another school a PT had been using contributions collected from pupils to fund expenditure for various activities. The balance of the money was then submitted to the office with expenditure receipts; however the office staff had no known gross income figure to reconcile the final deposit and receipts to. Financial Regulations states 5.2.2 “No deduction may be made from such money save to the extent that the Chief Officer - Finance may specifically authorise.”</p> <p>Failure to follow the above requirements of Financial Regulations risks Best Value where corporate contracts should be considered for use instead of petty cash and potentially VAT misstatement where petty cash expenditure is not captured in the financial ledger due to use of school funds for petty cash purposes. A recommendation has already been made at 1.1 to improve accessibility to necessary guidance.</p> <p>IA Recommended Mitigating Actions</p> <p>a) Schools should ensure income is banked in full rather than having expenditure deducted.</p> <p>b) Petty cash expenditure should only be funded from preset floats controlled through the school administrator.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Current ACC guidance around control of income and management of Petty Cash will be reshared with all schools.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Quality Improvement Manager	April 24

Ref	Description	Risk Rating	Minor						
1.6	<p>Timesheets – Financial Regulations states:</p> <p><i>“Time records or other pay documents shall be in a form prescribed or approved by the Chief Officer - Customer Experience and/or the Chief Officer – Finance and shall be certified by or on behalf of the Director. A list of officers appointed by Directors to authorise payroll information shall be prepared and maintained within each Function. This will be known as the list of Authorised signatories. Such lists shall be submitted to the Chief Officer - Customer Experience or their authorised officer. All requests and/or information relating to pay information, whether in paper or electronic format, shall be authorised by an authorised signatory. No pay related document shall be processed unless authorised by an authorised signatory.”</i></p> <p>These requirements ensure where staff have worked outwith any specified contract hours they only receive payment for approved hours actually worked.</p> <p>At the schools visited there was a mix of handwritten and electronic Word versions of timesheets. For the handwritten forms the claimant had signed these, and the School Support Service Manager (SSSM) approved them prior to the timesheets being sent to Payroll. For the Word versions the claimant would email the timesheet to the approver for forwarding to Payroll to indicate approval.</p> <p>In all cases a full audit trail of claim and approval was present, however the SSSM were saving the email trail in their Microsoft Outlook folders rather than SharePoint. The Scottish Council on Archives Record Retention Schedules (SCARRS) recommends ‘minor’ payroll records, including timesheets, be retained for three years plus current tax year, based on the requirements of income tax, national minimum wage and prescription legislation. Should staff leave their employment with the Council, this risks email folders being deleted and the audit trail for historic claims being unavailable.</p> <p style="background-color: #003366; color: white; padding: 2px;">IA Recommended Mitigating Actions</p> <p>All email trails relating to timesheet claims should be saved into a Microsoft SharePoint folder.</p> <p style="background-color: #003366; color: white; padding: 2px;">Management Actions to Address Issues/Risks</p> <p><i>Guidance will be shared on saving timesheet claims in a shared SharePoint folder to mitigate against a single point of failure.</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #003366; color: white;">Risk Agreed</th> <th style="background-color: #003366; color: white;">Person(s)</th> <th style="background-color: #003366; color: white;">Due Date</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>Quality Improvement Manager</td> <td>April 24</td> </tr> </tbody> </table>			Risk Agreed	Person(s)	Due Date	Yes	Quality Improvement Manager	April 24
Risk Agreed	Person(s)	Due Date							
Yes	Quality Improvement Manager	April 24							

Ref	Description	Risk Rating	Minor
1.7	<p>Residential Trips – Post pandemic, three (75%) of the schools visited were beginning to reintroduce residential trips for which parents are required to reimburse 100% of the costs incurred. At the time of the audit the schools were collecting the payments through cash/cheque or bank transfer, however moving forward each intends to use the parent pay online web payment system.</p> <p>At the time of testing the schools were receipting all payments received in compliance with Financial Regulations and the payments to the trip providers were being processed through the Council’s e-financial system thus ensuring VAT is recovered where appropriate. When the trip leaders were contacted regarding the process arrived at for recharging parents, they indicated they had not realised the implications any VAT charged would have on reducing</p>		

Ref	Description	Risk Rating	Minor
	<p>onward costs to parents. It was also confirmed that school senior leadership teams (SLT) had not set a de minimus value at which point a refund would be processed to parents, should a surplus be made.</p> <p>Failure to fully establish the final costs for a trip could result in parents being put off by any overstated costs, while not communicating refund thresholds with parents could result in reputational damage and perceived misuse of surplus funds not refunded.</p>		
IA Recommended Mitigating Actions			
<p>a) To ensure charges to parents are set accurately, trip leaders should ascertain the VAT implications with trip providers and take this into account when setting trip costs.</p> <p>b) School SLTs should set de minimus refund values and communicate these to parents at the outset of planned trips.</p>			
Management Actions to Address Issues/Risks			
<i>Guidance on school trips will be updated to ensure schools ascertain VAT implications and communicate refund values to parents at the time of booking.</i>			
Risk Agreed	Person(s)	Due Date	
Yes	Quality Improvement Manager	April 2024	

Ref	Description	Risk Rating	Moderate
1.8	<p>Inventories - Financial Regulation 5.6.3 states:</p> <p><i>"Inventories are maintained to provide assurance on the effective management and maintenance of moveable assets and technology. This requirement also supports effective operational performance and health and safety. The Chief Officer – Finance has the responsibility for ensuring the maintenance of all inventories. Inventories will be maintained of relevant assets where the sum purchase generally was of a value in excess of £1,000".</i></p> <p>Financial Regulations also states:</p> <p><i>"Inventories will be maintained on a continuous basis. There will be an annual check of all items in the inventory. This ensures that:</i></p> <ul style="list-style-type: none"> <i>• new items have been entered on inventories (with date of purchase, value, etc.);</i> <i>• all details (numbers, description, serial numbers, location, etc.) are recorded; and</i> <i>• inventory items are present."</i> <p>Testing found that none of the schools had a complete up to date inventory. Omissions included, replacement costs, non-electrical equipment, and omitting to add new items when purchased.</p> <p>Failure to comply with guidance reduces the control over Council assets and could complicate any insurance claim or police investigation in the event of suspected theft.</p>		
IA Recommended Mitigating Actions			
The Service should ensure all establishments are complying with Financial Regulations relating to inventories.			
Management Actions to Address Issues/Risks			

Ref	Description	Risk Rating	Moderate
	<p>a) <i>Guidance on inventories will be reshared with all schools and</i></p> <p>b) <i>Spot checks will be undertaken as part of QI visits to ensure policy has been followed.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Quality Improvement Manager	April 24 Guidance July 25 QA visits

Ref	Description	Risk Rating	Moderate
1.9	<p>School Fund – All the schools visited operate a school fund bank account, separate from Council Corporate accounts. Currently there is no written guidance for schools for maintaining the school fund and as indicated in para 1.1 many staff taking up responsibility for the fund have no handover with the previous incumbent and limited training. Two (50%) of the schools were using an accounting software package (Carn), while two (50%) were using locally created spreadsheets at the time of review.</p> <p>A school fund should be governed by a constitution, which details the requirements for administering the fund, and for what the funds can be used. Each fund should also have a bank mandate in place, which evidence authorised signatories for the respective school fund account. To ensure the fund is being administered appropriately, a reconciliation of the fund balance should be carried out monthly and checked by the appropriate fund manager and signed off as approved. The fund accounts should also be subject to an annual independent audit in line with the constitutions.</p> <p>A review of all funds administered at the schools visited identified the below findings:</p> <ul style="list-style-type: none"> • Three (75%) of the four did not have a complete and current constitution for the fund. • Three of four (75%) schools only had two current authorised account signatories for the account. Should either become unavailable the school would have difficulty in operating the fund. • All schools completed monthly reconciliations; however one was only updating their spreadsheet when the transactions appeared on the bank statement, therefore the spreadsheet was never providing an accurate up to date record of the balance available for use. • None of the schools provided the reconciliation, to the fund manager. • None of the schools provided the fund manager with income and expenditure records by activity, with activity balances, along with the monthly bank reconciliation. This reduces the management control that should be exercised over activities in surplus / deficit. • One school using the accounting software package had 32 unreconciled transactions totalling £2.5k dating as far back as 2014. Current staff were unsure how best to deal with these. This means the balance of funds available to spend were inaccurate. • None of the schools had completed activity set up forms, reducing the supporting evidence as to why activities had been set up, who had authority to make use of these funds, and what should happen with any surplus / deficit when the activity ended. • All the schools had issues with VAT accounting, especially with regard to school leaver activities, where schools were reclaiming VAT on expenditure but not subsequently repaying VAT on income generated. One school had not repaid VAT on photography commission dating back a number of years. The Senior Accountant 		

Ref	Description	Risk Rating	Moderate
	<p>with responsibility for VAT, at the request of Internal Audit, has reissued a set of guidance to all schools regarding VAT in a school environment.</p> <ul style="list-style-type: none"> Two (50%) of four schools had historic charity collection balances dating back a number of years. Current staff were unsure of which charity the original monies had been collected for. Failure to disburse charity collections timeously can lead to reputational damage to the school/Council. Both schools have arranged for pupil/teacher groups to decide which charities these balances should be disbursed to. <p>While testing did not indicate any instances of misappropriation, or expenditure on inappropriate supplies/services, there was a lack of oversight by the fund managers. The lack of appropriate training as indicated at point 1.1, along with a lack of corporate guidance for fund management reduces the levels of internal control within the management of the funds and could lead to allegations of misappropriation.</p>		
IA Recommended Mitigating Actions			
The Service should establish minimum management requirements for school funds and issue corporate guidance to all schools, both secondary and primary.			
Management Actions to Address Issues/Risks			
<i>School fund guidance is being reviewed and will be reissued to all schools and made available of on a school finance channel.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	April 24

Ref	Description	Risk Rating	Moderate															
1.10	<p>Timeous Notification to Payroll – To ensure payments to staff are correct it is essential Payroll are notified timeously of any changes that may affect such payments, e.g. leaving date from Council employment, increase/decreased hours, rates of pay, allowances etc. Failure to do so can result in under / overpayments to staff.</p> <p>A record of underpayments is not maintained however overpayments that have been established are, and for the current financial year to 30 November 2023 show 24 such instances with a total overpayment of £23,560 due to late notifications or errors by all schools (primary, secondary, and special).</p> <p>A review of overpayments in the previous two years indicate overpayments continue to be a problem.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #003366; color: white;">Year</th> <th style="background-color: #003366; color: white;">Number of Overpayments</th> <th style="background-color: #003366; color: white;">Value of Overpayments (£)</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>31</td> <td>£43,289</td> </tr> <tr> <td>2022/23</td> <td>26</td> <td>£43,463</td> </tr> <tr> <td>2023/24</td> <td>24</td> <td>£23,560</td> </tr> <tr> <td>Total</td> <td>81</td> <td>£110,312</td> </tr> </tbody> </table>	Year	Number of Overpayments	Value of Overpayments (£)	2021/22	31	£43,289	2022/23	26	£43,463	2023/24	24	£23,560	Total	81	£110,312		
Year	Number of Overpayments	Value of Overpayments (£)																
2021/22	31	£43,289																
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2023/24	24	£23,560																
Total	81	£110,312																
IA Recommended Mitigating Actions																		
Education should investigate why such overpayments are occurring and instigate actions which mitigate their occurrence.																		

Ref	Description	Risk Rating	Moderate
	Management Actions to Address Issues/Risks		
	<i>QIM will work with payroll and PO&D to review reasons for over payments and put in place protocols to mitigate against future occurrences.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Quality Improvement Manager	July 24

Ref	Description	Risk Rating	Moderate
1.11	<p>Monies in Safe – All the schools visited have safes within the admin areas for holding money securely prior to banking.</p> <p>Financial Regulation 5.2.2 states:</p> <p><i>“All monies received by the Council shall be paid into the Council’s bank accounts daily or remitted to the Chief Officer - Finance without delay at such intervals as may be approved by the Chief Officer – Finance.”</i></p> <p>A review of the contents of each for the four schools visited was undertaken and it was found that it was not possible to confirm the accuracy of the value of monies held at two (50%) of the schools due to a lack of supporting documentation. There were also instances when staff were unaware of the origins of some monies held within the safe.</p> <p>Only monies that are required to be held for regular and immediate availability should be held in the safe and the contents of the safe and the values should be recorded.</p> <p>At both these schools monies held in the safe dated back up to eight months from time of collection. The lack of supporting documentation for monies held places staff at risk of accusations of misappropriation were the staff responsible for those funds to state the value held differed from the amount placed in the safe.</p>		
	IA Recommended Mitigating Actions		
	<p>a) All Income passed to the admin office should be accompanied with a record of its value, reason for collection and date collected.</p> <p>b) Schools should be reminded to bank all income timeously and, where appropriate, at the end of each term to minimise cash held in the school.</p>		
	Management Actions to Address Issues/Risks		
	<i>Current guidance will be reissued to schools and included in the revised guidance which will be stored on the identified finance channel to allow easy access.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Quality Improvement Manager	April 24

Ref	Description	Risk Rating	Moderate
1.12	<p>Control of Income – Financial Regulations states:</p> <p><i>“All monies received on behalf of the Council (subject to a de-minimis value of £5.00) must be immediately recorded by the issue of a receipt, controlled ticket or by direct entry into a receipting system...Every transfer of Council money (cash or cheques) from one member of staff to another will be evidenced in the records of the Services concerned by the signature of the receiving officer”.</i></p> <p><u>Pupil / Parent Receipts</u></p> <p>Testing at the schools found that each was providing a receipt to the pupil/parent as required and payment registers were being completed to show who had/hadn't paid. However, the payment registers were being held by those staff who collected the income, which in some cases meant the complete audit trail for historic collections was not being held with school financial records. Should staff leave it may be possible for some income records to be lost.</p> <p><u>Staff Receipts</u></p> <p>One (25%) of the schools visited was not providing receipts to staff for cash submitted to the office, whilst the other three (75%) were not always receipting at the time of the money being deposited. The failure to maintain a full and complete and timeous audit trail for the transfer of monies can leave staff open to allegations of misappropriation should differences arise.</p> <p><u>Verification of Monies Received</u></p> <p>There are a small number of activities where the value of money being collected will not be known in advance and will be below £5, e.g. charity collections or sponsorship income. To safeguard staff from any accusation of misappropriation of funds, all money collected, which has no receipting system, should be counted in the presence of two people and an income return completed and counter signed. At all four schools visited this form of income was being counted by only one person risking error and accusations of theft should a shortfall arise.</p>		
IA Recommended Mitigating Actions			
<p>a) Once completed all income records should be submitted to the office for storing with the school financial records.</p> <p>b) Where possible the transfer of monies between staff should be receipted at time of transfer.</p> <p>c) All money collected, which has no receipting system, such as charity collections or sponsorship income, should be counted in the presence of two people. and an income return completed and countersigned.</p>			
Management Actions to Address Issues/Risks			
<p><i>Current guidance will be reissued to schools and included in the revised guidance which will be stored on the identified finance channel to allow easy access.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	April 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance review scoping document

5.1 Area subject to review

As at 31 October 2023, Aberdeen City Council has 11 Secondary Schools. These establishments employ 862 teaching staff (796 FTE) and 284 support staff (201 FTE), teaching approximately 10,897 pupils. They have a combined budget of £81.3m and under the devolved school management policy approximately 72% of this budget is managed directly at the school level by the Head Teacher. As well as Council budget provision, Secondary Schools generate their own funds through various means that are managed through standalone bank accounts held in each school's name with the responsibility for their management and financial control resting with the Head Teacher and the operational management with the school administrator. Turnover within these accounts can, for larger establishments, exceed six figures. The school fund should have a written constitution detailing the roles and responsibilities of staff as well as the uses to which the funds can be made.

5.2 Rationale for review

The objective of this audit is to provide assurance schools have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.

This area was last subject to review in November 2015. Recommendations were made to enhance controls in relation to areas such as: Governance, Compliance with HMRC VAT legislation, Retention and Documentation for Monies Received, and Compliance with Financial Regulations.

As Secondary Schools are managing financial transactions outwith the Council's centralised financial controls, with turnover in larger establishments reaching six figures, along with online and cash transactions being processed through standalone bank accounts and financial spreadsheets, it is essential a system of independent review is undertaken.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Function** level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered during the visits are:

- School Funds
- Income
- Purchasing
- Purchase Cards
- School Trips
- Timesheets
- Security of Monies
- Inventories
- Training
- Security of Personal Data

The audit will also review retrospective purchase ordering, invoices with no purchase order and overpayments of salaries across all Education establishments.

5.4 Methodology

This review will be undertaken through visiting a sample of four Secondary schools and carrying out interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures and guidance.

5.5 IA outputs

The IA outputs from this review will be:

- Head Teachers at Secondary Schools visited will receive a risk-based memo with recommendations specifically dealing with their establishment.
- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.6 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Graeme Flood (**audit lead**)
- Heulwen Beecroft, Auditor
- Andrew Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Eleanor Sheppard, Director Children's & Family Services
- Shona Milne, Chief Education Officer
- Caroline Johnstone, Quality Improvement Manager (**process owner**)
- Ross McLaren, Head Teacher, Harlaw Academy
- James Purdie, Head Teacher, Hazlehead Academy
- Joanne Hesford, Head Teacher, Oldmachar Academy
- Iona Reid, Head Teacher, St Machar Academy

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	26-Oct-23
Scope agreed	03-Nov-23
Fieldwork commences	15-Nov-23
Fieldwork completed	14-Dec 23
Draft report issued	12-Jan-24 ¹

¹ Field work and draft report dates are based on availability of staff at schools being visited and the Christmas holiday break.

Milestone	Planned date
Process owner response	26-Jan-24
Director response	02-Feb-24
Final report issued	09-Feb-24

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2418 – Biodiversity and the Natural Environment
REPORT NUMBER	IA/AC2418
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Biodiversity and the Natural Environment.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix, and then endorse the recommendations made.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Biodiversity and the Natural Environment.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2418 – Biodiversity and the Natural Environment

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
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Tel

(01467) 530 988



Internal Audit

Assurance Review of Biodiversity and the Natural Environment

Status: Final
Date: 26 March 2024
Risk Level: Corporate

Report No: AC2418
Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	08-Dec-23	08-Dec-23
Scope agreed	15-Dec-23	15-Dec-23
Fieldwork commenced	03-Jan-24	03-Jan-24
Fieldwork completed	09-Feb-24	21-Feb-24
Draft report issued	01-Mar-24	27-Feb-24
Process owner response	15-Mar-24	15-Mar-24
Director response	22-Mar-24	25-Mar-24
Final report issued	29-Mar-24	26-Mar-24
ARS Committee	09-May-24	

Distribution	
Document type	Assurance Report
Director	Gale Beattie, Director – Commissioning
Process Owner	Sinclair Laing, Climate and Environment Policy Manager
Stakeholders	David Dunne, Chief Officer – Strategic Place Planning
	Gordon McLean, Team Leader – Natural Environment Policy
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer – Finance*
Final Only	External Audit
Lead auditor	Farai Magodo, Auditor

1 Introduction

1.1 Area subject to review

Under the Nature Conservation (Scotland) Act 2004, all public bodies in Scotland are required to further the conservation of biodiversity when carrying out their responsibilities. The Wildlife and Natural Environment (Scotland) Act 2011, further requires public bodies in Scotland to provide a publicly available report, every three years, on the actions that they have taken to meet this biodiversity duty.

The Scottish Government describes loss of species and the degradation of the natural environment as an emergency and has drafted a Scottish Biodiversity Strategy with an ambition for Scotland to halt biodiversity loss by 2030 and to have restored and regenerated biodiversity across the country by 2045. By furthering the conservation of biodiversity, the Council is helping to achieve United Nations Sustainable Development Goals 13, 14 and 15, related to climate change and conservation of marine and land resources respectively.

The Regional Economic Strategy includes a work programme to preserve, protect and restore natural environments and biodiversity in the North East of Scotland, while the Aberdeen City Local Outcome Improvement Plan includes a goal to address the nature crisis by protecting or managing 26% of Aberdeen's area for nature by 2026. At a Council level a number of strategies and plans have been established with a view to achieving the Council's legal requirements in relation to biodiversity and the natural environment as well as national, regional and local strategic ambitions.

1.2 Rationale for review

The objective of this audit is to obtain assurance over the monitoring and implementation of the Council's environmental action and any related plans, specifically in relation to biodiversity and the natural environment.

This audit has not been carried out before and has been included in the agreed Internal Audit plan for 2023/24 due to the legal requirement for the Council to conserve biodiversity when carrying out its responsibilities and the risk of reputational damage if planned action to delivery national, regional and local strategic ambitions is not achieved.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to biodiversity and the natural environment.

Substantial assurance was available over the following aspects of governance and control:

- **Scheme of Governance** – Under the Nature Conservation (Scotland) Act 2004, all public bodies in Scotland are required to further the conservation of biodiversity when carrying out their responsibilities. The remit of the Council's Net Zero, Environment and Transport (NZET) Committee includes responsibility for monitoring the Council's compliance with environmental targets, including those relating to biodiversity. More generally, it is a requirement of the Council's committee report and policy templates, to explain the positive and negative environmental implications including biodiversity impacts, for any report to Council / Committee. Also, relevant responsibilities are covered under the Powers Delegated to Chief Officers.
- **Planning** – The Aberdeen Local Development Plan covers protecting and enhancing the natural environment, including biodiversity. In addition, planning applications considered by the Planning Development Management Committee detail implications to biodiversity and the natural environment.
- **Statutory Reporting** – The Wildlife and Natural Environment (Scotland) Act 2011 requires public bodies in Scotland to provide a publicly available report, every three years, on the actions that they have taken to meet their biodiversity duty. The most recent report was approved by the NZET Committee on 31 October 2023 and reported on time to the Scottish Government on 19 December 2023.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Strategies, Partnership Working and Action Plans** – The Council is working in partnership with various bodies to help deliver on biodiversity and natural environment strategic ambitions. This includes the Community Planning Partnership; North East Scotland Biodiversity Partnership (NESBiP); North East Scotland Biological Records Centre (NESBReC); Dee Catchment Partnership; the charity Buglife Scotland; Sustainable Food Place Partnership Aberdeen (SFPPA); the Local Nature Conservation Site (LNCS) Review 2022-24 Panel; and Saving Scotland's Red Squirrels. In addition, relevant strategies, and plans (Net Zero Aberdeen, Trees and Woodlands Strategic Implementation Plan, Open Spaces Strategy, Food Growing Strategy, LOIP) are in place and projects have taken place or commenced which will improve the city's biodiversity and natural environment. However, strategic leadership and partnership working are recognised challenges in the biodiversity duty report and detailed

SMART action plans describing what is still required by when by the Council to meet its local and national biodiversity related obligations have not been fully formalised. NZET Committee is aware of this gap and the Chief Officer – Strategic Place Planning has agreed to work with partners to address this.

- **Engagement and Communication** – The Scottish Biodiversity Strategy to 2045 recognises the need to mobilise actions by individuals, organisations, small, medium and large businesses and adopt a whole-of-society approach to deliver a nature positive Scotland and identifies local authorities as being uniquely positioned to deliver the outreach, awareness, and uptake of national goals for biodiversity across the whole of society. The public has been consulted on relevant strategies and plans. Also, the Council’s Countryside Ranger service (CRS) promotes biodiversity, managing 25 countryside sites across the city, whilst working with volunteers of all ages on conservation and site maintenance, as well as delivering educational activities to school pupils. In addition, various community-based projects relevant to biodiversity have been delivered in partnership with other organisations e.g. via Community Planning Aberdeen and Buglife Scotland. However, the biodiversity duty report acknowledges the fact public and wider stakeholder awareness and engagement remains a key challenge to achieve local and national ambitions. A campaign is planned to help address this by highlighting the value of nature to the City, its citizens and businesses, the risks to nature locally and the need for local action. It is essential this is addressed and longer-term engagement and effective communication continues if national biodiversity goals are to be achieved.
- **Risk Management** – Relevant related risks covering net zero, climate change, climate duties, sea defence failure, wildfire, land asset climate resilience, and tree disease are included on Council risk registers and monitored as necessary. However, the specific risk that local and national biodiversity targets are not achieved, and necessary improvement actions are not progressed is not currently monitored via Cluster or Corporate risk registers. i.e. the LOIP target for protecting or managing 26% of Aberdeen’s area for nature by 2026 and the national biodiversity targets for halting biodiversity loss by 2030 and restoring and regenerating biodiversity by 2045. Necessary risk mitigations measures may be missed as a result.
- **Performance Monitoring** - Whilst NZET Committee is receiving triannual biodiversity duty reports and other reports on improvement project outcomes (e.g. Den Burn restoration) in-year performance reporting does not cover relevant biodiversity and natural environment key performance indicators (KPIs) to achieve strategic actions and targets. Similarly, key performance indicators and progress with necessary actions is not overseen by management via a system of dashboard reporting. These issues risk oversight of poor performance and biodiversity and natural environment targets being missed. The NZET Committee agreed in October 2023 to work proposed by Strategic Place Planning to help address this by officers working with partners to develop and monitor a suite of cross-organisational biodiversity and related data to inform the Council and City’s strategic direction and required on the ground actions and investments. This work should inform the development of Council biodiversity and natural environment KPI reporting and address this risk.
- **Grant Funding and Budget Monitoring** – Whilst in-year officer budget monitoring of Scottish Government nature restoration fund use relevant to biodiversity commenced during this Internal Audit through the Council’s Climate Change Plan - Oversight Group this is yet to be fully operationalised and does not cover all budgets relevant to biodiversity and the natural environment, risking poor strategic budgetary control.

Recommendations have been made to address the above risks including fully formalising a SMART plan detailing specific actions to achieve local and national targets; reviewing risk management controls over biodiversity and natural environment targets; completing the planned engagement and awareness raising campaign and formalising a longer term plan for this; identifying biodiversity and natural environment key performance indicators and ensuring these are regularly monitored by NZET Committee and relevant officers. In addition, it is recommended oversight of relevant budgets is enhanced; training delivered to staff should be reviewed to ensure awareness of biodiversity and natural environment responsibilities; and procurement business cases are updated to specifically cover biodiversity and natural environment impacts.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Board. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.1	<p>Strategies and Actions Plans – Whilst relevant strategies and plans (Net Zero Aberdeen, Trees and Woodlands Strategic Implementation Plan, Open Spaces Strategy, Food Growing Strategy, LOIP) are in place and partnership work has taken place which will improve the city’s biodiversity and natural environment, detailed SMART action plans describing what is required by when by the Council to meet its local and national biodiversity related obligations have not been fully formalised in the short, medium or long term.</p> <p>This issue has already been recognised by the Chief Officer – Strategic Place Planning, and NZET Committee agreed in October 2023 to a proposal to work with partners to develop and monitor a suite of cross-organisational biodiversity and related data to inform the Council and City’s strategic direction and required on the ground actions and investments.</p>	Yes	Major	7
1.5	<p>Performance Monitoring and Reporting – whilst NZET Committee is receiving triannual biodiversity duty reports and other reports on improvement project outcomes e.g. Den Burn restoration, in-year performance reporting does not cover relevant biodiversity and natural environment key performance indicators to achieve strategic actions and targets. Similarly, key performance indicators and progress with necessary actions is not overseen by management via a system of dashboard reporting.</p> <p>In the absence of adequate performance monitoring arrangements, poor performance and biodiversity / natural environment targets may be missed.</p>	Yes	Major	11

2.4 Management response

Aberdeen City Council welcomes this Internal Audit and the findings it has reached. The overall Net Risk Rating of Moderate with Assurance Assessment rating of Reasonable is agreed with and demonstrates a lot of good work and procedures that are already in place across the Council. Areas for improvement are clear with many of these having already been identified internally with work either planned or underway to address these. The audit highlighting these areas is welcomed along with suggested actions to help embed these across the organisation and ensure better compliance and therefore positive outcomes for biodiversity and the natural environment in Aberdeen.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Major
1.1	<p>Strategies, Partnership Working and Actions Plans – Strategic goals should be specific, measurable, attainable, responsible, and time-bound (SMART) to be meaningful and to ensure they are achieved as anticipated.</p> <p>The Council is working in partnership with various bodies to help deliver on biodiversity and natural environment strategic ambitions. This includes the Community Planning Partnership; North East Scotland Biodiversity Partnership (NESBiP); North East Scotland Biological Records Centre (NESBReC); Dee Catchment Partnership; the charity Buglife Scotland; Sustainable Food Place Partnership Aberdeen (SFPPA); the Local Nature Conservation Site (LNCS) Review 2022-24 Panel; and Saving Scotland’s Red Squirrels.</p> <p>In addition, relevant strategies, and plans (Net Zero Aberdeen, Trees and Woodlands Strategic Implementation Plan, Open Spaces Strategy, Food Growing Strategy, LOIP) are in place and projects have taken place or commenced that will improve the city’s biodiversity and natural environment (e.g. Aberdeen City Centre masterplan; beach development framework; George Street masterplan; sedum roofs on bus shelters; Union Terrace Gardens restoration; and Den Burn restoration).</p> <p>However, detailed SMART action plans describing what is required, by when, by the Council to meet its biodiversity related obligations for local and national targets have not been fully formalised.</p> <p>An example of this relates to the LOIP action, which the Council is lead partner for, to gain pledges from at least 23 organisations across all sectors in Aberdeen to manage at least 10% of their land for nature by 2023 and at least 26 by 2026. Work has been progressed on this target with it being reported to Community Planning Aberdeen Management Group in October 2023 that seven organisations had signed up. However, a detailed plan is not in place describing the remaining area of land that needs to be targeted and how the remaining 16 organisations with access to this spare land are being identified and engaged.</p> <p>In addition, whilst short term actions to 2026 are detailed to some extent, medium and longer-term actions to achieve Scottish Biodiversity Strategy targets to halt biodiversity loss by 2030 and restore and regenerate biodiversity across the country by 2045 have not been formalised.</p> <p>Strategic leadership and partnership working to define required actions to ensure protection and recovery of biodiversity at the pace and scale necessary are highlighted in the biodiversity report as key challenges.</p> <p>These issue has already been reported to the NZET Committee in October 2023, who agreed to a proposal for Strategic Place Planning to work with partners to develop and monitor a suite of cross-organisational biodiversity and related data to inform the Council and City’s strategic direction and required on the ground actions and investments. A recommendation is included to track progress with this work.</p> <p>IA Recommended Mitigating Actions</p> <p>Strategic Place Planning should work with partners to agree necessary actions to deliver on local and national targets and a consolidated SMART action plan, covering the Council’s responsibilities to achieve biodiversity and the natural environment targets, should be formalised. This should cover required short-, medium- and long-term actions, including required investment.</p>		

Ref	Description	Risk Rating	Major
Management Actions to Address Issues/Risks			
<p><i>The Council recognises the importance of clear, consolidated action planning towards meeting its Biodiversity Duty and further ambitions. Much of this work will take place through the process of revising the existing Net Zero Aberdeen Natural Environment Strategy, the Council's Climate Change Plan and subsequent action planning over 2024 and into 2025. Part of this is subject to clarification of expectations from the Scottish Government through a new Scottish Biodiversity Strategy and associated guidance, e.g. on Nature Networks.</i></p> <p><i>Discussions are underway with the James Hutton Institute (JHI) regarding the JHI leading work, in collaboration with Aberdeen City Council and partners, to revise the Natural Environment Strategy and developing a delivery plan. This would cover specialist areas including biodiversity/ natural heritage, trees, open space and outdoor access. The revised strategy, delivery plan and updated Council Climate Plan would allow these specialist areas and their relevant targets to be pulled together into one place. In addition, the Council is in the process of procuring a new Climate Data Tool which will in turn assist with collating, monitoring and reporting that data more easily to internal and external audiences.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Climate & Environment Policy Manager	October 2025

Ref	Description	Risk Rating	Moderate
1.2	<p>Risk Management – Effective risk management is essential to ensure threats to the achievement of organisational intended outcomes are identified and mitigated. The Audit, Risk and Scrutiny Committee is responsible for overseeing the Council's system of risk management, including the corporate risk register and for receiving assurance that the Extended Corporate Management Team (ECMT) are effectively identifying and managing risks. It is the role of the Council's service committees to scrutinise the Cluster risk registers that are relevant to each Committee remit to receive assurance of the controls in place.</p> <p>The corporate risk register reported to Audit, Risk and Scrutiny Committee in February 2024 included the risk Climate Change (Place), which covers delivery of the Council's Net Zero Route Map. In addition, the Cluster risk register for Operations and Protective Services covers tree disease and sea defence failure whilst the Strategic Place Planning risk register covers climate duties. In addition, relevant risks are included on operational risk registers not reported to Committee, including vehicle net zero risks, wildfire, property and land asset climate change resilience.</p> <p>However, the specific risk(s) that local and national biodiversity targets are not achieved, and necessary improvement actions are not progressed is not currently monitored via Cluster or Corporate risk registers. i.e. the LOIP target for protecting or managing 26% of Aberdeen's area for nature by 2026 and the national biodiversity targets for halting biodiversity loss by 2030 and restoring and regenerating biodiversity by 2045.</p> <p>Necessary risk mitigation measures and escalation may be missed as a result.</p>		
IA Recommended Mitigating Actions			
The Cluster risk register should be reviewed to ensure it adequately covers threats to delivery of biodiversity and natural environment desired outcomes.			
Management Actions to Address Issues/Risks			

Ref	Description	Risk Rating	Moderate
	<i>Review of relevant Cluster Risk Registers will be taken forward to consider what appropriate risks could be added regarding achieving/ contributing to local and national biodiversity targets.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Natural Environment Policy Team Leader	October 2024

Ref	Description	Risk Rating	Minor
1.3	<p>Training and Workforce Development – Comprehensive training and guidance is an essential element in any system of control, providing management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent.</p> <p>The biodiversity duty requires the Council to further conservation when carrying out its responsibilities meaning it affects everything the Council does. Environmental training is available to staff, including an e-learning ACC Learn module ‘Meeting our Climate Change Duties’ and an in-person half-day climate change training course ‘Taking Action on Climate Change’. There is also a ‘Green Workplace’ area of the staff intranet providing information on biodiversity and the wider sustainability agenda. In addition, environmental training was delivered to Councillors as part of their induction.</p> <p>The Council’s Countryside Rangers also run a practical outdoor skills course for nursery teachers at two outdoor nurseries run by the Council.</p> <p>However, whilst it is a requirement of the Council’s Capability Framework for certain job families to understand the Council’s responsibility to tackle nature loss and to take action to protect the natural environment, the training delivered by the Council is predominantly climate change focused rather than biodiversity specific and is not mandatory.</p> <p>In the absence of clear guidance explaining what is required of officers / Councillors, there is a risk the Council will fail to meet its biodiversity and natural environment obligations.</p> <p>IA Recommended Mitigating Actions</p> <p>Training on biodiversity and the natural environment should be reviewed to ensure it fully addresses requirements / expectations of officers and Councillors relating to biodiversity and the natural environment. Consideration should be given to making officer training mandatory.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Further Councillor training is planned by the Natural Environment Policy team in 2024. It is intended that materials produced for this will then be tailored so that they can be made available for officer use also. Strategic Place Planning, in collaboration with People and Citizen Services, will review the training regime, including consideration of mandatory training requirements.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Natural Environment Policy Team Leader / People Development Manager	October 2024

Ref	Description	Risk Rating	Moderate
1.4	<p>Engagement and Communication – The Scottish Biodiversity Strategy to 2045 recognises the need to:</p> <p><i>“mobilise actions by individuals, organisations, small, medium and large businesses and adopt a whole-of-society approach to deliver a nature positive Scotland”.</i></p> <p>The national strategy goes on to state:</p> <p><i>“We want all levels of government to participate fully in the delivery of our goals for biodiversity, in line with the principles identified in the Edinburgh Process led by the Scottish Government for the CBD for CoP15, and with the Edinburgh Declaration. In particular, cities and local authorities play key roles in conserving, restoring and reducing threats to biodiversity, in meeting people’s needs through sustainable use and equitable benefit-sharing, in developing the tools and solutions needed for implementing biodiversity protection actions, and in monitoring and reporting. Their actions in mainstreaming biodiversity ensure that support is in place at all levels. They are uniquely positioned to deliver the outreach, awareness, and uptake of our goals for biodiversity across the whole of society, facilitating engagement with key stakeholders to implement our Strategic Framework.”</i></p> <p>The public has been consulted on related strategies and plans (e.g. LOIP, Aberdeen Local Development Plan, Food Growing Strategy). In addition, Community Planning Aberdeen has delivered on improvement project targets to increase the number of community run green spaces and community food growing.</p> <p>Also, the Council’s Countryside Ranger service (CRS) promotes biodiversity, managing 25 countryside sites across the city, whilst working with volunteers of all ages on conservation and site maintenance, as well as delivering educational activities to school pupils.</p> <p>Furthermore, there have been community planting days as part of the ‘Aberdeen B-lines’ project with Buglife Scotland.</p> <p>However, the biodiversity duty report acknowledges the fact public and wider stakeholder awareness and engagement remains a key challenge to achieve local and national ambitions. A campaign is planned to help address this by highlighting the value of nature to the City to its citizens and businesses, the risks to nature locally and the need for local action, what the Council and partners are doing and what others could also do in support of nature recovery across Aberdeen.</p> <p>It is essential this is delivered and that future engagement and communication with the public and businesses are maintained, if local and national ambitions are to be achieved.</p>		
IA Recommended Mitigating Actions			
<p>a) The planned public and wider stakeholder biodiversity awareness and engagement campaign should be delivered.</p> <p>b) An engagement and communication plan should be prepared for longer term biodiversity engagement and communication with the public and wider stakeholders.</p>			
Management Actions to Address Issues/Risks			
<p><i>As noted, work on a Nature Awareness Campaign is already underway. This is to involve partners across the City, including the Council, and will look to raise awareness, knowledge and ultimately actions by organisations and citizens with regards to biodiversity/ the natural environment. This campaign is not intended to be short-term but to develop and continue into the longer term so can also deliver Recommended Mitigating Action b). An update on proposals for the Nature Awareness Campaign is due to be reported on to Net Zero, Environment and Transport Committee on 11th June 2024.</i></p>			
Risk Agreed	Person(s)	Due Date	

Ref	Description		Risk Rating	Moderate
	Yes	Senior Environmental Planner	April 2025	

Ref	Description		Risk Rating	Major
1.5	<p>Performance Monitoring and Reporting – The Council's Performance Management Framework is intended to support and enable scrutiny of progress with the Council Delivery Plan and its key measures, providing a robust performance management and reporting system which encompasses single and multi-service inputs, outputs and outcomes. The Performance Management Framework also seeks to contribute directly towards delivery of the City's Local Outcome Improvement Plan (LOIP).</p> <p>Whilst NZET Committee is receiving triannual biodiversity duty reports and other reports on improvement project outcomes e.g. Den Burn restoration, in-year quarterly performance reporting does not cover relevant biodiversity and natural environment key performance indicators to achieve strategic actions and targets i.e. LOIP and national targets. Similarly, key performance indicators and progress with necessary actions is not overseen by management via a system of dashboard reporting.</p> <p>The Council's most recent biodiversity report acknowledged data driven decision making is a challenge and more robust nature data and indicators are required to understand how nature is performing locally, which will require evolving resources and expertise within the Council and partnership working.</p> <p>The work instructed by NZET Committee, referred to in 1.1 above, to work with partners to develop and monitor a suite of cross-organisational biodiversity and related data to inform the Council and City's strategic direction and required 'on the ground' actions and investments, could help inform the development of relevant performance reporting to Committee and management.</p> <p>However, in the absence of adequate performance monitoring arrangements currently, poor performance and necessary mitigations may be overlooked and the achievement of objectives impacted negatively.</p>			
IA Recommended Mitigating Actions				
<p>a) Place Planning should collaborate with relevant partners to enhance available data and formalise related key performance indicators to ensure delivery of the Council's local and national biodiversity and natural environment obligations. These KPIs should be regularly monitored by Net Zero, Environment and Transport Committee.</p> <p>b) Dashboard reporting showing key biodiversity and natural environment data and related KPIs should be monitored by relevant Council officers.</p>				
Management Actions to Address Issues/Risks				
<p><i>As noted, work on a Nature Data & Indicators project has already commenced. This project aims to, in collaboration with partners, identify suitable data sources for the area that can be used to clearly evidence the need for change and demonstrate progress. A report is due to go to Net Zero, Environment and Transport committee on this work on 12th November 2024. As this work progresses it will then be investigated if appropriate elements of this data/ indicators can be incorporated into NZET Committee Performance Reporting.</i></p>				
Risk Agreed		Person(s)	Due Date	
Yes		Senior Environmental Planner	November 2024	

Ref	Description	Risk Rating	Moderate
1.6	<p>Investment and Budget Monitoring – An adequate system of budgetary control is essential to ensure funds are spent as intended, Best Value is obtained, and any budget pressures are mitigated by appropriate management action, including income generation and expenditure reduction.</p> <p>Whilst in-year officer budget monitoring of Scottish Government nature restoration fund use relevant to biodiversity commenced during this Internal Audit through the Council's Climate Change Plan - Oversight Group this is yet to be fully operationalised. Also, it was noted that other budgets relevant to progressing the Council's biodiversity and natural environment desired outcomes are dispersed across multiple budget pages / lines (capital, common good, general fund, HRA), and there is no regular consolidated oversight by relevant officers and the NZET Committee.</p> <p>This issue risks funds available not being used as effectively as they could to achieve biodiversity goals.</p>		
IA Recommended Mitigating Actions			
A comprehensive strategic system of budgetary oversight and control should be introduced for all biodiversity and natural environment budgets. This should ensure funds available are used effectively to achieve desired strategic outcomes.			
Management Actions to Address Issues/Risks			
Officers acknowledge there is both a challenge and opportunity in being more strategic in the approach to funding. Acknowledging that this is a very complex area, officers will review current approaches and consider if and how the Council may be able to improve on these to maximise funding opportunities and related outcomes.			
Risk Agreed	Person(s)	Due Date	
Yes	Chief Officer - Strategic Place Planning	March 2025	

Ref	Description	Risk Rating	Minor
1.7	<p>Procurement Business Cases – In accordance with the Council's Procurement Regulations, any procurement for supplies or services exceeding £50k, or works exceeding £250k must be detailed on a business case for approval by the relevant Chief Officer, Finance and Resources Committee or Council, depending on the specific circumstances relating to the procurement.</p> <p>Whilst the Council's procurement business case template requires details of how proposed contracts support the Council's climate commitments and LOIP priorities, there is no explicit requirement to consider biodiversity implications, risking oversight at an individual procurement level of the Council's biodiversity duty.</p>		
IA Recommended Mitigating Actions			
C&PSS should work with the Climate & Environment Policy Service to update the Council's business case template to cover biodiversity implications more explicitly.			
Management Actions to Address Issues/Risks			

Ref	Description	Risk Rating	Minor
	<i>Discussions have begun between the Climate & Environment Policy Service and Commercial and Procurement Services to add biodiversity/ natural environment implications into the business case template.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager	July 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of Policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

Under the Nature Conservation (Scotland) Act 2004, all public bodies in Scotland are required to further the conservation of biodiversity when carrying out their responsibilities. The Wildlife and Natural Environment (Scotland) Act 2011, further requires public bodies in Scotland to provide a publicly available report, every three years, on the actions that they have taken to meet this biodiversity duty.

The Scottish Government describes loss of species and the degradation of the natural environment as an emergency and has drafted a Scottish Biodiversity Strategy with an ambition for Scotland to halt biodiversity loss by 2030 and to have restored and regenerated biodiversity across the country by 2045. By furthering the conservation of biodiversity, the Council is helping to achieve United Nations Sustainable Development Goals 13, 14 and 15, related to climate change and conservation of marine and land resources respectively.

The Regional Economic Strategy includes a work programme to preserve, protect and restore natural environments and biodiversity in the North East of Scotland, while the Aberdeen City Local Outcome Improvement Plan includes a goal to address the nature crisis by protecting or managing 26% of Aberdeen's area for nature by 2026. At a Council level a number of strategies and plans have been established with a view to achieving the Council's legal requirements in relation to biodiversity and the natural environment as well as national, regional and local strategic ambitions.

5.2 Rationale for review

The objective of this audit is to obtain assurance over the monitoring and implementation of the Council's environmental action and any related plans, specifically in relation to biodiversity and the natural environment.

This audit has not been carried out before and has been included in the agreed Internal Audit plan for 2023/24 due to the legal requirement for the Council to conserve biodiversity when carrying out its responsibilities and the risk of reputational damage if planned action to delivery national, regional and local strategic ambitions is not achieved.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Governance and Partnership Working
- Strategies and Actions Plans
- Training and Workforce Development
- Community Engagement
- Investment and Budget Monitoring
- Performance Monitoring and Reporting

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit, Risk and Scrutiny Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Farai Magodo, **(audit lead)**
- Andy Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor **(oversight only)**

5.7 Council key contacts

The key contacts for this review across the Council are:

- Gale Beattie, Director – Commissioning
- David Dunne, Chief Officer – Strategic Place Planning
- Sinclair Laing, Climate and Environment Policy Manager **(process owner)**
- Gordon McLean, Team Leader

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	08-Dec-23
Scope agreed	15-Dec-23
Fieldwork commences	03-Jan-24
Fieldwork completed	09-Feb-24
Draft report issued	01-Mar-24
Process owner response	15-Mar-24
Director response	22-Mar-24
Final report issued	29-Mar-24

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2420 – Volunteer Arrangements
REPORT NUMBER	IA/AC2420
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Volunteer Arrangements.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix, and then endorse the recommendations made.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Volunteer Arrangements.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2420 – Volunteer Arrangements

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review of Volunteer Arrangements

Status: Final

Date: 28 March 2024

Risk Level: Corporate

Report No: AC2420

Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	13-Oct-23	13-Oct-23
Scope agreed	20-Oct-23	26-Oct-23
Fieldwork commenced	06-Nov-23	08-Dec-23
Fieldwork completed	11-Dec-23	02-Feb-24
Draft report issued	18-Dec-23	21-Feb-24
Process owner response	12-Jan-24	01-Mar-24
Director response	19-Jan-24	27-Mar-24
Final report issued	05-Feb-24	28-Mar-24
AR&S Committee	09-May-24	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Director of Customer
Process Owner	Lesley Strachan, People & OD Manager
Stakeholder	Lindsay MacInnes, Interim Chief Officer – People & OD
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Heulwen Beecroft

1 Introduction

1.1 Area subject to review

Volunteers provide an important and complementary resource alongside the core workforce. The inclusion of volunteers helps build stronger relationships with communities and brings valuable resource, skills, and experience to a project. It also provides an opportunity to tackle social exclusion and improve a person's health and wellbeing.

Volunteer arrangements at Aberdeen City Council fall into many areas; short and long term opportunities are available, as is work experience placement opportunities.

Volunteering activity fall into the main categories of direct applicants to the Council, applications from learning establishments engaging with the Council to obtain work experience and new skills, employees volunteering for ad hoc and emergency assistance in the community, and community volunteers who may help on an ad hoc, regular, or seasonal basis. Archives, Gallery, and Museums have a formal application process for interested volunteers in these areas and the work of successful volunteers is overseen by Council employees. Other areas offer email or telephone communication channels for volunteers to register interest. Community volunteers may do so on their own initiative or the request of a Council employee to meet a particular need.

The initial engagement of volunteers requires clear guidelines. There is also a need for suitable management, and appropriate review and risk assessment of their activities to ensure legal and health and safety regulations are being met and that the volunteers are suitable and remain suitable for the activity they are volunteering in.

1.2 Rationale for the review

Internal Audit is reviewing the area of volunteer arrangements to ensure the Council is operating an effective control framework regarding the engagement of volunteering services. The area has not previously been audited, but other audits overlap with some of the audit themes. The 'Assurance Review of Heritage and Historical Assets' audit for example found that volunteers were not being checked for their 'Right to Work in the UK'. The 'Assurance review of PVG & Disclosure Checks' also identified a need to improve practice and guidance to ensure checks are undertaken where necessary and appropriately completed.. Whilst this related to staff roles, volunteers may require similar checks depending on the activities being undertaken.

There is a reputational and insurance risk that volunteers may be undertaking volunteering activities where they do not have a 'Right to Work in the UK.' There are also risks that the volunteer undertakes activity that should be included within the remit of a substantive paid role and that the volunteers may not be suitably equipped in terms of skills, equipment and support needed for the role they wish to undertake.

Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

Please see **Appendix 1** for details of our risk level and net risk rating definitions.

1.2.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- **Application and Engagement of Volunteers** – including required checks, review of suitability and other considerations prior to commencement.

-
- **Induction and Training of Volunteers** – including onboarding, communication of requirements and other elements of the volunteers role.
 - **Governance around Volunteers** – including management, ongoing monitoring, record keeping, and compliance with Council operations. This element of the scope will also look to gain assurance where any payments such as honorariums are paid to volunteers.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's control framework regarding the engagement of volunteer arrangements.

Effective use of volunteers is under consideration, plan, and review in different areas. However, policies and procedures differed greatly between clusters and activities, and these are not consolidated at a Corporate level to provide a clear framework or process flowchart that could be applied to any potential volunteer to the Council. A draft volunteer policy is under development, and has been since 2021. In the absence of clear policy and strategic intent, or another forum to provide guidance, it will be more difficult to coordinate planning for volunteering within the Council and with wider Community Planning partners, and to effectively measure performance and outcomes. As a result of the varying approaches and absence of central records, it has not been possible to provide details on the level of volunteer engagement by the Council overall.

Potential volunteers' first port of call is likely to be the Council's website – which should clearly guide them towards relevant and current information regarding the Council's policy and requirements on engaging volunteers, as well as where to find current opportunities. It does not currently do so, and opportunities are promoted through various means, presenting risks including mixed messaging, out of date information, and increased scope for error; reduced efficiency, and increased costs of administration. A single source of information would aid management and applicants in operating and understanding the relevant processes and opportunities on offer.

Further work is required to establish and clarify essential requirements, supporting procedures and documentation. For example, the approach to risk assessment and Disclosure Scotland /PVG checks, data protection and management of records, and confirming evidence of the right to work in the UK. Clear and consistent procedures and documentation would provide greater assurance these are being managed appropriately.

In certain circumstances, volunteering can be considered 'work', and in these cases a 'right to work in the UK' may need to be evidenced. This statutory requirement was partially addressed in one area in March 2023, following the 'Assurance Review of Heritage and Historical Assets' December 2022, but has not been considered in other Clusters, and does not currently cover time-limited visa checks. There is a risk of penalties and reputational damage if the Council is identified as having provided volunteering activity which could be considered to be work to an individual without the appropriate right to work in the UK, and has not taken adequate steps to check their status.

Recommendations have been made in respect of the above areas to mitigate the risks identified and support the Council with its engagement of volunteers.

2.3 Severe or major issues/risks

No higher rated issues/risks that have been identified as part of this review.

2.4 Management response

The Service has welcomed the input of Internal Audit in this area and has worked in partnership to identify potential risks and improvement actions.

To date, volunteering activity across the Council has not been managed at a corporate level, and has been the responsibility of service managers on a cluster by cluster basis, as has been highlighted within this Audit.

A working group has been established, co-ordinated by the People & OD Manager (Talent), and with representation from Governance colleagues, as well as management representatives from each Cluster of the council which undertakes volunteering activity.

An action plan has been developed to progress a number of actions, which will include all aspects highlighted within this audit, in particular a Corporate Volunteering Policy which is at draft stage and will be presented to Staff Governance Committee for approval later in the year. In addition, guidance for managers will be developed to cover all aspects of volunteering arrangements.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Policy and Strategy – The Council does not have a current volunteer policy or strategy setting out a clear vision, aims and objectives, and anticipated outcomes from the engagement of volunteers. The most recent volunteering strategy covered 2011-2014. A draft policy has been under development since 2021, however due to capacity and staff turnover it has not been finalised.</p> <p>Some individual Clusters have set out their own ‘policy’ in respect of volunteers, whilst others reference out of date historic strategies. There is a risk of divergence between corporate and service planning and approaches.</p> <p>A Community Planning Aberdeen Local Outcome Improvement Plan (LOIP) project sought to increase opportunities for people to increase their contribution (volunteering) to communities by 10% by 2023. Aberdeen City Council officers had lead roles in this project and identified and promoted various volunteer opportunities through the Aberdeen volunteer hub website. The project end report (March 2023) highlighted increased demand for and desire to contribute to community based support through volunteering, and a requirement for a coordinated approach to be taken to maximise the benefits.</p> <p>As part of the audit, the Council’s support for and reliance on external and partner voluntary organisations was also considered. There are complex inter-relationships, and it is not clear these have been mapped to clarify requirements, dependencies, and strategic alignment.</p> <p>In the absence of clear policy and strategic intent, it will be more difficult to coordinate planning for volunteering within the Council and with wider Community Planning partners.</p>		
IA Recommended Mitigating Actions			
<p>A corporate approach to volunteers should be clarified and published across the Council. Management may wish to consider finalisation of the draft policy or look at alternative forums to provide guidance and reference to those who engage volunteers. Regardless of mechanism, this should ensure a consistent approach that protects the Council in terms of compliance with internal procedures and national guidance.</p>			
Management Actions to Address Issues/Risks			
<p><i>Agreed. As set out in section 2.4, a working group has been established and action plan developed to take forward a number of improvements in the council’s approach to volunteering activity.</i></p> <p><i>One of the key actions is to finalise and implement a corporate Volunteering Policy to ensure that all managers across the council are clear on all aspects of engaging volunteers and there is a consistency of approach, clear management, and monitoring.</i></p> <p><i>It is proposed that the policy will be considered and approved at the Risk Board, prior to implementation. This will be added with all other People policies and available to all managers and employees on our People Anytime pages on our intranet.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		People & OD Manager (Talent)	30 November 2024

Ref	Description	Risk Rating	Moderate
1.2	<p>Engaging Volunteers – The first port of call for Members of the public who are interested to become volunteers 'volunteers' is likely to be the Council's website – which should clearly guide them towards relevant and current information regarding the Council's policy and requirements on engaging volunteers, as well as where to find current opportunities. Volunteers will need to be aware of processes and the need for them: they may be deterred from applying for an opportunity for which there is insufficient information, or apparently disproportionate requirements; or they may apply for opportunities where they do not have the prerequisite skills or documentation. This could include the need for Right to Work documentation, PVG or Disclosure Checks, references, training, potential risks and insurance cover, and Privacy Notices in respect of retention and use of personal data. Opportunities to gain certification, awards, or qualifications through specific routes – which could generate more interest, are also not always evident. Information is not consistently made available.</p> <p>Currently there is no defined process or minimum criteria – different clusters have set out their own methods and formats for different services or opportunities. There is regular reference to documentation (e.g. the previous volunteer strategy), which is no longer accessible. Applications may be received by email, telephone, websites, or by direct contact with existing pools of volunteers. Without clear corporate guidance there is a risk that requirements may not be effectively communicated and may not be met.</p> <p>Information on current opportunities is currently dispersed, and a variety of methods are used to promote and inform the public of them. Posters, social media, and direct contact with existing volunteer groups may be used. The Council's website showed many activities, but these were not easy to find, and were not complete or up to date. There were variations between clusters and specific options. Some promoted opportunities and contact details were out of date. Others, referenced by individual Clusters as part of the audit, were not listed.</p> <p>The Community Planning project referenced at 1.1 above promoted volunteeraberdeen.org.uk as the key mechanism for publicising opportunities, and various opportunities are advertised there. However, there was no clear reference or link to this site on the Council's website. Further opportunities were listed on ACVO and Volunteer Scotland's websites. Presentation, content, and application routes / documentation varied.</p> <p>Whilst it is recognised that wider distribution of opportunities has the potential to engage with a wider audience, and therefore pool of potential volunteer candidates, multiple routes and sources of information present risks including mixed messaging, out of date information, and increased scope for error; reduced efficiency, and increased costs of administration.</p> <p>IA Recommended Mitigating Actions</p> <p>Information presented on the Council website should be refreshed to enable volunteers to progress their interest appropriately, and clarify the boundaries of mutual expectations for each stage, so that documentation that will be required relative to their application, such as Council policy on data privacy, the right to work, PVG checks, and signing of agreements is clear from the outset. Consideration should be given to selecting and implementing a single route for potential volunteers to identify, select and apply for council volunteering opportunities.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Agreed. The People & OD Manager (Talent) will work with Managers on the Volunteer Working Group to co-ordinate accurate and up to date content for the Council website, and work with the External Communications Manager to add this to the website, and ensure it is maintained.</i></p>		
	Risk Agreed	Person(s)	Due Date

Ref	Description		Risk Rating	Moderate
	Yes	People & OD Manager (Talent)	30 November 2024	

Ref	Description		Risk Rating	Moderate
1.3	<p>Checks and Documentation – As noted at 1.1, the Volunteer Policy has not been finalised. Procedures were available for volunteer roles in different Cluster areas; however they varied in content and consistency.</p> <p>There is a need for clarity over whether a person is a ‘volunteer’ or a ‘voluntary worker’ for roles available. The National Council for Voluntary Organisations (NCVO) explains that a ‘volunteer’ does not have to be checked for their right to work in the UK, however if there is any way it could look like the ‘volunteer’ has a contract, their right to work should be checked.</p> <p>Only Archives, Gallery and Museums has reflected the requirement to obtain Right to Work in the UK documentation for volunteering activity (following an Internal Audit recommendation), and there is a lack of clarity over what constitutes ‘volunteer work’ (which requires an evidenced right to work) compared with ‘volunteering opportunities’ (which may not).</p> <p>Documentation across clusters varied in terms of setting out ‘volunteer agreements’, regular scheduled hours, development schemes, etc, some of which may be seen to indicate a formal contract, and therefore ‘work’. There is a reputational and financial risk that volunteers may be engaged for volunteer work where they do not have the right to work or where the visa that allows them to work has expired.</p> <p>PVG checks are required for those that undertake volunteering activity in schools, however they are not in practice sought for volunteers who assist with school groups and holiday clubs in parks, or for libraries. Whilst it is stated that volunteers are not left unsupervised with children and for some activities parents are present, there is no indication that risk assessments have taken place in respect of children and vulnerable adults¹.</p> <p>With limited exceptions, and although most applications reference ‘managing data in line with GDPR’, volunteers are not provided with or directed to a Privacy Notice setting out their rights in respect of use of their personal data for volunteering purposes. Methods of recording, format, content, and retention periods for this data vary between Clusters. There is a risk that personal data may be retained or used inappropriately. These records are often password protected and held by individual staff members, restricting access, and presenting a risk should they leave and not pass on details. Information on potential volunteers is also not typically shared between clusters, limiting opportunities to offer alternative options to applicants who may not have obtained their first choice of posting.</p> <p>Similarly, records of who contributed, when, and where, varied considerably. Volunteer log books were kept to different levels of detail, and it was not possible to obtain copies in every instance. Record keeping needs to be proportionate to the tasks and involvement of volunteers, and in general this is the case – work experience placements are better documented for example than voluntary contributions towards improving green space. However, there may be a requirement to maintain records to a prescribed standard to demonstrate application of the Council’s duty of care towards volunteers, staff, and those they work with; including effective insurance cover.</p>			

¹ Any risk assessments that were found to be in place only related to Health & Safety risks.

Ref	Description	Risk Rating	Moderate
	<p>The use of volunteer identification badges differed between clusters and opportunities. These could be used to differentiate a volunteer from a staff member or from a member of the public as they have different responsibilities, but could present reputational risks if this is misunderstood.</p> <p>It was not evident that expenses were being claimed by volunteers in the selection of areas reviewed. Where this had been included in some advertisements/promotions it was made clear that this would apply only in exceptional circumstances.</p>		
IA Recommended Mitigating Actions			
<p>Clear and consistent procedures and documentation should be set out for volunteer activities, including:</p> <ul style="list-style-type: none"> • A volunteer application form with specified minimum corporate requirements, with the potential to adapt thereafter to include Cluster / role-specific additions. Consideration should be given to use of a single online form for all volunteer opportunities. • The circumstances in which Right to Work and PVG / Disclosure documentation are required, and follow-up action where time-limits apply. • Proportionate data recording requirements, including time and task recording, and volunteers' rights in respect of their personal data, including whether it might be shared for the purposes of offering alternative volunteering opportunities. Consideration should be given to use of a single database for all volunteer opportunities, subject to appropriate controls. • Circumstances and requirements for identification badges for volunteers e.g. in customer facing roles / activities. <p>Guidance on circumstances in which expenses might be claimed, and the process for approval and payment thereof.</p>			
Management Actions to Address Issues/Risks			
<p><i>Agreed. The People & OD Manager (Talent) will work with Managers on the Volunteer Working Group to develop guidance to accompany the Volunteering Policy to cover all aspects set out within this recommendation.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		People & OD Manager (Talent)	30 November 2024

Ref	Description	Risk Rating	Minor
1.4	<p>Performance and Outcomes – Whilst strategic outcomes have not been defined at a corporate level (see 1.1), the objectives of individual volunteer placements are generally well defined. Practice varies between clusters, with some good examples in Archives, Gallery and Museums, and Libraries, in respect of feedback and records supporting achievement of volunteers' individual goals / awards (e.g. Duke of Edinburgh). Parks report on volunteer numbers and contributions, against overall planned outcomes, and including input from voluntary groups external to the Council.</p> <p>More consistent information on successful engagement of volunteers, and the associated outcomes for volunteers, the Council, and communities, would help demonstrate alignment with corporate and LOIP strategic objectives. Performance and outcomes data could be used to promote volunteering opportunities to potential volunteers, and to encourage</p>		

Ref	Description	Risk Rating	Minor
	Clusters to reflect volunteering in their planning and offer further opportunities where this could add value.		
	IA Recommended Mitigating Actions		
	Performance and outcomes data should be documented and published in respect of volunteering at individual, Cluster, and corporate level.		
	Management Actions to Address Issues/Risks		
	<i>Agreed. The People & OD Manager (Talent) will work with Managers on the Volunteer Working Group to develop guidance to accompany the Volunteering Policy to cover all aspects set out within this recommendation.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	People & OD Manager (Talent)	30 November 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of Policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

Volunteers provide an important and complementary role alongside paid staff. The inclusion of volunteers helps build stronger relationships with communities and brings valuable resource, skills, and experience to a project. It also provides an opportunity to tackle social exclusion and improve a person's health and wellbeing.

Volunteer arrangements at Aberdeen City Council fall into many areas; short and long term opportunities are available, as is work experience and work placement opportunities.

Volunteer roles fall into the main categories of direct applicants to the Council, applications from learning establishments engaging with the Council to obtain work experience and new skills, employees volunteering for ad hoc and emergency assistance in the community and community volunteers who may help on an ad hoc, regular, or seasonal basis. Archives, Gallery, and Museums have a formal application process for interested volunteers in these areas and the work of successful applicants is overseen by Council employees. Other areas offer email or telephone communication channels for volunteers to register interest. Community volunteers may do so on their own initiative or the request of a Council employee to meet a particular need.

The initial engagement of volunteers requires clear guidelines. There is also a need for suitable management, and appropriate review and risk assessment of their activities to ensure legal and health and safety regulations are being met and that the volunteers are suitable and remain suitable for the role they are in.

Rationale for review

Internal Audit is reviewing the area of volunteer arrangements to ensure the Council is operating an effective control framework regarding the engagement of voluntary services. The area has not previously been audited, but other audits overlap with some of the audit themes. The 'Assurance Review of Heritage and Historical Assets' audit for example found that volunteers were not being checked for their 'Right to Work in the UK'. The 'Assurance review of PVG & Disclosure Checks' also found that guidance was unclear regarding 'PVG & Disclosure Checks', 'Recruitment & Selection' and leavers information.

There is a reputational and insurance risk that volunteers may be doing work where they do not have a 'Right to Work in the UK.' There are also risks that the volunteer does work that should be within the remit of a paid role and that the volunteers may not be suitably equipped in terms of skills, equipment and support needed for the role they wish to undertake.

Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Corporate level.
- Individual **net risk** ratings for findings.

Please see Appendix 1 for details of our risk level and net risk rating definitions.

5.1.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- **Application and Engagement of Volunteers** – including required checks, review of suitability and other considerations prior to commencement.

Induction and Training of Volunteers – including onboarding, communication of requirements and other elements of the volunteers role.

Governance around Volunteers – including management, ongoing monitoring, record keeping, and compliance with Council operations. This element of the scope will also look to gain assurance where any payments such as honorariums are paid to volunteers.

5.2 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.3 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.4 IA staff

The IA staff assigned to this review are:

- Heulwen Beecroft, Auditor (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.5 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Director of Customer
- Lindsay MacInnes, Interim Chief Officer – People and Organisational Development and Customer Experience
- Lesley Strachan, Talent Acquisitions Lead, (**process owner**)
- Vikki Cuthbert, Interim Chief Officer – Governance
- Jonathan Belford, Chief Officer – Finance
- External Audit

5.6 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	13-Oct-23
Scope agreed	20-Oct-23
Fieldwork commences	06-Nov-23
Fieldwork completed	11-Dec-23
Draft report issued	18-Dec-23

Milestone	Planned date
Process owner response	12-Jan-24
Director response	19-Jan-24
Final report issued	5-Feb-24

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2408 – Revenue Budget Setting
REPORT NUMBER	IA/AC2408
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Revenue Budget Setting.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix, and then endorse the recommendations made.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Revenue Budget Setting.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2408 – Revenue Budget Setting

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review of Revenue Budget Setting and Financial Strategy

Status: Final

Date: 2 April 2024

Risk Level: Corporate

Report No: AC2408

Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

Report Tracking	Planned Date	Actual Date
Scope issued	23-Jun-23	23-Jun-23
Scope agreed	10-Jul-23	10-Jul-23
Fieldwork commenced	10-Jul-23	10-Jul-23
Fieldwork completed	18-Aug-23	25-Aug-23
Draft report issued	11-Sep-23	22-Sep-23
Process owner response	29-Sep-23	25-Oct-23
Director response	6-Oct-23	2-Apr-24
Final report issued	13-Oct-23	2-Apr-24
ARS Committee	9-May-24	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Director of Corporate Services
Process Owner	Jonathan Belford, Chief Officer - Finance
Stakeholder	Scott Paterson, Finance Partner
	Helen Sherrit, Finance Partner
	David Leslie, Strategic Infrastructure Plan Programme Manager
	Martin Murchie, Chief Officer – Data & Insights
	Vikki Cuthbert, Interim Chief Officer - Governance*
Final only	External Audit
Lead auditor	Heulwen Beecroft, Auditor

1 Introduction

1.1 Area subject to review

A budget is required for all revenue items that form part of the Council's budgets. The requirement to set a balanced budget arises from application of the Local Government Finance Act 1992 s93, which requires local authorities to set a level of Council Tax to meet the balance of their funding requirements, before 11 March each year.

The Council Budget setting process is the result of ongoing review of the previous year's experience where assumptions are tested and revised, priorities and service standards agreed and risks escalated, de-escalated, or realised. It is then consolidated into an overall budget, and consultation begins with councillors in advance of the budget setting meeting. The annual Council budget meeting provides opportunity for review of the budget report and agreement or proposal of amendments.

The Budgets that were approved at the Council Budget meeting of 1 March 2023 are the General Fund Revenue Budget and Capital Programme, Common Good Budget, and Housing Revenue Account budget.

The Council now has in place three core financial planning and forecasting statements:

- **Short term Plans** – A one-year balanced budget for the forthcoming financial year with an indicative future two years, updated annually.
- **Medium Term Financial Plans** – This is a forecast of potential scenarios over the medium term which for Aberdeen City Council is currently set at five years. This is updated periodically.
- **Long Term Financial Plans** – This looks at the long-term financial planning and affordability of commitments both known and unknown including long term capital investment. This is planned to be updated every five years.

Budgets are prepared jointly by chief Officers and the Chief Officer – Finance as stated in the Council's Financial Regulations 8.2.2. The latest five-year Medium Term Financial Strategy (MTFS) was presented to the Council at the City Growth and Resources Committee on 24 August 2022 and the Chief Officer – Finance, has committed to refresh this to March 2028 by the end of December 2023 with the latest budget.

The MTFS is aligned to the Council delivery plan which forms part of the strategic planning approach. This sets out the contribution to Aberdeen City's Local Outcome Improvement Plan (LOIP), the Council's policy statement, Strategy framework, and legislative duties. The plan describes a journey of change and the approach to strategic planning and commissioning of services.

As part of the Council meeting at which the Council Delivery Plan and Budget were set, the Chief Executive committed to reviewing the existing organisational structure in light of the approved budget and to report back to Council by December 2023 on any suggested amendments to ensure the sustainability of Council operations; and to realign Council Delivery Plan commitments as required to align with budget decisions.

1.2 Rationale for the review

The purpose of this audit is to review procedures used in setting the Council's revenue budget and the wider financial strategy¹. A well-defined budget is an essential tool to manage the Council's financial position, so that the risk of overspend can be mitigated and the long-term sustainability of services can be planned for. A budget process, including discussion and challenge, provide important feedback to allow appropriate reserves to be set aside to mitigate against future unexpected spend, and strategic

¹ At the request of Management and to ensure as great an evidence base as possible, the fieldwork of this review was conducted in two parts. The majority was completed between July and August 2023. A second phase was then carried out in January 2024 to allow consideration of the work on the draft budget for 2024/25 and specifically the work of Management to strengthen the integrated impact assessment process.

planning to be realistic and successful with economic uncertainties and other different scenarios considered, so that the Council is financially robust as a going concern.

The last internal audit in this area was in May 2017, report no. AC1719 'General Fund Revenue Budget Setting'. The key outcomes were that although the process applied was generally well structured and supported, more detailed procedures, timetables, and improved audit trails of supporting documentation were recommended and agreed. Strategy and budgeting could also have been more clearly linked. There was no information on the split of budgets between Council Services and there was an implicit assumption that the split of Service Budgets was agreed and correct. It was further recommended that service options (e.g. savings) were detailed with risks and assumptions explained and supported by reasonable calculations.

The Accounts Commission in their recent publication "Local Government In Scotland: Overview 2023" note that:

"Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services."

"Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps*
- how council resources are targeted to achieve their long-term policy and performance priorities".*

A realistic, agreed, and accepted budget, based on best available data and clear understanding of the risks is essential to present the Council and its leaders as a financially resilient going concern and protect its reputation and standing for long term sustainability. If commitments cannot be met by predicted revenue streams, there may be a deterioration of assets and loss of staff, skills and talent resource, sustainability of services and the pressure of increasing demands. The welfare of service users and the public may be at risk as performance of service areas may suffer cumulative decline as the pressure and demand on resources extends to other essential services and third sector organisations.

COSLA and Audit Scotland has widely publicised the risk to local government services if funding is not increased to take account of rising costs, and this risk increases further where core funding is not being protected in the Scottish Budget. Conditions and direction being placed on the Local Government Settlement mean there are fewer opportunities to deviate from national policies, choices, and decisions on how to use finite resources are becoming more difficult to make, but ever more important.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to Revenue Budget setting and Financial Strategy.

Revenue Budget setting is an established process of which there is evidence of continuous review and improvement, good engagement in terms of information and meetings with stakeholders, and effective reporting processes. There is evidence of detailed planning of tasks and activities driving production of the budget, however these were not always kept updated to demonstrate interim progress.

Income and expense expectations and savings options to bridge the budget gap are generally detailed, well organised, and subject to impact assessments.

Whilst there is assurance that all options underwent appropriate levels of challenge and scrutiny, sign-off on impact, deliverability and alignment with corporate strategy is not always evidenced in detail – presenting potential risks to their delivery in the short term, and of the longer term impact.

The risk around Strategic Alignment and Delivery makes recommendations around the Integrated Impact Assessment process in general. However it is recognised that Management has, as per reporting and discussion at Full Council meetings, noted that enhancements could be made to specific assessments and are taking this forward as part of ongoing work. For the 2024/25 budget, lessons learned from the previous process have been applied to refine the integrated impact assessment process. Their development is acknowledged as an iterative process – with updates being applied as a result of consultation, engagement, and identification of risks and mitigations.

The council continues to refresh and re-evaluate its assumptions through updates to the Medium Term Financial Strategy (MTFS) and regular budget monitoring. A new approach to public consultation on budget priorities has also commenced, with results being published and available to inform future budgeting and consultation activities. Appropriate consideration has been given by management to the level of assurance over the exercise.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. There were no severe or major rated risks identified as part of this review.

2.4 Management response

This is welcome assurance over a complex task, that has many moving parts and where scenarios, risks and certainty all interact across the whole of the financial year but ultimately focus on approving a

balanced budget for the year ahead. In an ideal world the rehearsal and regularity of the process would mean that there are no gaps but the changing landscape of the Council's financial environment, the impact of National policy, the Local Government Financial Settlement conditions and changing local demands make each year unique.

The Council approved a balanced budget for 2023/24 and while two specific decisions were revisited in December 2023 it is positive to see the initial recognition from the Chief Internal Auditor that in respect of our updated Integrated Impact Assessment preparation for 2024/25 budget, the lessons learned from the previous process have been applied to refine the IIA process and that development is acknowledged as an iterative process – with updates being applied as a result of consultation, engagement, and identification of risks and mitigations.

The recommendations that are included in the report were, where possible, incorporated into the budget process for 2024/25 and any gaps in these will be included in the 'lessons learnt' report that is due to be presented to Council in April 2024.

The Council approved, as part of the 2024/25 budget meeting instructions for the Chief Officer to update both the Medium Term Financial Strategy – which aligns with the approved Budget Protocol - and also the Long-Term outlook model that will provide the opportunity to address the recommendations in the report.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p>Budget process and protocol – In general the budget process and procedures are well documented, including development and review of options, and consultation with councillors and relevant stakeholders, in order to deliver a balanced budget in line with the statutory deadline.</p> <p>A ‘High Level Critical Path’ and ‘Detailed Critical Path’ planning schedules were in place including responsibilities and dates, providing a clear work schedule for delivery against key goals and deadlines. Although this was set out as a key control document, it was not kept fully up to date to demonstrate progress with individual tasks. Activities that are otherwise evidenced as complete (e.g. finalising the budget reports) were not recorded as complete. Some tasks were described as ‘ongoing’, and work done is not recorded by date on these. Others had deadlines ‘to be determined’. Whilst the documents included a RAG (Red, Amber, Green) status, this was not consistently applied across all tasks. Changes in responsible officers or delegations were also less well documented. Supporting documentation on options was also not always complete with dates / version control to identify the position at a point in time and agreements reached.</p> <p>Although the resulting balanced budget demonstrates that overall the process was concluded satisfactorily, the absence of documentation on progress and completion of the key tasks could present a risk of delays or reduced assurance over their delivery.</p>		
IA Recommended Mitigating Actions			
The budget critical path documentation should include clear dates for delivery of each task, and should be updated regularly to provide assurance over progress.			
Management Actions to Address Issues/Risks			
<i>Agreed. The critical path was updated for key monthly meetings, but going forward documentation will be updated and progress tracked more frequently in line with the recommendation. Supporting documentation is all held on the dedicated teams site and are live documents so information is kept up to date in real time.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Chief Officer – Finance	30 April 2024

Ref	Description	Risk Rating	Moderate
1.2	<p>Strategic Alignment and Delivery – The ‘Corporate Playbook’ detailed all possible savings options identified by officers for 2023/24. This was effectively the menu from which options for savings could be selected and taken forward to Council for approval. Out of 112 proposals, Appendix 3 – Options Review showed the extent that options evidenced full review from Finance, People and Organisation, and Governance (Legal); and the extent they recorded alignment with Transformation and Enabling Strategies. The table showed that Legal and P&O had not signed off the majority of the options, presenting a potential risk if legal, compliance and reputational risks are not fully understood. There is a risk that options</p>		

Ref	Description	Risk Rating	Moderate
	<p>that generate most savings and are chosen do not deliver the savings as expected due to resulting costs from hard to measure reputational and other risks.</p> <p>Whilst it is acknowledged that some options will have required different levels or sources of consultation and alignment, for example non-staffing savings could have required less input from People & Organisation, this was not clearly indicated in the Playbook. Internal Audit however were able to evidence regular review of the options through ECMT, CMT, Transformation Board, and the Budget Strategy Working Group. However, as the core consolidated source of data on the options, the corporate playbook should clearly record the level of confidence in deliverability and strategic alignment.</p> <p>Analysis of a sample of options included in the 2023/24 budget identified matching integrated impact assessments for seven of eight options reviewed (88%), however the assessments were generally light on detail, and did not include corresponding budget option numbers to aid matching. In the absence of relevant details, there is a risk decision making and delivery of planned outcomes may be compromised. In one of the cases, it was documented in the assessment that further work and consultation would be required before the option could be implemented – presenting a risk of delay in achieving the saving, unless the assumption around the value of saving took account of the steps that were required. This was exemplified in 2023 when the Council changed its engagement and reran the IIA process following challenge of the decision to close libraries and a swimming pool.</p> <p>For the 2024/25 budget, lessons learned from the previous process have been applied to refine the integrated impact assessment process. Their development is acknowledged as an iterative process – with updates being applied as a result of consultation, engagement, and identification of risks and mitigations. However, review of a further sample of 15 integrated impact assessments for draft budget options in 2024/25 indicated that the extent of completion and approval of their content was not well recorded, and there was no schedule for future updates and conclusion of full assessments where required.</p> <p>Where there were records, the degree to which options were considered deliverable, or were aligned with strategy, was not always clearly recorded. Whilst any analysis will require a degree of judgement, it may be of benefit to apply ratings to indicate the level of alignment, to better support ranking and selection of options.</p>		
IA Recommended Mitigating Actions			
<p>Updates to budget options and supporting documentation should be scheduled to ensure sufficient information is available in advance to support key decision making stages. Progress and approval of content should be clearly recorded.</p> <p>Clarity should be provided over anticipated budget option strategic alignment, impact, and deliverability.</p>			
Management Actions to Address Issues/Risks			
<p><i>Agreed, the 'Corporate Playbook' evolved in 2024/25 to more robustly recognise the points identified in the audit. A further review of the 'Corporate Playbook' will be undertaken to revisit the lessons learnt, from the 2024/25 budget exercise and this audit to further improve the information held and therefore information available to the Councillors or as part of public consultation. The lessons learnt report is due to be presented to Council in April 2024.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Chief Officer – Finance	31 May 2024

Ref	Description	Risk Rating	Minor						
1.3	<p>Reporting Budget Information – Comprehensive training with respect to Council Financial Management was delivered by the Chief Officer - Finance as part of the Councillor Induction Programme in early 2022/23. The budget process was generally well documented and understood. An appropriate mix of meetings, sharing and updating of documentation with relevant stakeholders and groups at various junctures using Microsoft technology, and obtaining and responding to feedback, was well evidenced.</p> <p>In the 2023/24 budget, the saving for Service Concessions was not entered correctly as the NPV value of £4.55m was stated on the savings options list. This was identified by Finance after publication, and the correct value of the saving taken of £4.707m was recorded on the Revenue Decisions Sheet. There is however a risk if existing checks do not identify potential errors in advance of decisions being made based on these figures.</p> <p>Budget savings options were listed and totalled; however, some options cannot be taken with each other. Whilst this was clear at an individual option level, the combined total of all budget options were included on budget option schedules, which overestimates the total saving available. For example, options ED-01 and ED-02 were included in the total value of options but could not be taken together. The schedule, and extent of options available, could be clearer if it were redesigned to show the maximum / minimum total saving available that can be taken together.</p> <p>IA Recommended Mitigating Actions</p> <p>Finance should quality control check the value of savings options listed on public documents distributed for accuracy and consistency between schedules.</p> <p>Presentation of budget options in summary and supporting schedules should be reviewed so that minimum and maximum savings amounts for options listed by function are clear.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Agreed that quality control checking should be incorporated into the publication of documents. Due to the many moving parts in the identification and quantification of budget options it remains possible that public documents could be different from final decisions at the Council meeting. The timing of information changing or calculations and values being updated may result in differences. Further checking and updating of public information was included in 2024/25 processes.</i></p> <p><i>During the 2024/25 budget process the identified situation of multiple options in one service area, for example, being unable to be combined/accumulated in value terms was addressed as a result of this audit and the 'Corporate Playbook' was adjusted to include the value of only one option in the total savings achievable.</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #003366; color: white;">Risk Agreed</th> <th style="background-color: #003366; color: white;">Person(s)</th> <th style="background-color: #003366; color: white;">Due Date</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>Chief Officer - Finance</td> <td>31 March 2024</td> </tr> </tbody> </table>			Risk Agreed	Person(s)	Due Date	Yes	Chief Officer - Finance	31 March 2024
Risk Agreed	Person(s)	Due Date							
Yes	Chief Officer - Finance	31 March 2024							

Ref	Description	Risk Rating	Minor
1.4	<p>Strategic Alignment of Budget with Medium Term Financial Strategy (MTFS) – The MTFS is set out as a five year plan, aligned to the Council Delivery Plan, and complemented by delivery of the Target Operating Model (TOM1.2). It includes downside, central and upside potential scenarios based on a set of risk-based assumptions. The budget was aligned with the 2023-24 year of the 2022 MTFS, as adjusted for changes in key assumptions since it was approved in August 2022. Following instruction from Council in the budget setting</p>		

Ref	Description	Risk Rating	Minor
	<p>meeting in March 2023, an updated MTFS was requested by the end of December 2023. The updated MTFS was approved in August 2023, reflecting inter alia changes in pay awards, inflation, and interest rates compared with previous assumptions.</p> <p>Whilst key assumptions and their impact on the central scenario are being tracked, in working papers provided to Internal Audit, the alternate scenarios were not being updated as frequently – resulting in some cost elements predicted for a central scenario indicating a greater budget gap than the downside scenario estimates. Finance noted that as the figures provided to Internal Audit were a snapshot of a particular point in time, forecasts may not have been updated at that point, and various factors are considered before the MTFS and budget are finalised.</p> <p>Although it has been reported annually in August 2022 and 2023, and is updated for officers setting the annual budget, there is no defined schedule for updating workings and publishing the MTFS. It may benefit from being refreshed, and the impact on the longer term plan to 2030 considered, to reflect progress with implementing the longer term underlying model on which the TOM1.2 was based, more frequently in times of economic instability so that information is most relevant to the current time. This could be scheduled, or trigger points set e.g. as risks crystallise or new opportunities are identified which have material medium-term implications.</p> <p>There is a risk that if the MTFS and longer term planning models do not reflect current income and cost trends in the economic climate of increasing costs then the medium and long term strategy of the council cannot be well understood and appropriately planned for and promptly responded to. As stated in the General Fund Revenue Budget and Capital Programme 2023/24 to 2027/28: <i>“It is very easy to be caught up in the intensity of day-to-day activity but the important stuff is achieved in the medium and long term”</i>; <i>“In approving a budget these short, medium and long-term tensions need to be addressed and balanced.”</i> Savings options and decisions taken now may not be optimum without the latest predictions available so that they are understood in a longer term context.</p>		
IA Recommended Mitigating Actions			
The medium-term and long-term financial models would benefit from refreshing on a basis that reflects significant changes when they occur, such as progress on the transformation timeline and issues with economic instability, to allow time to mitigate against issues. It would be prudent to do this more frequently in the current climate of change, than is necessary in times of stability.			
Management Actions to Address Issues/Risks			
<p><i>The Chief Officer – Finance had been instructed to refresh the MTFS, which was done in August 2023, this was also in line with the new Budget Protocol approved by the Council in June 2023. The requirement for a refresh of the MTFS is included in that protocol and sets an annual expectation around this, the next update being required by September 2024.</i></p> <p><i>The Council, as part of approving the 2024/25 Budget, included an instruction to the Chief Officer – Finance to update the Long-term Financial forecasts in 2024/25, which will also address the identified improvements.</i></p>			
Risk Agreed	Person(s)	Due Date	
Yes	Chief Officer - Finance	30 September 2024	

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Directorate	This issue / risk level has implications at the directorate level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given directorate.
Service	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

A budget is required for all revenue items that form part of the Council's budgets. The requirement to set a balanced budget arises from application of the Local Government Finance Act 1992 s93, which requires local authorities to set a level of Council Tax to meet the balance of their funding requirements, by 11 March each year.

The Council Budget setting process is the result of ongoing review of the previous year's experience where assumptions are tested and revised, priorities and service standards agreed and risks escalated, de-escalated, or realised. It is then consolidated into an overall budget, and consultation begins with councillors in advance of the budget setting meeting. The annual Council budget meeting provides opportunity for review of the budget report and agreement or proposal of amendments.

The Budgets that were approved at the Council Budget meeting of 1 March 2023 are the General Fund Revenue Budget and Capital Programme, Common Good Budget, and Housing Revenue Account budget.

The Council now has in place three core financial planning and forecasting statements:

- **Short term Plans** – A one-year balanced budget for the forthcoming financial year with an indicative future two years, updated annually.
- **Medium Term Financial Plans** – This is a forecast of potential scenarios over the medium term which for Aberdeen City Council is currently set at five years. This is updated periodically.
- **Long Term Financial Plans** – This looks at the long-term financial planning and affordability of commitments both known and unknown including long term capital investment. This is planned to be updated every five years.

Budgets are prepared jointly by chief Officers and the Chief Officer – Finance as stated in the Council's Financial Regulations 8.2.2. The latest five-year Medium Term Financial Strategy (MTFS) was presented to the Council at the City Growth and Resources Committee on 24 August 2022 and the Chief Officer – Finance, has committed to refresh this to March 2028 by the end of December 2023 with the latest budget.

The MTFS is aligned to the Council delivery plan which forms part of the strategic planning approach. This sets out the contribution to Aberdeen City's Local Outcome Improvement Plan (LOIP), the Council's policy statement, Strategy framework, and legislative duties. The plan describes a journey of change and the approach to strategic planning and commissioning of services.

As part of the Council meeting at which the Council Delivery Plan and Budget were set, the Chief Executive committed to reviewing the existing organisational structure in light of the approved budget and to report back to Council by December 2023 on any suggested amendments to ensure the sustainability of Council operations; and to realign Council Delivery Plan commitments as required to align with budget decisions.

Rationale for review

The purpose of this audit is to review procedures used in setting the Council's revenue budget and the wider financial strategy. A well-defined budget is an essential tool to manage the Council's financial position, so that the risk of overspend can be mitigated against and the long-term sustainability of services can be planned for. A budget, and budget discussion and challenge, provide important feedback to allow appropriate reserves to be set aside to mitigate against future unexpected spend, and strategic planning to be realistic and successful with economic uncertainties and other different scenarios considered, so that the Council is financially robust as a going concern.

The last internal audit in this area was in May 2017, report no. AC1719 'General Fund Revenue Budget Setting'. The key outcomes were that although the process applied was generally well structured and supported, more detailed procedures, timetables, and improved audit trails of supporting documentation were recommended and agreed. Strategy and budgeting could also have been more clearly linked. There was no information on the split of budgets between Council Services and there was an implicit assumption that the split of Service Budgets was agreed and correct. It was further recommended that service options (e.g. savings) were detailed with risks and assumptions explained and supported by reasonable calculations.

The Accounts Commission in their recent publication "Local Government In Scotland: Overview 2023" note that:

"Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services."

"Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps*
- how council resources are targeted to achieve their long-term policy and performance priorities".*

A realistic, agreed, and accepted budget, based on best available data and clear understanding of the risks is essential to present the Council and its leaders as a financially resilient going concern and protect its reputation and standing for long term sustainability. If commitments cannot be met by predicted revenue streams, there may be a deterioration of assets and loss of staff, skills and talent resource, sustainability of services and the pressure of increasing demands. The welfare of service users and the public may be at risk as performance of service areas may suffer cumulative decline as the pressure and demand on resources extends to other essential services and third sector organisations.

A further consequence of core funding not being protected nor annually uplifted by Scottish Government is that it is likely to result in the reduction in the volume and breadth of services that the Council will be able to deliver in the future. Choices and decisions on how to use finite resources are becoming more important and more difficult.

5.2 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Corporate level.
- Individual **net risk** ratings for findings.

5.2.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Budget process and protocol
- Budget basis, data sources and accuracy
- Development of business cases and options for balancing the budget
- Identification, review and challenge of risks and assumptions
- Strategic alignment
- Reporting budget information: format, proposals, controls, and opportunities for scrutiny

5.3 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we

will review relevant legislation, codes of practice, policies, procedures, guidance. Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.4 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.5 IA staff

The IA staff assigned to this review are:

- Heulwen Beecroft (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.6 Council key contacts

The key contacts for this review across the Council are:

- Steve Whyte, Director of Resources
- Jonathan Belford, Chief Officer – Finance (**process owner**)
- Scott Paterson, Finance Partner
- Helen Sherrit, Finance Partner
- David Leslie, Strategic Infrastructure Plan Programme Manager
- Martin Murchie, Chief Officer – Data & Insights

5.7 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	23-Jun-23
Scope agreed	10-Jul-23
Fieldwork commences	10-Jul-23
Fieldwork completed	18-Aug-23
Draft report issued	11-Sep-23
Process owner response	29-Sep-23
Director response	6-Oct-23
Final report issued	13-Oct-23

6 Appendix 3 – Options Review

Budget Options	Number of proposals	Deliverability sign-off by: Finance	Deliverability sign-off by: P&O	Deliverability sign-off by: Legal	Deliverability test comments	Transformation alignment	Enabling strategy alignment
Children's SW	7	3	3	3	4	3	2
Education	17	17	1	2	17	7	7
C&PS	11	17	5	0	5	5	5
GOV	3	2	3	1	3	2	2
EI&CE	10	10	10	0	10	6	6
SPP	2	2	1	0	2	1	1
Customer Experience	2	2	2	0	2	2	2
D&I	2	2	0	0	2	2	2
D&T	3	3	0	0	1	3	2
P&OD	3	3	0	0	1	2	2
Capital	3	3	0	0	3	3	3
O&PS	37	37	0	0	36	31	31
Corporate	12	3	0	0	4	2	2
Total	112	104	25	6	90	69	67
% of comments	100%	93%	22%	5%	80%	62%	60%

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	External Audit Report – Best Value Thematic Review
REPORT NUMBER	EA/24/001
DIRECTOR	N/A
CHIEF OFFICER	Michael Oliphant, Audit Director Audit Scotland
REPORT AUTHOR	Anne MacDonald, Senior Audit Manager Audit Scotland
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Best Value Thematic Review on leadership of the development of new local strategic priorities.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 With effect from the 2022/23 audits, Best Value audit is integrated within the local annual audits. For 2022/23, the Accounts Commission requested auditors to report on the effectiveness of the leadership of the development of councils' strategic priorities. External Audit has completed the attached report which covers the thematic aspect of the Best Value audit requirements.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

- 7.1 The External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are detailed in the resultant External Audit reports. Recommendations are made to address the identified risks and External Audit follows up progress with implementing those that are agreed with management.

8. OUTCOMES

- 8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 8.2 However, External Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an external audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required.

10. BACKGROUND PAPERS

- 10.1 The council's Best Value Assurance Report was published in June 2021 and reported to council in August 2021.
[Best Value Assurance Report - 2021](#)

11. APPENDICES

- 11.1 Appendix A - External Audit – Best Value Thematic Review - 2022/23 audit.

12. REPORT AUTHOR CONTACT DETAILS

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Aberdeen City Council

Best Value Thematic Review 2022/23



April 2024

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Key messages

- 1** The council has ambitious plans for Aberdeen, and its vision and priorities are well articulated and embedded within its strategic planning framework. The council's annual delivery plan and budget are aligned to Community Planning Aberdeen's Local Outcome Improvement Plan.
- 2** Positive action has been taken to encourage wider involvement in community engagement and empowerment. The community empowerment strategy has been refreshed following community engagement and the wider public have been involved in developing budget options.
- 3** Tackling poverty and becoming net zero by 2045 have been identified as council priorities. There has been a renewed commitment to addressing poverty and inequality as evidenced through additional outcomes in the Local Outcome Improvement Plan and plans to better align services to improve children's outcomes.
- 4** The council has been proactive in engaging with communities and young people to build more commitment to climate change. In addition, there is positive collaboration on hydrogen development and energy transition plans for the city.
- 5** The council has a robust approach to budgeting and supports longer-term planning. Its workforce strategy sets out expectations on how staff will deliver its vision and priorities but the customer, digital and data strategy continues to be fundamental to service redesign and transformation.
- 6** There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity to implement policy decisions.
- 7** There is scope to develop the Audit, Risk and Scrutiny Committee's scrutiny function and review the powers delegated to officers.
- 8** In view of the tensions between elected members observed in the council chamber, the increased risk of referrals to the Standards Commission and an absence of cross-party working, elected

members need to work collaboratively for the benefit of communities.

- 9 The council has made good progress in addressing the recommendations included in the Best Value Assurance Report. Further work is required in three of the seven recommendations.

1.Scope of the audit

1. This report covers the thematic aspect of the Best Value audit requirements. As part of the 2022/23 audits, the Accounts Commission has requested auditors to report on the effectiveness of the leadership of the development of councils' strategic priorities. This report reflects our findings and Aberdeen City Council's position as at December 2023.



2. Following the local government elections in May 2022, new councils will have reviewed their priorities. A council focused on achieving Best Value should therefore be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

3. During this time, Aberdeen City Council was involved in two high profile judicial reviews relating to the approved annual budget which have put the spotlight on some significant council decisions. In addition, Audit Scotland's correspondence team received enquiries around related matters. It was therefore deemed appropriate for us to widen the scope of the audit to include elected members' working relationships.

4. In carrying out the thematic work, auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?

- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the governance been in setting a sustainable approach on delivering priorities?

5. The report includes an update on the areas covered by recommendations in the [Best Value Assurance Report](#) (BVAR) published in June 2021.

6. An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

7. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

2.Introduction

Changes in political leadership

8. Aberdeen City Council has 45 Councillors across 13 multi-member wards. The political composition after the 2017 elections was a majority administration, consisting of Conservative, Scottish Labour and independent councillors. A number of membership changes since then due to by-elections and party whips being withdrawn led to a minority administration, comprising the Conservatives, Aberdeen Labour and the Independent Alliance Group.

9. Following the 2022 local election, the Scottish National Party (SNP) and the Scottish Liberal Democrats formed a majority administration ([Exhibit 1](#)), co-led by Councillor Alex Nicoll (SNP) and Councillor Ian Yuill (Liberal Democrats) with a Policy Statement 'Working in Partnership for Aberdeen'. Councillor Nicoll stepped down in May 2023 and was succeeded by Councillor Christian Allard.

Exhibit 1

The political composition of the council

The political composition has changed following the 2022 elections

Political composition	2017	2022
Scottish National Party	19	20
Aberdeen Labour	9	11
Scottish Conservative and Unionist	11	7
Scottish Liberal Democrats	3	4
Independent Alliance Group	3	1
Independent	0	2
Administration	23/45	24/45

Source: Aberdeen City Council

10. Aberdeen's SNP and Liberal Democrat councillors agreed to form a partnership to focus on the delivery of vital local services over the next five years. Within this report, the council's administration is referred to as 'the partnership'.

3.Council vision and priorities

The council has ambitious plans for Aberdeen, and its vision and priorities are well articulated and embedded within its strategic planning framework.

11. The [Best Value Assurance Report](#) (BVAR) identified that the council's strategies and annual plans were clearly aligned to Community Planning Aberdeen's Local Outcomes Improvement Plan (LOIP) and its vision for the area.
12. Community Planning Aberdeen's 2016–2026 Local Outcomes Improvement Plan (LOIP) sets out an ambitious vision for Aberdeen to be '*a place where all people can prosper*'. Centred on the themes of Economy, People (Children & Young People and Adults) Place and Community Empowerment, the LOIP has a clear focus on early intervention and prevention.
13. The LOIP currently sets out 16 outcomes (called stretch outcomes), each of which clearly identifies what the Community Planning Partnership (CPP) intends to achieve by when and is supported by a comprehensive set of outcome-focused indicators. The delivery of these is supported by over 70 improvement projects.
14. The CPP's vision was developed through a clear assessment of local priorities and needs, based on a comprehensive population needs assessment. This provided a high-level analysis of key groups, priorities and challenges across the partnership, including service information and customer experience data. Citizens were consulted during the needs assessments, using both the Place Standard tool and the citizens panel known as 'Aberdeen City Voice'.
15. The LOIP, last updated in July 2021, is subject to a bi-annual review. A refresh is currently being undertaken with the outcome due to be approved in April 2024. This will be the last refresh before completion of the current ten-year planning period to 2026. A regular refresh is undertaken to confirm whether existing priorities remain relevant and continue to respond to local need.
16. As with the original LOIP, an updated population needs assessment was undertaken for the refresh. This was completed in summer 2023 and included consultation with 'Aberdeen City Voice'. Also approved in 2023, the Children's Services Plan 2023-26 will inform the children and young people's section of the refreshed LOIP.
17. Underpinning its longer-term strategies, the council's planning cycle is centred on its commissioning approach. An annual Council Delivery Plan is produced, alongside the annual budget, which sets out how the council will contribute to policy commitments and LOIP outcomes. This includes details of ongoing policy

initiatives, the approved commissioning intentions (ie commitments), ongoing transformation projects and service standards (service specifications) for the year ahead. Commissioning intentions are associated with key success measures, aligned with the LOIP and mapped out against the LOIP stretch outcomes.

18. In addition, the delivery plan outlines the council's contribution to the achievement of wider regional strategies delivered in partnership with the public, private and third sectors, such as the Regional Economic Strategy, to provide a basis for ongoing monitoring. It also sets out the contribution to council priorities and LOIP outcomes which will be met via the procurement of services from ALEOs and external organisations.

19. When preparing their annual budget proposals, individual business units consider the commissioning intentions, service standards and their own staffing requirements.

20. To support the LOIP's Place theme, the council has developed eight interlinked place strategies covering areas such as local development, transport and housing, and energy and climate change. It also has six shorter-term enabling strategies to support the delivery of these place strategies, including a customer, digital and data strategy and a medium-term financial strategy. Council strategies, implementation action plans and committee reports for decision are prepared to standardised templates that are designed to provide an explicit link to the LOIP and specific outcomes.

The Council Delivery Plan clearly sets out its commitments for the year.

21. The council's arrangements for strategic planning, centred on a commissioning approach, are well established and have continued unchanged by the 2022 incoming administration. This includes the approval of a Council Delivery Plan alongside the annual budget setting out how the council will contribute to:

- the administration's policy statement (derived from its manifesto commitments)
- the CPP's LOIP
- national/regional strategies
- legislative requirements.

22. In May 2022, following the local government election, the council agreed the Partnership's policy statement, 'Working in Partnership for Aberdeen' as the council priorities for the next five years. In total, there are around 150 commitments across 13 themes, covering a wide range of topics such as education, economic development, net-zero and climate change, road improvement, housing and council services. Each commitment sets out what the Partnership would like to achieve during the five-year term.

23. The council's analysis of the policy statement showed that just under half were new to the council and the remainder were existing or ongoing. In particular, an emphasis was placed on the following areas:

- supporting people affected by the ongoing cost-of-living crisis, alleviating poverty and improving the quality of life for the people in Aberdeen
- the need for improving council housing stock to meet residents' needs
- addressing net zero and fuel poverty.

24. In August 2022, only three months since the election, a report was brought back to council setting out the revisions to commissioning intentions and service standards contained in the 2022/23 council delivery plan to ensure alignment with the Partnership's policy statement. New additions included enhancing cost-of-living support such as expanding criteria for the Scottish Welfare Fund and ensuring the council's housing stock provides more choice for the elderly.

25. In general, there is consensus with the council priorities amongst elected members. The council has a number of ongoing regeneration masterplans in place. While there was overall support for the related capital projects in the relevant areas of the city, it was felt by some that the timing was not right when there should be more focus on the cost-of-living crisis.

The council has commenced another challenging phase of major transformation.

26. In our [Local Government Overview Report 2023](#), we acknowledged that budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Increasingly difficult choices about spending priorities and service provision are having to be made. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable.

27. In 2017, the council approved a £125 million transformation programme, including the adoption of the Target Operating Model (TOM). This resulted in significant changes to both organisational and governance structures. The TOM was designed to shift the council away from traditional service-based directorates and introduced seven organisational capabilities it should fulfil:

- managing demand through prevention and early intervention
- being flexible and adaptable
- ensuring accountability, transparency and openness
- becoming intelligence-led
- encouraging inclusiveness, engagement and collaboration
- achieving consolidation and consistency
- focusing on outcomes that make a difference.

28. The implementation of the TOM resulted in significant changes to the number and responsibilities of directors, corresponding changes at lower management levels and a reduction in staff levels across the council. Between March 2020 and March 2024, the council has been organised into four directorates, supported by

14 clusters with directors and chief officers (Tier 2) forming the Extended Corporate Management Team. The four directorate are:

- Customer: encompassing all frontline services, aiming to implement a consistent and integrated customer-focused approach. It acts as the first point of enquiry, assesses and manages demand, and is responsible for the digital transformation of council services (including management of digital partners).
- Commissioning: responsible for the ongoing development of the commissioning approach and commissioning cycle. It procures external services and holds operations to account against targeted outcomes to deliver the LOIP outcomes. Commissioners are the budget holders who allocate resources and specify service requirements.
- Operations: brings together 'in-house' services to allow joined-up service delivery and identify operational improvements. It is responsible for delivering the services it is commissioned to provide, to the agreed standards. Service requirements are applied to both in-house and external service providers.
- Resource Management: responsible for the management of all corporate services (such as finance, people, council assets and enabling technology, and the delivery of the capital programme).

29. The BVAR detailed the changes led by the TOM and featured the council's delivery of its digital strategy as good practice. The Council Delivery Plan highlighted the success achieved with the transformation programme, including meeting its savings target of £125 million by the target date of March 2023.

30. From this foundation, the council moved into another phase of major transformation in August 2022 when it adopted a new TOM (TOM 1.2) for 2022-27. The council intends to undertake further service redesign over the next five years to address a funding gap of £134 million as highlighted within its Medium-Term Financial Strategy. In order to address the shortfall, the council has indicated that efficiencies need to be made and/or additional income generated as follows:

- staff costs/payroll - £40 million
- assets - £8 million
- contracts/procurement - £54 million
- income - £32 million.

31. The delivery of transformation continues to be supported by four enabling strategies: Customer, Digital and Data; Workforce; Intervention and Prevention; and Estates and Assets. Further efficiencies are planned through the provision of more online services and increased digital capability. In addition, the council's updated workforce strategy is focusing on empowering a leaner workforce to improve and adapt services through upskilling and building capacity.

32. As part of this ongoing transformation programme, the council is developing a corporate approach to resource allocation which helps the 'deliberate shift to prevention'. Using a tiered intervention analysis, it has categorised spending into three tiers across the organisation:

- Tier 1 - primary intervention (predominantly preventative)

- Tier 2 - early intervention
- Tier 3 - specialist intervention (responsive and generally more costly).

33. The Council Delivery Plan shows the council's assessment of its 2023/24 commissioning intentions: just over half of those are categorised as Tier 1, 31 per cent as Tier 2 and 15 per cent as Tier 3. The council is planning to progress this analysis further and consider the results as part of the annual commissioning/budgeting cycle.

4.Citizen and community engagement

34. The BVAR in 2021 highlighted that the council is working well with its partners and communities. This includes:

- good working relationships across the CPP and with neighbouring authorities and industry
- well-developed mechanisms for consulting with its communities
- CPP governance arrangements provide clear accountability
- aspects of community empowerment, including community leasing of council assets and participatory budgeting, are well-established.

Positive action has been taken to encourage wider involvement in community engagement and empowerment. Following community engagement, a refresh of the community empowerment strategy and wider public involvement in developing budget options.

35. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

36. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

37. Since the publication of the BVAR in 2021, the council has taken further steps to improve its approaches to engaging and empowering communities. In November 2022, the CPP endorsed a revised Community Empowerment Strategy 2023-2026. The strategy was developed with input from communities and sets out a vision '*for all communities to become equal community planning partners*'. It acknowledges that the current engagement approach does not benefit all and has committed to addressing the inequalities which exist in communities.

38. The strategy introduced a new stretch outcome for the LOIP and increased the total number to 16 - to achieve a '*100% increase in the proportion of citizens who feel able to participate in decisions that help change things for the better by 2026*'. To deliver this outcome, a range of support is being provided to communities including training using the national standards for community engagement, a community group roadshow, community conference and the re-launching of

locality empowerment groups. In addition, a number of improvement projects were approved by the CPP which are monitored on a quarterly basis. These include:

- City Voice - community engagement via citizen's panel
- Child Rights - involvement of children in decisions which affect them
- Community Involvement - increased number and diversity of community engagement
- Celebrating Communities - awareness of community-led projects and increased support to build their capacity.

Public engagement to develop budget options.

39. In June 2023, as part of the annual review of the scheme of governance, the council introduced a Budget Protocol to involve communities and citizens in the budget process. The new protocol commits the council to public engagement on the budget to enable a shared understanding of the choices facing the council and the impacts of budget options on those with protected characteristics and those living in socio-economic disadvantage.

40. In practice, the council is committed to holding two public engagement sessions as part of the development of its budget options and proposals and preparations for updating the Medium-Term Financial Strategy.

- Round 1 – engagement (summer) gathers information on where the public see their main priorities, in terms of where the budget allocations should be made.
- Round 2 - (autumn) presents the budget options. This engagement also includes key stakeholder groups including community councils and targeted engagement with specific groups with protected characteristics that may be affected by the budget options. The responses then shape budget proposals to be considered by the council in February/March.

41. The process was launched in July 2023 and included a focus group with disability groups, community groups and young mentees to support wider participation in the consultation process. We will review how the new arrangements influenced proposals contained in the 2024/25 budget.

5.Reducing inequalities and tackling climate change

42. Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens. The Local Government in Scotland Overview 2022 report said that the impact of the pandemic and service disruption had been felt most strongly by those already experiencing inequality, councils must evaluate these impacts so that inequalities are addressed.

43. The BVAR in 2021 highlighted that ‘the council considers equalities across its work, both when engaging with hard-to-reach communities and its own workforce’ and it acknowledged that ‘the council has reacted well to challenges from the pandemic’.

Tackling poverty and becoming net zero by 2045 have been identified as council priorities.

44. The Partnership’s policy statement, ‘Working in Partnership for Aberdeen’ sets out around 150 commitments as the council’s priorities for the next five years. These include:

- supporting people affected by the ongoing cost-of-living crisis, alleviating poverty and improving the quality of life for the people in Aberdeen
- addressing net zero and fuel poverty.

45. While the impact of Covid-19 continues, the rise in inflation and the cost-of-living crisis have added further pressures on the most vulnerable. In August 2022, the council established the Anti-Poverty and Inequality Committee (APIC) to bring policies together from across services and oversee work around equality, diversity and inclusion across the council.

46. The APIC appointed five external advisors to help prioritise and inform its programme of work. They consist of one with real life experience of poverty, two from the charitable sector, one academic and one from a public health background. Officers reported that the creation of the committee is having a positive impact in driving a whole council approach to its anti-poverty agenda.

47. The council has a target to reduce net greenhouse gas emissions by 48 per cent by 2025, 75 per cent by 2030 and reach net zero by 2045, in line with the Scottish Government’s legally binding target. The council provides a summary of the emissions that make up this target and sets out how and when it will report on individual elements. In a recent update, the council reported that emissions were on track to achieve the interim target of a 48 per cent reduction by 2025.

48. The council declared a climate and nature emergency and reiterated its commitment to ‘continuing proactive work with other public, private, third and community sector partners towards Aberdeen becoming a net zero city by 2037’. This declaration indicates a clear acknowledgement of the scale and urgency of the challenge. It suggests a strong will and ambition to act and should provide a solid foundation for action to be taken.

49. Climate change and achieving net zero are included in the council’s priorities. In 2022, a dedicated committee for net zero, the environment and transport was set up. It too has increased the level of scrutiny and interest from elected members.

There has been a renewed commitment to addressing poverty and inequality as evidenced through additional outcomes in the LOIP and plans to better align services to improve children’s outcomes.

50. In July 2021, the CPP approved a refreshed LOIP which included a new stretch outcome that *‘No one will suffer due to poverty by 2026’*. While the LOIP has been the council’s core plan to address inequalities and poverty, the CPP highlighted that ‘placing the new stretch outcome upfront signals the CPP’s dedication to tackling poverty in all forms to improve outcomes for people’. To oversee the delivery of this outcome, an Anti-Poverty Outcome Improvement Group has been established.

51. In April 2023, the CPP agreed a revised Children’s Services Plan 2023-26. The plan is a statutory requirement for the council and health board but it has now integrated a range of other statutory plans, including the Child Poverty Plan and the Children’s Rights Report with the view to creating more joined-up and better-aligned services to improve children’s outcomes. The integration of various plans triggered the review of existing service planning and delivery, leading to the revision of the LOIP.

52. One of the key changes was a greater focus on children with additional support needs (ASNs) and disabilities, which introduced a new stretch outcome, *‘100% of our children with ASNs/disabilities will experience a positive transition to adult services by 2026’*. This reflected an increase in the number of children with ASNs and disabilities compared to the 2019 level and therefore a range of improvement projects commenced in 2023.

53. Integrated impact assessments (IIA) are routinely provided by the council to support agenda papers. This process enables a council to critically assess and demonstrate whether the proposals in an accompanying agenda paper have wider impacts beyond their intended outcomes and if they impact differentially on different groups in our communities. Some weaknesses in the IIA process were identified by the judicial review of some decisions made by the council as part of the approved 2023/24 budget and arrangements have been put in place to make the necessary improvements. We will consider the council’s improvements in this area as part of the 2023/24 audit.

54. To help reduce current and future health inequalities, the council established an Aberdeen Health Determinants Research Collaborative. The initiative is

funded by the National Institute for HealthCare Research and will be delivered in partnership with the University of Aberdeen, Robert Gordon University, NHS Grampian, Public Health Scotland and communities.

55. The council and partners are currently scoping work priorities. This may include food insecurity, nutrition, fuel poverty, transport, education, housing and everything else that affects wellbeing. The aim of the work is to provide the latest research to inform council and partner decisions so that future services can be effectively designed and delivered to prevent illness and/or reduce health inequalities. The council will report on progress as part of the annual commissioning/budget proposals.

There is evidence to demonstrate council action to address poverty and inequality.

56. In summer 2020, the Socio-Economic Rescue Plan 2020/2021 was created to set out an immediate response to the impact of the pandemic. A newly established Implementation Group, including representatives of businesses and the third sector, oversaw progress with the plan which had contained 74 actions over three themes – business, people and place. The council and partners worked well with stakeholders to deliver the majority of those actions. The remainder were subsequently integrated into the LOIP.

57. More widely, the following examples represent actions taken against poverty and inequality:

- provision of wrap around support including finance, employability and mental health via community hubs in three priority areas
- over the last year, families have been helped to achieve financial gains of £1.4 million, over 300 households were assisted with debt issues, help was provided with total debts of over £2 million, over 600 households given full benefit checks, 124 households were assisted to claim benefits and 35 were supported in challenging their benefits
- council funding of £1.9 million was allocated towards the Aberdeen Gift Card Scheme, resulting in approx. 14,000 eligible citizens benefiting from £125 gift cards for use in retail and hospitality venues to support local businesses
- a 21% increase in the number of employers paying the real living wage in the last year, now covering 42,800 employees
- widening access to affordable food through fixed and mobile food pantries with funding to support the distribution of approx. 600 tonnes of free food (the equivalent of 1.7 million meals).

Launch of collaborative routemap to delivering net zero by 2045.

58. The BVAR noted that ‘the council is increasingly focusing on sustainability and climate change as part of its longer-term planning’.

59. In 2020, the council approved a Net Zero Vision for the city, setting out five strategic objectives to energy transition, as it looks to address climate concerns and support economic transition and decarbonisation. The council also endorsed

an associated infrastructure plan which will inform its capital programme. A City Leadership Board and Transition Delivery Board have been set up to deliver Net Zero and manage energy transition in the city. Both groups have representatives from universities, business, specialists in the field and are chaired by one of the council's Co-Leaders. The governance model is intended to drive collaboration, investment and outcomes.

60. In 2022, Aberdeen's Net Zero Routemap was launched with interim indicative targets and six themes, each with its own strategy and expected outcomes. [Exhibit 2](#) summarises the council's strategic framework for delivering Net Zero including the Roadmap.

Exhibit 2

Council's framework for delivering Net Zero and response to Climate Change

Scope	Name	Contents	Oversight
<i>Council's own emissions</i>	Climate Change Plan 2021-25: Towards a Net Zero and Climate Resilient Council (2021)	Sets out the council's approach, outcomes and actions towards net zero by 2045	Council Climate Oversight Group
<i>CPP</i>	LOIP (refreshed in 2021)	Includes three stretch outcomes in relation to carbon emissions, sustainable travel and nature restoration	CPP
<i>Area-wide emissions</i>	Net Zero Aberdeen Routemap 2022 With six enabling strategies: <ul style="list-style-type: none"> • mobility • buildings and heat • circular economy • energy supply • natural environment • empowerment 	Provides an overarching strategic routemap towards 2045, involving a range of businesses and organisations across the city	Net Zero and Adaptation Board (including businesses and communities)
<i>Adaptation</i>	Aberdeen Adapts (refreshed in 2022)	Sets out the Adaption Framework for responding to the impact of climate change including priorities, goals and action areas that will help Aberdeen to prepare	Net Zero and Adaptation Board (including businesses and communities)

Source: Audit Scotland, using council information

The council has been proactive in engaging with communities and young people to build more commitment to climate change.

61. The council highlighted that ‘all strategies and plans are required to feed into and help deliver the council’s net zero objectives.’ The Strategy Board oversees the development of strategies and plans across the council to ensure alignment with council priorities, including climate change and sustainability.

62. The council has been proactive, working with schools and communities, taking in their innovative ideas and raising awareness across the city to tackle city-wide emissions. Net zero initiatives include:

- *Carbon budgeting:* a phased approach has been taken to carbon budgeting, the emissions cap is set annually, methodologies are being refined, building and fleet emissions data is considered and a performance management framework has been introduced.
- *Working with young people:* The council has been involving school pupils in shaping its net zero activities. In February 2022, it appointed secondary school pupils as City Climate Change President and Vice Presidents. The council has established a monthly Pupil Climate Change Group to share information and exchange ideas.
- *Participatory budgeting:* In 2022, the council awarded £33,000 to eleven community-led projects to help protect environment and encourage young people to engage with outdoor spaces such as community gardens. In 2023, Aberdeen Council of Voluntary Organisations (ACVO, the third sector interface), together with North East Scotland Climate Action Network, allocated over £333,000 from the Scottish Government’s Just Transition Capital Fund to 13 community groups to support just transition to net zero.
- *Low Emission Zone (LEZ):* In response to longstanding air pollution in the city centre, the council introduced a LEZ in 2022 which is due to become fully effective in 2024. The LEZ aims to stop the most polluting vehicles entering an area, improve air quality and help to protect public health.

Positive collaboration on hydrogen development and energy transition plans for the city.

63. Since 2015, the council has led the development of hydrogen buses. In its Climate Change Plan, the council has committed to phase out new fossil fuelled vehicles, ‘switching to electric and hydrogen powered fleet vehicles’. Recently, it has introduced the UK’s first hydrogen fuel cell waste truck as part of the Interreg North-West Europe, a European Territorial Cooperation programme.

64. Partnership with businesses is also an integral part of the council’s net zero portfolio. In September 2020, the council signed a Memorandum of Understanding (MoU) with BP to help achieve its Net Zero Vision to reduce carbon emissions and become a climate positive city. At no cost to the council, BP serves as a technical adviser in delivery of the council’s Energy Transition Strategic Infrastructure Plan. Going forward, four priority areas have been identified including the development of hydrogen hubs.

65. In June 2023, the planning authority approved permission for a phase one project from the joint venture which will see the creation of a hydrogen hub and transport refuelling facility powered by a solar farm. Significant economic opportunities are expected including £700 million additional gross value to Scotland's economy by 2030 and thousands of high-skilled jobs for Aberdeen to support hydrogen as a new energy solution for the north east. During 2024/25, the council is scheduled to invest over £30 million in this project.

6: Alignment of delivery plans

66. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

The council has a robust approach to budgeting and supports longer-term planning.

67. The council's approach to budgeting is linked to the delivery of strategic priorities and supports longer-term planning and informed decision-making. The council prepares annual operating and capital budgets which are determined through consideration of its commissioning-based approach, transformation programme and Council Delivery Plan. These arrangements are well designed and aligned. The council has delivered significant savings and has been successful in balancing its budget in recent years.

68. Alongside the annual budget (which also includes indicative figures for the next two years) the council prepares a seven-year Medium-Term Financial Strategy (MTFS). In recent years, the Scottish Government has provided details of its funding for councils only one year in advance. The council therefore undertakes comprehensive scenario planning to inform its medium-term financial plans. These cover the next five-year period in detail and assume no increase in Scottish Government funding beyond the most recent settlement and also including anticipated spending increases. The approach ensures that medium-term financial planning is linked to the delivery of strategic priorities, while also identifying the likely scale of savings required from the transformation programme.

69. The council has a clear and well-understood approach to budget monitoring which is intended to ensure that financial outturn at the end of the year is as close to budget as possible. The approach includes the regular distribution of financial reports to budget managers and meetings between finance staff and service functions where emerging issues and proposed budget changes are discussed. Quarterly management accounts which include a balance sheet position demonstrates advanced practice in a local authority setting.

70. While the council sets a balanced budget each year, it continues to face financial challenges. The Medium-Term Financial Strategy indicates that, even after taking the decisions to implement the agreed service redesign, there will still be an accumulated funding shortfall. TOM 1.2 reflects a shortfall of £134 million which will be used as a driver to identify further service redesign opportunities to reduce costs and increase income where possible over the next five years.

71. The council has undertaken an ambitious programme of capital investment over the last 5 to 10 years, partly financed through a bond issue.

72. As at 31 March 2023, the council had £1.4 billion of external debt directly related to the capital investment programme, including £350 million linked to the issued bonds. The credit rating agency Moody's carries out an annual review of the council's credit rating. In 2022/23, the annual review affirmed the council's A1 rating, with the economic outlook reduced to 'negative' from 'stable' in line with the recent change to the UK's rating. The A1 rating was initially issued in January 2021.

The council's long-term financial strategy is due to be updated to reflect how resources will be targeted towards priority areas.

73. The council undertook a longer-term financial planning exercise in 2016 as part of its bond issue. This was required to support the affordability assessment of the bond issue and to allow the council's credit rating to be issued. Arrangements are in place for this longer-term plan to be updated so that its long-term financial position is understood.

The council's workforce strategy sets out expectations on how staff will deliver its vision and priorities.

74. The council's approach to workforce planning includes having a five-year workforce strategy focused on capacity, capability and culture (rather than setting an overall establishment figure). This is intended to ensure that staff allocation and development is embedded in its commissioning approach and supports the delivery of its strategic aims. The strategy links to the LOIP and to council outcomes, ensuring that there is a focus on how the workforce and individuals are contributing to these. As part of the annual planning and budgeting cycle, detailed workforce planning is then undertaken.

75. One of the objectives of TOM 1.2 is to develop an organisational workforce that is flexible ensuring all staff have the necessary skills to work effectively within the council's operating model. In order to reduce resources and the pay bill, the overarching workforce strategy 2023-27 explains that the workforce needs to be flexible and able to adapt to shifting demands on services and further use of digital technologies. In 2019, staff designed guiding principles to provide a cultural framework for all activity:

- Purpose - we care about our purpose, our city and our people
- Pride - we take pride in what we do and work to make things better
- One Team - one team, one council, one city
- Trust - we trust each other and take responsibility
- Value - we value each other and recognise a job well done.

76. Building on the framework, the overarching strategy acknowledges a leaner workforce who will require to be clear on expectations and have increasing accountability and empowerment. In January 2023, the council approved a delivery plan to support the strategy.

77. There has been a significant reduction in staffing numbers as part of the council's ongoing transformation. Since 2017/18, when the TOM was approved,

over 1,500 staff have applied for voluntary redundancy, with the council approving 529 exit packages at a cost of £24 million.

78. The Staff Governance Committee was established in May 2018 and acts as a forum for communication and consultation on matters relating to staff not considered elsewhere. It includes trade union representatives as advisers alongside councillor members to enable joint working and strengthen staff representation. Constructive dialogue with trade unions has been crucial to improving staff relationships during a period of significant transformation, including workforce reductions.

The customer, digital and data strategy continues to be fundamental to service redesign and transformation.

79. The BVAR highlighted the council's digital approach as the main way of enabling service redesign. In 2016, the council approved its digital strategy 'Being digital' which focused on improving customer services, improving staff experience and improving how resources are used. The strategy was largely delivered by 2021 having digitalised paper-based processes; moved to cloud-based systems; made use of real time data to monitor performance and developed a chatbot for the council website to provide instant online responses to customer and staff queries.

80. With the shift to TOM 1.2, delivery of the next phase of transformation is dependent on the continued use of new technology to drive further improvement and efficiency. For example, the supporting digital strategy provides for dated and costly software applications to be modernised, and multiple websites to be rationalised. The feasibility of establishing a digital agency with other partners is being considered and a refreshed smart cities strategy will be developed.

7.Leadership

81. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

82. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

83. The council undertakes an annual scheme of governance review with proposals coming forward from the Governance Reference Group. The Group has cross-party representation although members do not consistently attend meetings. In summer 2022, more traditional committees were established in respect of key services. For example, the Education and Children's Services Committee and the Communities, Housing and Public Protection Committee were established. In addition, the Finance and Resources Committee replaced the City Growth and Resources Committee and new committees were introduced in respect of anti-poverty, inequality and net zero.

There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity to implement policy decisions.

84. Over the past year, there has been an increase in the number of meetings required to conduct council business. One of the changes from the annual scheme of governance review was the introduction of a six-hour limit on council meetings. This has meant that meetings of full council are regularly taking place over two days. Since May 2022, there have been 22 council meetings of which five were adjourned and required a second day and four have been additional requisitioned meetings ([Exhibit 3](#)). At present, contingency for a second day is not built into calendars and several days can therefore pass before dates can be scheduled for business to be completed.

85. Standing orders make provision for additional council meetings. These may be called at any time by the convener or by at least a quarter of the members. Since May 2022, four council meetings have been requisitioned following requests submitted by at least a quarter of elected members. [Exhibit 3](#) shows that two related to national policies while the remaining two related to the council's decision to close six libraries and a swimming pool. This matter subsequently became the subject of a judicial review which was initially paused while the council reviewed its actions and was subsequently withdrawn.

86. The council has an Urgent Business Committee which is called when there are items of business deemed to be of an urgent nature that cannot wait for the next

scheduled meeting of the council (or the appropriate committee). Since May 2022, there have been six meetings, two in 2022 and four largely over summer 2023.

Exhibit 3 Aberdeen City Council's special meetings

Council date	Reason for requested special meeting
13/7/2022	In view of the decision taken in the Supreme Court of America to overturn the landmark ruling of Roe v Wade (protected a right to have an abortion) that the council liaise with the Scottish Government to bring forward a byelaw to introduce buffer zones until such time as Scottish Government legislate on the matter.
11/1/2023	Impact on education from the apparent inability of Scottish Government to enable an amicable agreement on teachers' salaries.
27/3/2023	The decision taken to withdraw funding from Systema Big Noise Torry at the council's recent budget meeting. Impact on residents and communities of library closures, Bucksburn Swimming Pool being closed and cuts to vital public services.
18/09/2023	The case against the council in relation to libraries closures and the Bucksburn Pool closure given Aberdeen Labour and others warned against these closures.

87. For a combination of reasons, there have been an additional ten meetings since May 2022 and a further five days have been required to complete adjourned council meetings. This puts additional demands on elected members and officers at a time when there are already many competing demands and limited excess capacity.

88. Occurrences that should happen by exception are becoming more routine. This has implications for the conduct of council business, and the capacity and workloads of elected members and officers. While elected members hold responsible positions, there needs to be more recognition that persistent demands for information can be disruptive. A high volume of requests, combined with supporting additional meetings, limits the time available for implementing policy decisions and may prevent officers from undertaking their roles effectively.

There is scope to develop the Audit, Risk and Scrutiny Committee's scrutiny function.

89. Good scrutiny of decisions is essential to good governance. There have been instances when councillors have felt they have not received sufficient information

and this can lead to additional questions to officers, referrals of matters to full council and has been the case, the requisition of additional council meetings.

90. While elected members have a right of access to council information, it is on a 'need to know basis'. While a range of exempt information may be of general interest to councillors, there is no right of access unless it can be demonstrated that the information is reasonably necessary for the proper performance of members' duties. These principles are reflected by the council through its Member Officer Relations Protocol and clarification on this matter was recently provided in a Standards Commission Briefing Note in February 2024. We therefore suggest that elected members demonstrate their 'need to know' when making future requests. This should reduce the risk of matters escalating and be a useful factor in managing the volume of requests.

91. In line with good practice, members of the opposition hold the posts of convener and vice-convener of the Audit, Risk and Scrutiny Committee. Due to changes in the Labour Group during the year, the current convener is the third convener since May 2022. The bulk of committee business is generated by internal and external audit with occasional reports from other officers.

92. The Audit, Risk and Scrutiny Committee has a scrutiny remit for the council. The committee's terms of reference permits the committee to determine that further action is required once a matter, process or practice has been the subject of a report to council or committee and the consideration of the matter concluded by council or said committee action (with some exceptions). Any scrutiny will not prevent, or alter, any decision being taken and will only review the effectiveness of decision making, or monitoring and may make recommendations to the relevant committee or council.

93. The committee has not considered any reports under this remit in the last year. There is scope to use the committee more effectively to scrutinise council decisions. A more focused approach to scrutiny might also assist in reducing the recent demand for special meetings.

94. We would suggest that terms of reference for committees be reviewed and further guidance developed to explain the committee's scrutiny remit and clarify when and how elected members could initiate the process, conduct a review and report on the outcome. Scrutiny activity should have clear terms of reference and therefore robust arrangements should be in place to ensure the scope of a piece of work is clear and concise and the approach consistently applied.

In view of the tensions observed between elected members in the council chamber, the increased risk of referrals to the Standards Commission and an absence of cross-party working, elected members need to work collaboratively for the benefit of communities.

95. There is broad political support among councillors for the vision and supporting priorities, giving the council a long-term strategic direction. There are recognised tensions between the administration and opposition, but the political balance of the council, and delegation to officers, has limited the impact of this on council

business. Nevertheless, greater cross-party working would benefit the council and residents.

96. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. These principles are recognised by Aberdeen City Council through its Member Officer Relations Protocol wherein the respective roles of members and officers are set out and it is agreed that members and officers will treat everyone present with respect and courtesy at all meetings.

97. We have however observed tensions between elected members in the council chamber. In our experience, challenging political debate has been an established feature of Aberdeen's council chamber. In recent times, we have observed some heated exchanges becoming more personal and this increases the risk of referrals to the Standards Commission while at the same time detracting from the importance of the subject debated. More effective cross-party working could resolve a number of these issues and reduce the risk of escalation.

98. The Member-Officer Relations Protocol focuses more on the working relationships between members and officers. In view of the tensions identified and the increased risk of referrals to the Standards Commission, consideration should be given to developing further guidance on member-to-member working relationships.

99. The main outstanding recommendation from the BVAR published in 2021 relates to elected members exploring the potential to create more opportunities for cross-party working. Other than the Governance Reference Group, no examples were offered in our discussions with elected members of forums or working parties where elected members regularly came together to discuss common issues.

100. The co-leaders advised of their open door policy to all elected members. In May 2022, several new councillors were elected with most not having the opportunity to build political relationships. Many councillors virtually attend council meetings and there is limited in-person interaction in the Town House outwith formal meetings. There would be merit in the co-leaders, group leaders and independent councillors working collaboratively to create genuine opportunities to share experiences, hold conversations and work together to improve working relationships.

Powers delegated to officers would merit review

101. In the last BVAR, opposition parties raised concerns about the extent of work undertaken by officers under delegated powers.

102. The council's statement on powers delegated to officers state 'in exercising such a power, the relevant officers should be mindful of the potential for political sensitivity or controversy and, where appropriate, should consider consulting with elected members or referring the matter to council or one of its committees or sub-committees'.

103. While elected members agree it is essential that officers have delegated powers, some members continue to have concerns that they are hearing what they

regard as 'politically sensitive' decisions on social media rather than through formal council communication channels. Clearly, a judgement call is required by officers when delegated responsibilities are used and it may be that with the benefit of hindsight, a different approach might have been taken on occasion.

104. Officers and members need to work together in a collegiate fashion for the benefit of communities. Elected members reported good working relationships with officers and good access to officers. There is however scope to review the delegated powers bestowed on officers to confirm whether these should be allocated to the council's committees or remain delegated to officers.

105. Such a review could form part of the next annual scheme of governance review and, if conducted by the Governance Reference Group, a group with cross-party membership, this could be a good example of effective collaborative cross-party working. The review would not change decisions or actions taken but it could usefully consider examples of potential types of issues likely to cause concern and when consultation with members would be appropriate. The review should focus on the processes in place. There should be a shared understanding of when more scrutiny around decisions is and is not appropriate. The Member-Officer Relations Protocol could also be strengthened in line with the Standards Commission's Briefing Note e.g. elected members have access to information on a 'need to know' basis and have no right 'to a roving commission'.

8. Progress on recommendations

The BVAR commended the council on its strong changes, improvements and ambitions

106. In respect of the BVAR published in 2021, the Accounts Commission commended the council on its strong changes, improvements and ambitions since the last report in 2015.

107. Areas of improvement included:

- a major transformation programme leading to an effective organisational structure, along with improved governance
- achieving challenging savings targets and ambitious capital projects, while delivering services within budget
- having an ambitious vision and plans for the city, which were clearly aligned to its community planning LOIP.

108. However, the BVAR also encouraged greater cross-party working between elected members for the benefit of the council and residents. While it also recognised the developments in the council's performance management arrangements, it concluded that overall progress reporting against outcomes could be simplified to further aid public understanding and scrutiny.

109. The council accepted the Commission's findings including the six recommendations contained in the BVAR and put an action plan in place to be monitored by the Audit, Risk and Scrutiny Committee.

Good progress has been made in implementing the actions to deliver the recommendations for improvement in the BVAR.

110. At its meeting on 23 August 2021, the council approved a BVAR Improvement Plan which set out actions to address the seven recommendations in the BVAR. The plan also included further actions to address other areas covered by the scope of the BVAR.

111. Annual updates on progress were provided to the Audit, Risk and Scrutiny Committee as part of the council's Annual Governance Statement.

112. [Exhibit 4](#) summarises our assessment of progress against the BVAR recommendations. This shows that good progress has been made on progressing the BVAR findings. With the exception of opportunities for cross-party working (recommendation 1), the council has closed all actions. In our view however, there is further work required to conclude recommendation 2 in

respect of annual performance reporting and recommendation 5 in respect of participatory budgeting.

Exhibit 4 Council progress against outstanding recommendations

Recommendation	Council response and progress to date
<p>1. To help them carry out their Best Value responsibilities, elected members should:</p> <ul style="list-style-type: none"> Look to build upon the broad consensus relating to the council and LOIP vision and priorities to explore the potential for creating more opportunities for cross party working. <p>Further work required</p> <ul style="list-style-type: none"> Take advantage of the learning and development opportunities provided by the council. <p>Action complete</p>	<p>Council's progress - recommendation ongoing</p> <p>Learning and development</p> <p>Terms of Reference for the Members Services Working Group have been updated to incorporate learning and development for members.</p> <p>Induction programme provided for elected members following the local government elections in May 2022.</p> <p>Personal Development Plans have been developed for each elected member which feed into the identification of training needs and learning programme. These are reviewed and supported by Members Support and People Development.</p> <p>MS Teams site has been created to cover all aspects of elected member development providing a central point for up-to-date information and booking onto virtual sessions. This was subsequently expanded to host elected member development resources and content created and uploaded by subject matter experts.</p> <p>A method to record elected members CPD established to enable a single point of reference and for reporting purposes.</p> <p>Audit Response</p> <p>No update has been provided by the council in respect of opportunities for cross-party working. With reference to paragraphs 94 to 102, we concluded that better working together is required for the benefit of communities. With regard to learning and development, arrangements are considered to be appropriate.</p>
<p>2. To supplement current council and CPP performance reports, and aide public understanding and scrutiny, the council should produce an annual performance report more clearly reporting the longer-term progress made in improving outcomes. This should include a high-level multi-year trend summary of performance against priority indicators and supporting narrative.</p> <p>Further work required</p>	<p>Council's progress – recommendation closed October 2022</p> <p>Review of existing annual performance reports for the LOIP, Locality Plans and the Council Delivery Plan by March 2022</p> <p>Preparation of Council Annual Report 2020/21 considering the review above. (October 2021)</p> <p>Strategic Commissioning Committee October 2021 agreed revised Performance Management Framework and Annual review of Council Delivery Plan with updated RAG status reporting. (October 2021)</p> <p>A revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the council's commissioning outcomes and intentions as set out within the Council Delivery Plan 2021/22, as well as comments and recommendations made within Audit Scotland's Best Value Audit of the council was approved at Strategic Commissioning Committee in October 2021.</p> <p>Audit Response - The council needs to better demonstrate overall progress being made</p> <p>The council monitors its performance against planned outcomes through its annual delivery plan, cluster-based reporting to committees, and the</p>

Recommendation	Council response and progress to date
	<p>Aberdeen Outcomes Framework (AOF), an interactive dashboard which contains detailed performance data for each LOIP stretch outcome.</p> <p>The BVAR noted the council's structured approach to performance reporting, which provides a lot of information in a variety of formats. However, it also stated that 'it is not clear how well the council is performing overall'. It recommended that 'the council should produce an annual performance report more clearly reporting the longer-term progress made in improving outcomes', including a high-level multi-year trend summary of performance against priority indicators and supporting narrative.</p> <p>The annual review of the Council Delivery Plan includes detailed information on progress made with the council's commitments derived from the Partnership's policy statement and its own commissioning intentions, highlighting key achievements. In response to the BVAR, the council has started to produce a scorecard to supplement the annual review. It shows a point-in-time status on each measure with trend information (worse/unchanged/better) being colour-coded with red/amber/green from the baseline and previous year.</p> <p>The addition of the scorecard enriches the performance information available. However, the council's assessment of overall progress made is still not clear in terms of delivering outcomes. The council does not set a target for each success measure and without supporting narratives it is not always clear what areas are underperforming, what challenges are identified and what the council is doing to address these.</p> <p>Providing an overall picture would help elected members make strategic decisions and the public better understand the complex landscape in which the council is operating. This is particularly important as the council has committed to delivering many commitments at a time when resources and capacity are stretched.</p> <p>Overall progress at CPP level is clearer. The LOIP Annual Outcome Improvement Report includes overall progress on each stretch outcome (Achieved/Progressing/Challenges/Data being gathered) and sets out priority areas for the following year. The CPP receives quarterly detailed updates and the AOP provides in-depth data and narratives for each improvement project.</p>
<p>3. The council should ensure that its longer-term financial plan is regularly reviewed (paragraph 86) and that it continues to develop how it reports aspects of the complex capital programme within their accounts</p> <p>Action complete</p>	<p>Council's progress – recommendation closed September 2022</p> <p>The medium-term financial plan is refreshed annually and was last presented to council in August 2022. This reflected the refresh of the Population Need assessment and the insights gathered in terms of the harm created by Covid-19 through the socio-economic rescue-plan.</p> <p>The Council's Capital Investment Plan is central to the delivery of future planning activities and is adaptable to the changing environment in which the Council operates, including ensuring that stretch outcomes in the LOIP and Council strategic framework are supported appropriately.</p> <p>The Year-end timetable and task list covers any emerging accounting issues including those relating to the capital programme. The timetable and task list is produced annually in February.</p> <p>There is early identification and consideration of accounting implications as part of the business case process. The Chief Officer - Finance is represented at the Demand Management Control Board and Capital Board where business cases are given early consideration, as well as being consulted ahead of board meetings and is involved in signing off on the financial implications included in proposed business cases.</p>

Recommendation	Council response and progress to date
	<p>Audit Response - The medium term financial plan was updated to support the introduction of TOM 1.2 in August 2022. The 5 year plan is regularly reviewed as part of the budget setting process. There is an agreed action to refresh the long term plan during 2024.</p>
<p>4. The council should carry out post project reviews of major projects, including capital developments, to ensure lessons can be learned timeously and applied to future projects.</p> <p>Action complete</p>	<p>Council's progress – recommendation closed October 2022</p> <p>The council is committed to carrying out post project reviews to learn lessons and inform future activity. While Covid-19 delayed the beginning, completion and opening of some recent developments, work is underway to ensure that formal post project reviews are timeously carried out for all major projects.</p> <p>Reports are now coming through and are being reported to the Capital Board. Template for lessons learned has been added to PMO Toolkit for roll out.</p> <p>Audit Response</p> <p>Reviews form a standard part of project management arrangements and are reported to the Capital Board.</p>
<p>5.To fulfil its duties under the Community Empowerment Act 2015, the council should continue to consult with communities and articulate how it intends to meet its target to allocate one per cent of revenue funding through participatory budgeting.</p> <p>Further work required to achieve one per cent target</p>	<p>Council's progress</p> <p>The council's Engagement, Participation and Empowerment Strategy was delivered and approved in November 2022.</p> <p>"You Decide" approach to Participatory Budgeting and the council's Fairer Aberdeen Board to allocate funds to support community regeneration to meet 1% target. (March 2023)</p> <p>The Participatory Budgeting toolkit was launched in April 2023, raising awareness of participatory budgeting with officers who have not been involved in participatory budgeting process previously and provided officers across services with the resources to deliver different types of participatory budgeting activities across the City following "You Decide" approach.</p> <p>Audit Response</p> <p>The council has an established participatory budgeting approach called U-decide. In 2018, the council committed to allocating one per cent of revenue funding through its participatory budgeting approach. Over the last four years, £9.1 million (£2.3 million per year on average) has been allocated which equates to approx. 0.6% of council funding each year. Decisions made through participatory budgeting generally relate to environmental projects and an allocation of funding from the Fairer Aberdeen Fund.</p> <p>The council recognises that further work is required to achieve the one per cent target. A tool kit has been developed to support services and there are plans in place to identify specific areas of spend which could be made by relevant communities.</p> <p>We will review use of the toolkit and evidence of participatory budgeting projects as part of 2023/24 audit.</p>
<p>6.The council should review the number and focus of their improvement projects to:</p> <ul style="list-style-type: none"> • focus on improving core services areas that support the longer-term ambitions of the LOIP; • reflect the views of residents; and 	<p>Council's progress – closed August 2022</p> <p>Performance report presented each cycle to committees, allowing scrutiny and challenge by elected members, and the Performance Board will continue to monitor and identify any additional improvement projects.</p> <p>Scrutiny of core services performance and identification of formal improvement projects through reporting to and review by committees, quarterly reports to the Performance Board and Extended corporate Management Team. For example,</p>

Recommendation	Council response and progress to date
<ul style="list-style-type: none"> respond to short-term priority responses to Covid-19 <p>Action complete</p>	<ul style="list-style-type: none"> the Housing Improvement Group oversees a programme of required improvements in housing, void property management and complaints management action plans have been implemented and performance scrutinised reports have been submitted to committee providing additional performance data and narrative on void property performance. Void property is a standing item on the monthly Performance Board. the Tenant Participation and Engagement Strategy has been refreshed and the Tenant Participation Group and Tenant Groups continue to scrutinise and drive performance improvement education service performance is reported to committee and arrangements have been put in place to monitor the response to the recommendations of the Organisation for Economic Co-operation and Development on the Curriculum for Excellence the education committee considered an interim tracking report for the 2020-21 academic year, against the suite of Educational Improvement Journey Key Performance Indicator measures, supporting the Excellence and Equity agenda within the council's National Improvement Framework Plan; <p>Audit Response</p> <p>There is significant evidence of work being undertaken to review improvement projects, and particularly projects within core service areas.</p>

Appendix 1

Improvement Action plan

Issue	Recommendation	Agreed management action/timing
<p>1.Developing scrutiny</p> <p>The Audit, Risk and Scrutiny Committee has a remit for scrutiny within the council but has not considered any reports under this remit over the last year.</p>	<p>There is scope to use the committee more effectively to scrutinise council decisions.</p> <p>Terms of reference for committees should be reviewed and guidance developed to clarify how the process could be initiated, conducted and reported by elected members. Robust arrangements should be agreed to ensure terms of reference for scrutiny activity are clear, concise and the approach is consistently applied.</p>	<p>Management are supportive of improved scrutiny within the Audit, Risk and Scrutiny Committee and will work with members in the Governance Reference Group to prepare a clear set of guidance for when such scrutiny is appropriate, as part of the Scheme of Governance being reported to Council in July 2024.</p>
<p>2. Member to member working together</p> <p>We have experienced tensions and heated debate in the council chamber which increases the risk of referrals to the Standards Commission.</p> <p>Many councillors virtually attend council meetings and there is limited in-person interaction in the Town House outwith formal meetings.</p> <p>The BVAR included a recommendation on opportunities for cross-party working. This is the only BVAR recommendation which has not been progressed.</p>	<p>In view of the tensions identified between elected members and the increased risk of referrals to the Standards Commission, consideration should be given to including guidance in the Member-Officer Relations Protocol on member-to-member working relationships.</p> <p>There is merit in the co-leaders, group leaders and independent councillors working collaboratively to create genuine opportunities to share experiences, hold conversations and work together to improve working relationships and resolve issues before they escalate. Annual proposals should be</p>	<p>Management are fully supportive of these recommendations and will propose revisions to the Member Officer Relations Protocol through the Governance Reference Group. These, alongside proposals for cross party working, will be included in the report to Council on the Scheme of Governance in July 2024.</p>

Issue	Recommendation	Agreed management action/timing
	brought forward for cross-party working opportunities.	
<p>3. Officers' use of delegated powers</p> <p>Some members have concerns that they are hearing what they regard as 'politically sensitive' decisions on social media rather than through formal council communication channels.</p>	<p>There is scope to review the delegated powers to confirm whether these should be allocated to the council's committees or remain delegated to officers.</p> <p>Such a review could form part of the annual scheme of governance review and, if conducted by the Governance Reference Group, a group with cross-party membership, this could be a good example of effective collaborative cross-party working. The review could usefully consider examples of potential types of issues likely to cause concern and when consultation with members would be appropriate.</p> <p>The review should focus on the processes in place. There should be a shared understanding of when more scrutiny around decisions is and is not appropriate in order that delegations can be appropriately allocated.</p> <p>The Member-Officer Relations Protocol could also be strengthened in line with the recent Standards Commission's Briefing Note e.g. elected members have access to information on a 'need to know' basis and have no right 'to a roving commission'.</p>	<p>Powers Delegated to Officers will be reviewed by the Governance Reference Group (GRG) in early summer, reporting to Council in July as part of the Scheme of Governance (SOG). All elected members were invited to share their views on the SOG and the feedback received will be reviewed by the GRG. Officers with delegations will also be invited to share examples of delegations which they have exercised but which they consider would have been more suitable for elected member decision.</p> <p>The Member Officer Relations Protocol will also reference any advice notes issued by the Standards Commission, including the note on members accessing information. This will provide clear parameters to elected members and officers on when it is appropriate to share information.</p>

Aberdeen City Council

Best Value Thematic Review 2022/23

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	External Audit Report – Housing Benefit Risk Assessment
REPORT NUMBER	EA/24/002
DIRECTOR	N/A
CHIEF OFFICER	Michael Oliphant, Audit Director Audit Scotland
REPORT AUTHOR	Anne MacDonald, Senior Audit Manager Audit Scotland
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Committee with Audit Scotland’s Risk Assessment of the housing benefit service.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 1.1. Audit Scotland has completed the attached report which sets out the auditor’s conclusions in respect of the benefit service and the extent to which it is meeting its obligations to achieve continuous improvement in its activities.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are detailed in the resultant External Audit reports. Recommendations are made to address the identified risks and External Audit follows up progress with implementing those that are agreed with management.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, External Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an external audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required.

10. BACKGROUND PAPERS

10.1 The risk assessment was completed as part of Audit Scotland's housing benefit performance audit programme. The last assessment was undertaken in 2015 and reported to the Audit, Risk and Scrutiny Committee in November 2015.
[Housing Benefit Risk Assessment Report - 2015](#)

11. APPENDICES

11.1 Appendix A: External Audit – Housing Benefit Risk Assessment Report.

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Aberdeen City Council

Audit of housing benefit
Risk assessment report



 AUDIT SCOTLAND

Prepared for Aberdeen City Council
December 2023

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Key messages

- The benefit service has faced a number of challenges since our last audit, including a corporate restructure, significantly increased workloads arising from the Covid-19 pandemic from 2020/21, and the loss of ten experienced staff in 2021/22.
- Although regular detailed performance is reported at service level, reporting to elected Members could be improved by reporting new claims and change events performance separately, and performance in respect of the recovery of overpayments.
- When compared to 2021/22, claims processing performance declined significantly in the first three quarters of 2022/23. However, the council has been successful in addressing this decline in quarter four, although there remains considerable scope for further improvement in 2023/24.
- The council has a comprehensive programme of quality checks and despite additional workloads and staffing issues, has maintained a consistently high level of claims processing accuracy since 2019/20.
- There is scope for significant improvement in the council's overpayment recovery performance. The council plans to carry out a full review of this area in 2023/24, which should include setting recovery targets, and regularly reporting recovery performance to senior management and elected Members.

Introduction and background

1. The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. The key objective of the risk assessment is to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in its activities.

2. The risk assessment considers the effectiveness of the benefit service's business planning and reporting, in meeting priorities, and delivering outcomes. It was completed as part of Audit Scotland's housing benefit (HB) performance audit programme and does not represent a full audit of Aberdeen City Council's benefit service.

3. Information for this risk assessment was gathered from:

- the self-assessment, performance matrix and supporting documentation provided by the council
- Department for Work and Pensions (DWP) indicators and other performance measures
- scrutiny of internal and external audit reports
- discussions with council officers and the appointed external auditor.

4. Since our last audit in 2015 there have been significant changes to the council's Revenues and Benefits service. In 2019, following a corporate restructure, a Customer Application Team was established and incorporated into the service. Although a standalone team responsible for the administration of council applications, benefit assessors have been utilised to support the team when there have been resource issues or significant work volumes.

5. In 2020/21, the Covid-19 pandemic impacted all Scottish councils as staff had to quickly adapt to new ways of working, while managing increased workloads, including the administration of Scottish Government support schemes, such as Low-Income Pandemic Payments and Self-Isolation Support Grants. This resulted in the redeployment of experienced benefit staff to process these applications and in 2021/22, this included nine benefit assessors for a period of approximately two months.

6. When labour markets re-opened in the latter part of 2021 the benefit service suffered a loss of ten experienced staff in a relatively short period of time, further impacting on the delivery of key core HB functions in 2021/22 and 2022/23. The council told us that most of these staff left the service to take up other posts at higher pay grades with similar responsibilities.

7. Managing these changes has been challenging for the council and placed significant additional pressures on the service. Despite this, the council told us

that staff responded positively to these challenges, and it is creditable that the service has maintained a high level of claims processing accuracy throughout this time, and that following a significant downturn in claims processing performance in the first three quarters of 2022/23, performance in quarter four has seen significant improvement.

Business planning and reporting

There is regular reporting of benefit service performance to staff and senior management although there is scope to increase the level and detail reported to elected Members

8. An effective business plan provides an opportunity for the council to set out the aims and objectives of each service and should contain key deliverables against which performance is measured, monitored, and reported.

9. Revenues and Benefits is a key service within the People and Organisational Development cluster of the council's Customer function. The [Council Delivery Plan 2023/24](#) details the council's strategic objectives, including the following key anti-poverty driver for the benefit service:

- Support multi-agency efforts to increase benefits uptake by:
 - co-ordinating early intervention and prevention activities to increase benefits uptake and improve debt management.
 - supporting claimants to maximise their income by utilising 'Entitled To' software.
 - carrying out financial assessments for those experiencing homelessness.

10. Operationally, the council's [Governance Service Standards](#) contain the key performance measures for the Customer function. For the benefit service these are to process all new HB claims and change events within an average of 12 days, and to pay the correct amount of benefit to customers in 95 per cent of cases.

11. There is regular reporting of performance against these measures to staff, senior management, and elected Members, to provide assurance that the service is operating efficiently and effectively. This includes:

- monthly at the Revenues and Benefits management meeting
- monthly between the Revenues and Benefits Manager and the Benefits Processing Manager
- weekly operational meetings between the Benefits Processing Manager and benefit team leaders
- weekly between benefit team leaders and assessment staff
- every two months to elected Members of the Communities, Housing and Public Protection committee.

12. When reporting to elected Members, if benefit service performance is more than 20 per cent below the service standard, the Revenues and Benefits Manager is required to provide an explanation and advise the actions being taken to address the decline. For example, in January 2023, elected Members were provided with a detailed summary of the reasons for the decline in claims processing performance and provided with a summary of the actions that had been taken to address the decline.

13. Actions included:

- the recruitment of new staff.
- a review of training packages in order that areas of greatest priority are targeted first.
- reviewing processes and automating activities, where possible.
- re-distributing resources throughout the team to better manage workloads.

14. The weekly operational meeting is the main forum for the benefit service to discuss workloads, work priorities, staff availability, training updates, system issues, and any other issues or information affecting the delivery of the service. A comprehensive summary of this meeting is maintained and provided to team leaders to ensure that relevant information is disseminated to assessment staff. This provides an audit trail of issues raised and progress made.

15. Although performance is monitored and regularly reported in detail at service level, the [Governance Service Standards](#) for claims processing, which are reported to elected Members, are a cumulative DWP claims processing measure, known as the Right Time Indicator (RTI). This indicator has not been used by the DWP since 2013 when it was superseded by the Speed of Processing (SoP) indicator, which details the average time to process new claims and change events separately, providing a more accurate representation of performance.

16. The council advised that SoP performance is available to elected Members within the council's performance management system. However, to ensure consistency of reporting, the [Governance Service Standards](#) should be updated to include separate reporting of new claims and change events performance.

17. Additionally, when reporting claims processing performance to elected Members, the benefit service should consider reporting performance against the Scottish average, as this would allow elected Members to fully understand claims processing in the national context and enable elected Members to robustly challenge the service when under-performing, while recognising good performance.

Recommendation 1

The council's Governance Service Standards should be updated to show claims processing performance as the average time to process new claims and change events separately. This would ensure consistency of reporting with the council's performance management framework and provide elected Members with a clearer picture of the benefit service's overall claims processing performance.

Delivering outcomes

Although improving, there remains significant scope for further improvement in the council's claims processing performance

- 18.** When customers claim housing benefit (HB) it is at a time of financial uncertainty. It is therefore essential that the benefit service has sufficiently trained staff to make informed decisions on complex benefit claims and make payments promptly.
- 19.** As detailed under [Introduction](#), the benefit service has faced significant challenges since our last audit, most notably managing increased workloads arising from the Covid-19 pandemic from 2020/21, and the loss of ten experienced staff in 2021/22.
- 20.** Although a recruitment exercise was carried out to replace these staff it was a lengthy process as the council is committed to developing and utilising its existing workforce in line with a core principle in its Recruitment and Selection Policy to 'Ensure that opportunities for internal recruitment are given high priority.'
- 21.** Although the recruitment campaign was successful, the service will take some time to fully recover from the loss of so many experienced staff, as inexperienced staff can take up to 18 months to be able to work independently across all aspects of benefit service delivery.
- 22.** The council reported that the benefit service's transition to remote working during the Covid-19 pandemic was smooth. However, the resultant increased workloads arising from applications for the Scottish Government's Covid-19 support schemes placed a significant strain on the service and impacted on claims processing performance in 2020/21 with over 18,000 covid-related applications received in that year, reducing to 7,369 in 2021/22, and to 972 in 2022/23.
- 23.** The council highlighted that the need to prioritise these applications contributed to the decline in new claims processing performance in 2020/21 from an average of 17 days to an average of 26 days. However, while new benefit customers had to wait longer to get their claim processed, the council prioritised change events, such as an increase in household income, to ensure that potential HB overpayments were minimised. This decision helped improve the time taken to process change events in 2020/21 from an average of six days to an average of five days.
- 24.** In 2021/22, as the number of Covid-19 support scheme applications reduced, the council prioritised new claims and, while this resulted in an increase in the time taken to process change events, the time to process new claims reduced significantly from an average of 26 days to an average of 18 days.
- 25.** However, as new claims processing performance was recovering, the unexpected loss of ten of the benefit service's experienced staff in the latter part

of 2021/22 saw a decline in the average time taken to process new claims in quarter four of 2021/22, and a significant decline in new claims and change events processing times in quarters one, two and three of 2022/23.

26. [Exhibit 1](#) details the council's claims processing performance.

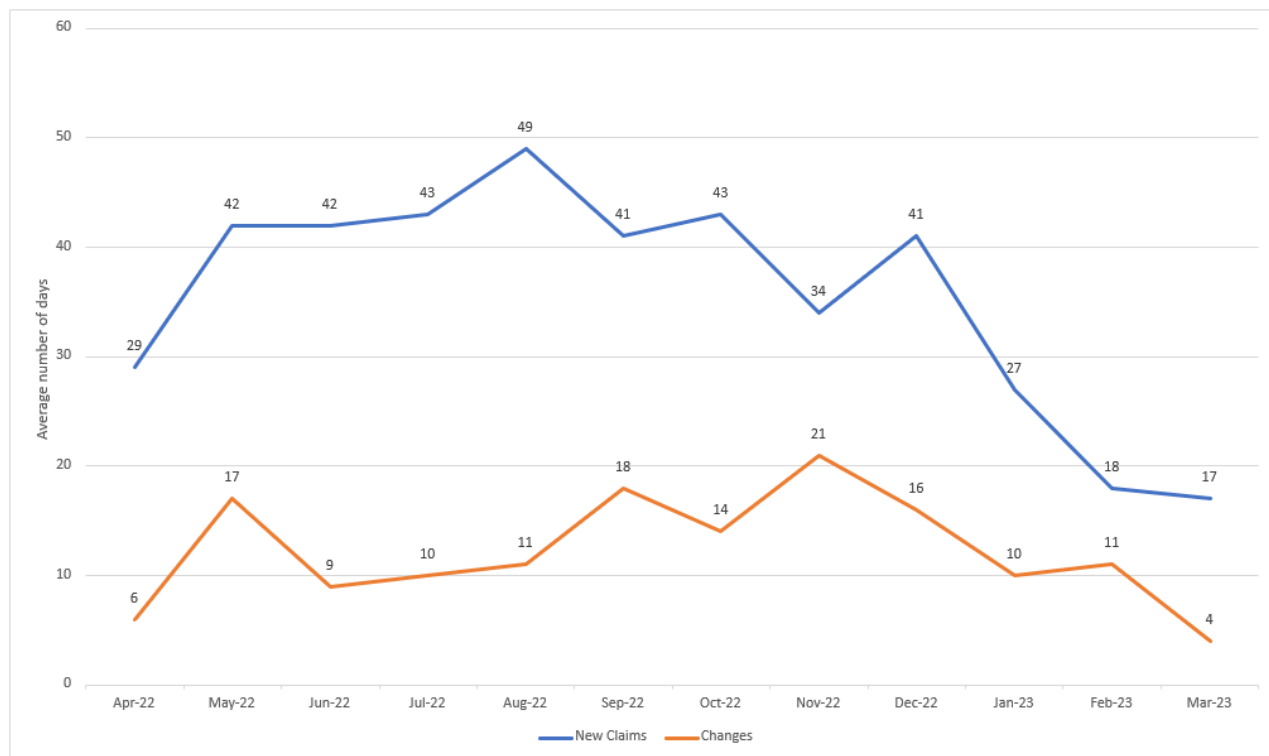
Exhibit 1

Speed of processing performance (average number of days)

	2019/20	2020/21	2021/22	2022/23	Scottish average 2022/23
New claims	17 days	26 days	18 days	33 days	20 days
Change events	6 days	5 days	8 days	10 days	4 days

Source: Aberdeen City Council and DWP

27. Although the council's performance in 2022/23 is significantly poorer than the Scottish average, and there remains considerable scope for improvement, the direction of travel is encouraging. [Exhibit 2](#) details new claims and change events performance by month and illustrates that the council's efforts to address claims processing performance are proving effective.

Exhibit 2**Speed of processing performance 2022/23 (average number of days)**

Source: Aberdeen City Council and DWP

The council has maintained a high level of claims processing accuracy since 2019/20, however, there is scope to improve the accuracy checking process

28. The accurate and secure administration of housing benefit (HB) should be a key priority for every council. To support this, it is vital that a robust quality assurance framework is in place that:

- reduces the potential for fraud and error to enter the benefit system.
- helps reduce the potential for HB overpayments to occur and the associated costs of pursuing this debt.
- provides an audit trail to ensure that errors found are corrected.
- provides the service with invaluable information on the type of financial and non-financial errors occurring, allowing for the identification of specific training, and to target checks on areas of greatest risk.
- provides the service with information to report accuracy performance to senior management and elected Members.

29. The benefit service places significant importance on the accuracy and quality of claims processing and a team of benefit officers have responsibility within their job profile to carry out accuracy checks. However, to maintain consistency of approach, the council reported that accuracy checks are generally tasked to one benefit officer. Accuracy is also a key service standard that is regularly reported to staff, senior management, and elected Members.

30. Each month a system generated report is used to randomly select five 'live' claims per assessor for scrutiny and a comprehensive check sheet is completed for each claim. The check sheet covers all aspects of a claim including:

- Household composition
- Effective dates
- Income and capital
- Rent details.

31. Errors found are notified to team leaders who discuss the case with the assessor to ensure that there is an understanding of why the error occurred, and that the appropriate corrective action is taken.

32. Once corrected, the check sheet is co-signed by the assessor and the team leader. This is considered good practice as it provides an audit trail confirming that the assessor has understood the reasons for the error, and details of the corrective action taken.

33. In January 2023, Internal Audit carried out an audit of the quality assurance process, which included a review of a sample of claims. In all cases, Internal Audit reported that team leaders were notified of the outcome of the check, and that appropriate corrective action had been taken, including consulting with the member of staff on the detail of the error.

34. In February 2023, Internal Audit concluded that:

'The level of net risk is assessed as **MINOR** with the controls framework deemed to provide **SUBSTANTIAL** assurance over the Council's management of Housing Benefit (HB) and Council Tax Reduction (CTR).'

35. The council told us that one minor recommendation to update and expand quality assurance procedures to cover all elements of the quality assurance process had been accepted and implemented.

36. In addition to routine accuracy checking activities, the work of inexperienced staff, and staff where there are performance concerns, is subject to a 100 per cent check, which is reduced as the assessor becomes more competent, and a 100 per cent check of payments more than £1,500 payable to private tenants provides assurance that high value payments are correct before issue.

37. Since 2019/20 the benefit service has delivered a high level of accuracy as detailed in [Exhibit 3](#).

Exhibit 3 Housing Benefit Financial Accuracy

Year	Target	Achieved
2019/20	95%	96%
2020/21	95%	97%
2021/22	95%	98%
2022/23	95%	97%

Source: Aberdeen City Council

38. In 2022/23, the council carried out an accuracy check on 532 of the 8325 (6.4 per cent) claims actioned in 2022/23. Of these, 154 (29 per cent) were claims that had been 'passported'. This type of claim is from customers that are in receipt of one or more DWP benefits and are considered minimal risk, as the customer's information has been verified by the DWP.

39. It is re-assuring that the council is checking a considerable number of claims while maintaining a high-level of accuracy, and there are many positive aspects to the council's quality assurance process. However, the benefit officer accuracy checking resource is finite, and further improvements could be made to enhance the process and provide additional assurance.

40. For example, by:

- carrying out accuracy checks pre-payment, which allows financial errors found to be corrected before a payment is made. This reduces the potential for avoidable overpayments and a subsequent loss of subsidy.
- considering a more selective approach for accuracy checks based on robust analysis of previous checks to identify cases where there is a higher risk of an error, for example, in working-age claims, or where there has been a legislative change
- reducing the number of accuracy checks, allowing benefit officers to target claim selection on areas of greater risk identified from outcomes analysis.

Recommendation 2

The council should consider a more selective approach for its accuracy checks based on robust analysis of previous checks to identify cases where there is a higher risk of an error, for example, in working-age claims, or where there has been a legislative change.

Recommendation 3

Accuracy checks should be carried out pre-payment, where possible, as this allows financial errors to be corrected before a payment is made and reduces the potential for avoidable overpayments and a subsequent loss of subsidy.

The council is a key participant in DWP and Audit Scotland data matching initiatives and proactive in identifying and correcting un-reported change events

41. To minimise error in the caseload, councils must encourage customers to report change events on time and have a robust intervention programme to identify unreported changes and take appropriate corrective action.

42. To support this, benefit service notification letters remind customers of the requirement to report any change event. The council website also advises customers of the need to report change events and has a facility to report a change online.

43. The council also actively participates in the DWPs Housing Benefit Matching Service, Audit Scotland's National Fraud Initiative, DWPs Verify Earnings and Pensions (VEP) service, and in April 2022 signed up to the DWPs Housing Benefit Accuracy Award (HBAA) initiative. These activities are designed to help councils identify unreported change events to ensure the accuracy of the caseload.

44. In 2021/22, the council told us that it had achieved 90 per cent of its expected HBAA initiative outcomes and that this level of performance had placed it in the top quartile of all Scottish councils in three out of the four quarters in the year. However, due to the resource issues documented in this report, the council told us that it had been unable to achieve a similar level of performance in 2022/23 (Q1-Q3).

There is scope for significant improvement in the council's overpayment recovery performance

45. To protect public funds, councils should take appropriate steps to ensure that housing benefit (HB) overpayments are minimised and that, when they do occur, they are correctly classified and recovered.

46. Since 2015, the benefit service has been responsible for the recovery of HB overpayments. However, in November 2021, responsibility for any debt that the

benefit service is unable to recover is transferred to the new Corporate Debt Team established to improve the collection of all debts due to the council.

47. The council's Corporate Debt Recovery Policy sets out its approach to the collection and recovery of debt and has a key aim to 'maximise income collection and to minimise the cost of collection, while maintaining and improving the customer experience through collection and recovery.'

48. The policy details 11 strategic objectives to meet this aim which include:

- billing, collecting, and recovering charges in an economic, effective, and efficient manner that meets with legislation.
- encouraging people to pay regularly; using the most cost-effective method.
- promoting early personal contact across all income streams and recognising the need to prevent debts escalating.
- seeking satisfactory arrangements for payment of debts at all stages of recovery. Where this cannot be achieved, taking recovery action using the appropriate legal remedies.
- applying best practice to debt collection, to ensure all debtors are treated fairly and objectively.

49. To minimise benefit overpayments, the benefit service prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers of the need to report any changes on benefits documentation and on its website. In addition, the service checks the output from the DWP's Automated Transfer to Local Authority and VEP systems and prioritises claims where an overpayment could arise.

50. This proactive approach has helped minimise the number of local authority (LA) /administrative error overpayments that can arise because of processing delays. This is particularly important as a council can lose subsidy where its LA/administrative error rate exceeds 0.48 per cent of all HB payments made. Since 2019/20 the council has performed well below this threshold.

51. The council told us that assessors are provided with extensive overpayments training to enable them to identify and classify an overpayment and, to ensure propriety, any overpayment exceeding ten pounds that is being considered for write off requires prior authorisation from a team leader.

52. Where a customer has an overpayment and remains in receipt of benefit, the debt is recovered from ongoing benefit at a prescribed rate, unless the customer notifies the council that they are experiencing hardship. In these circumstances, a means test would be carried out, and a reduced rate of recovery would be agreed with the customer, as appropriate.

53. If the customer is no longer receiving HB, the council makes use of all available recovery options including:

- issuing an invoice for repayment.
- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from DWP benefits.
- recovering the debt from the customer's employer using a Direct Earnings Attachment.
- recovery from a third-party landlord, if appropriate.
- utilising Sheriff's Officers for difficult to recover debt.

54. [Exhibit 4](#) details the council's HB overpayment recovery performance.

Exhibit 4 Overpayment levels and recovery performance

	2019/20	2020/21	2021/22	2022/23 (28 Feb 23)
Total value of HB overpayments carried forward	£8,601,394	£8,293,408	£7,713,145	£7,542,043
Total value of overpayments identified in-year	£1,541,235	£823,645	£953,672	£1,130,387
Total value of HB debt	£10,142,629	£9,116,693	£8,667,417	£8,672,440
Total value of all HB debt recovered (in-year)	£574,730	£381,901	£389,652	£447,064
Total value of all HB debt recovered	£1,494,244	£1,196,420	£949,374	£786,294
Total value of HB debt written off	£329,603	£198,360	£153,403	£168,269
Percentage of total HB debt recovered	15%	13%	11%	9%

Source: Aberdeen City Council

55. Although robust processes are in place to minimise overpayments, historically the council's all debt recovery performance has been low, placing it 24th in 2019/20, 17th in 2020/21, 29th in 2021/22, and 29th in 2022/23 out of 32 Scottish councils.

56. The council advised that from 2020/21 overpayment recovery activity was reduced to prioritise other key areas of service delivery because of the impact of the Covid-19 pandemic and the significant loss of experienced benefit staff.

57. Although it is acknowledged that the council had significant resource issues during 2021/22 and 2022/23, the recovery of HB overpayments is a key area of the benefit service that could be improved. For example:

- there are no documented overpayment recovery targets, despite a key aim of the Corporate Debt Recovery Policy to ‘maximise income collection’
- performance is not reported to, or scrutinised by elected Members
- there has been a long-standing council ‘clawback’ policy not to use the DWP’s maximum prescribed rate of deduction where customers are still in receipt of benefit.

58. [Exhibit 5](#) details the maximum weekly amount for 2022/23 that the DWP advises councils can recover from ongoing benefit, compared to the amount that the council recovers under its ‘clawback’ policy.

Exhibit 5

Housing Benefit recovery by deduction rate 2022/23

	DWP	Aberdeen City Council
Non-fraud (passported claim)	£11.55	£3.85
Non-fraud (working age)	£11.55	£9.00
Fraud	£19.25	£19.25

Source: Aberdeen City Council

59. In January 2023, the benefit service reported to the Anti-Poverty and Inequalities Committee that two thirds of HB overpayments are being recovered at the £3.85 rate or less, instead of the £11.55 rate.

60. While some customers will be repaying an overpayment at a lesser rate than £3.85 or £9.00 per week due to hardship, a blanket policy of reduced deductions means that the council is not meeting the stated aim in its Corporate Debt Recovery Policy to maximise income collection.

61. In addition, although the council makes use of all available recovery options, it is not rigorously recovering fraud overpayments and administrative penalties as detailed in [Exhibit 6](#). This is important, as it can act as a deterrent to others considering fraud against the council.

Exhibit 6**Value of outstanding fraud overpayments and administrative penalties**

	2020/21	2021/22	2022/23	Change 2020 - 2023
Fraud overpayments	£468,765	£453,600	£432,916	-7.6%
Administrative penalties	£ 13,044	£ 12,847	£ 12,768	-2.1%

Source: Aberdeen City Council

62. The recovery of HB overpayments is key to delivering an efficient and effective benefit service as it can generate additional revenue for the council. The council told us that it recognises this as an area for improvement and told us that it plans to carry out a full review of overpayments policies and procedures in 2023/24.

Recommendation 4

The council should have documented targets for in-year and all debt recovery and performance against these targets should be regularly reported to senior management and elected Members.

Recommendation 5

The council does not monitor the recovery of fraud overpayments and administrative penalties to ensure rigorous recovery, and to act as a deterrent. It is therefore unclear how effective it is at recovering this type of debt.

Recommendation 6

Unless there has been an income and expenditure assessment, the council should re-consider its policy of making deductions from ongoing benefit below DWP prescribed rates.

Recommendations

2023/24 recommendations

Issue / risk	Recommendation	Agreed management action / timing
<p>Business planning and reporting</p> <p>The level of detail provided to elected Members is not sufficient to allow elected Members to determine performance in respect of new claims and change events processing.</p>	<p>The council's Governance Service Standards should be updated to show claims processing performance as the average time to process new claims and change events separately. This would ensure consistency of reporting with the council's performance management framework and provide elected Members with a clearer picture of the benefit service's overall claims processing performance.</p> <p>Paragraph 17.</p>	<p>Agreed and implementation date to be aligned with the start of the new financial year.</p>
<p>Accuracy</p> <p>The council randomly selects claims from a benefit IT system report for its accuracy checks and therefore there is a risk that claims most likely to result in an error are not being targeted.</p> <p>The council carries out accuracy checks post-payment which allows for avoidable financial errors to enter the benefit system.</p>	<p>The council should consider a more selective approach for its accuracy checks based on robust analysis of previous checks to identify cases where there is a higher risk of an error, for example, in working-age claims, or where there has been a legislative change.</p> <p>Paragraph 40.</p> <p>Accuracy checks should be carried out pre-payment, where possible, as this allows financial errors to be corrected before a payment is made and reduces the potential for avoidable overpayments and a subsequent loss of subsidy</p> <p>Paragraph 40.</p>	<p>Agreed and will review checking regime with implementation date of 1/4/24.</p> <p>Agreed and will review checking regime with implementation date of 1/4/24.</p>

Issue / risk	Recommendation	Agreed management action / timing
<p>Debt recovery performance</p> <p>The council's housing benefit debt recovery performance has been in the bottom quartile of all Scottish councils since 2021/22. The longer benefit debt remains outstanding the harder and more costly it will be to recover.</p>	<p>The council should have documented targets for in-year and all debt recovery and performance against these targets should be regularly reported to senior management and elected Members.</p> <p>Paragraph 62.</p> <p>The council does not monitor the recovery of fraud overpayments and administrative penalties to ensure rigorous recovery, and to act as a deterrent. It is therefore unclear how effective it is at recovering this type of debt.</p> <p>Paragraph 62.</p> <p>Unless there has been an income and expenditure assessment, the council should re-consider its policy of making deductions from ongoing benefit below DWP prescribed rates.</p> <p>Paragraph 62.</p>	<p>Agreed and will be reviewed as part of our review of HB Overpayments with implementation date of 1/4/24.</p> <p>.</p> <p>Agreed and will be reviewed as part of our review of HB Overpayments with implementation of 1/4/24.</p> <p>Agreed and will reconsider and discuss with our internal stakeholders with implementation date of 1/4/24.</p>

Aberdeen City Council

Audit of housing benefit - Risk assessment report

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	External Audit Report – Annual Audit Report – 2022/23 Audit
REPORT NUMBER	EA/24/003
DIRECTOR	N/A
CHIEF OFFICER	Michael Oliphant, Audit Director Audit Scotland
REPORT AUTHOR	Anne MacDonald, Senior Audit Manager Audit Scotland
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Committee with External Audit's Annual Audit Report on the 2022/23 audit.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 1.1. External Audit has completed the attached report which sets out the auditor's judgements and conclusions in respect of the 2022/23 audit and covers both the audit of the council's financial statements and the auditor's wider scope responsibilities as set out in the Code of Audit Practice.

4. FINANCIAL IMPLICATIONS

- 4.1 An additional audit fee of £15,000 has been agreed with the Chief Officer, Finance to reflect the additional work required to conclude the 2022/23 audit. This increases the 2022/23 audit fee from £507,010 to £522,010.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are detailed in the resultant External Audit reports. Recommendations are made to address the identified risks and External Audit follows up progress with implementing those that are agreed with management.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, External Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an external audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required.

10. BACKGROUND PAPERS

10.1 The scope of the audit was set out in an annual audit plan which was presented to the Audit, Risk and Scrutiny Committee in May 2023.
[Annual Audit Plan 2022-23](#)

11. APPENDICES

11.1 Appendix A: External Audit – Annual Audit Report on the 2022/23 audit.

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Aberdeen City Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Aberdeen City Council and the Controller of Audit

April 2024

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Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council were unmodified.
- 2 Recommendations to improve the content of the management commentary and the annual governance statement prior to the preparation of the 2023/24 accounts are being actioned by officers.
- 3 There were gaps in the supporting working papers and audit trails provided for audit. Steps are being taken to address these matters.

Financial management and sustainability

- 4 The council has appropriate arrangements to secure sound financial management. Quarterly management accounts which include a balance sheet position are considered by the Finance and Resources Committee. The council reported a small deficit of £2 million as the outturn against budget for the year.
- 5 A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A five-year financial plan is prepared showing the savings required each year to deliver a break-even position.
- 6 The council has implemented a second programme of challenging transformation and service redesign to address a funding shortfall in excess of £100 million over the next five years.
- 7 Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud and error were adequate.

Best Value

- 8 The council has an effective best value framework in place. Priorities are well articulated and embedded within its strategic planning framework. Positive action has been taken to encourage wider involvement in community engagement and empowerment.
- 9 There is an effective Performance Management Framework in place. Steps continue to be taken to further improve the quality of how the council reports

its performance but there is scope to focus more on targets, outcomes and impact.

- 10** Good progress had been made in addressing the recommendations made in the Best Value Assurance Report published in June 2021.

Vision, leadership, governance and use of resources

- 11** Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved and powers delegated to officers reviewed. There is an absence of effective cross-party working and tensions exist between elected members in the council chamber.
- 12** There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity.
- 13** The council's performance in the Local Government Benchmarking Framework remains positive. It shows improvement in 47% of indicators and performs better than the Scottish average in 54% of indicators.
- 14** The council's arrangements for the publication of statutory performance indicators met statutory requirements.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Aberdeen City Council (the council). The scope of the audit was set out in an annual audit plan presented to the Audit, Risk and Scrutiny Committee in May 2023. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's annual accounts
- conclusions on the council's arrangements for meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice](#):
 - Financial management
 - Financial sustainability
 - Vision, leadership, governance and use of resources.

2. This report is addressed to Aberdeen City Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. The 2022/23 financial year was the first of our five-year appointment. Our appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. We would like to thank councillors, senior management, and other staff, particularly the Chief Officer – Finance and his team, for their cooperation and assistance and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

8. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. Our 2022/23 annual audit plan set out an audit fee of £507,010 including £10,000 in respect of the council's charities. This has been increased by £15,000 to reflect the additional work required to complete the audit. We are not aware of any relationships that could compromise our objectivity and independence.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Our audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.

The management commentary, annual governance statement and remuneration report were consistent with the financial statements and properly prepared in accordance with the applicable guidance. Recommendations to improve the content of the management commentary and the annual governance statement prior to the preparation of the 2023/24 accounts are being actioned by officers.

There were gaps in the supporting working papers and audit trails provided for audit. Steps are also being taken to address these matters.

Audit opinions on the annual accounts are unmodified

9. The council approved the annual accounts for Aberdeen City Council and its group for the year ended 31 March 2023 on 15 August 2023. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Significant findings and key audit matters

10. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices. Our findings and recommendations were set out in a report to the Audit, Risk and Scrutiny Committee (ARSC) on 15 August 2023 and can be found here - [ARSC 15 August 2023 - External Auditor's Report](#)

11. A number of material adjustments were made to the accounts. Overall, they had the effect of reducing the comprehensive income expenditure account, net assets and reserves by £378 million. In addition, prior year figures were restated to increase income and closing reserves by £26 million. The changes largely related to technical accounting matters and included the recognition of pension assets in the accounts, the accounting treatment for unspent capital grants and the need for the council to eliminate internal transactions from its financial statements. More detail is provided in the August 2023 report: [ARSC 15 August 2023 - External Auditor's Report](#)

Our audit opinions on Section 106 charities were unmodified

12. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

13. For Aberdeen City Council, the seven applicable charities listed below are regarded as connected and have been combined within a single set of accounts:

- Guildry and Mortification Funds
- Bridges of Aberdeen Heritage Trust
- Alexander MacDonald's Bequest
- Aberdeen Art Gallery Trusts
- Lands of Skene
- Lands of Torry
- Education Endowment Investment Trusts.

14. We reported in the independent auditor's report that:

- the financial statements give a true and fair view of the charities' financial position and are properly prepared in accordance with charities' legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The council has appropriate arrangements to secure sound financial management. Quarterly management accounts are provided to the Finance and Resources Committee. The council reported a small deficit of £2 million as the outturn against budget for the year.

Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud were adequate.

The council operated within budget in 2022/23

15. The council approved its 2022/23 budget in March 2022. It was set at £533 million and required savings of £32 million to achieve a planned balanced budget. This was largely to be met through an increase in council tax, use of reserves and by taking advantage of fiscal flexibility and postponing the repayment of debt principal of £7.5 million.

16. The outturn for the year was a deficit of £2 million after use of reserves. This represents less than 0.5% of the total budget. There were a range of over and underspends across services which affected the council overall and council departments specifically.

Housing revenue account operated within budget

17. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set at a level which will at least cover the costs of its social housing provision. The HRA outturn was a £0.5 million surplus which was in line with the planned budget. There was however a significant overspend on repairs and maintenance during the year, partly as a result of rising inflation, and this meant there was a reduced revenue contribution from the HRA towards capital.

Revenue budget monitoring processes were appropriate

18. The Finance and Resources Committee receives comprehensive management accounts which include a balance sheet position on a quarterly basis. As well as providing regular and up-to-date financial information for the quarter, the council's performance against budget is reported with an explanatory commentary on the variances.

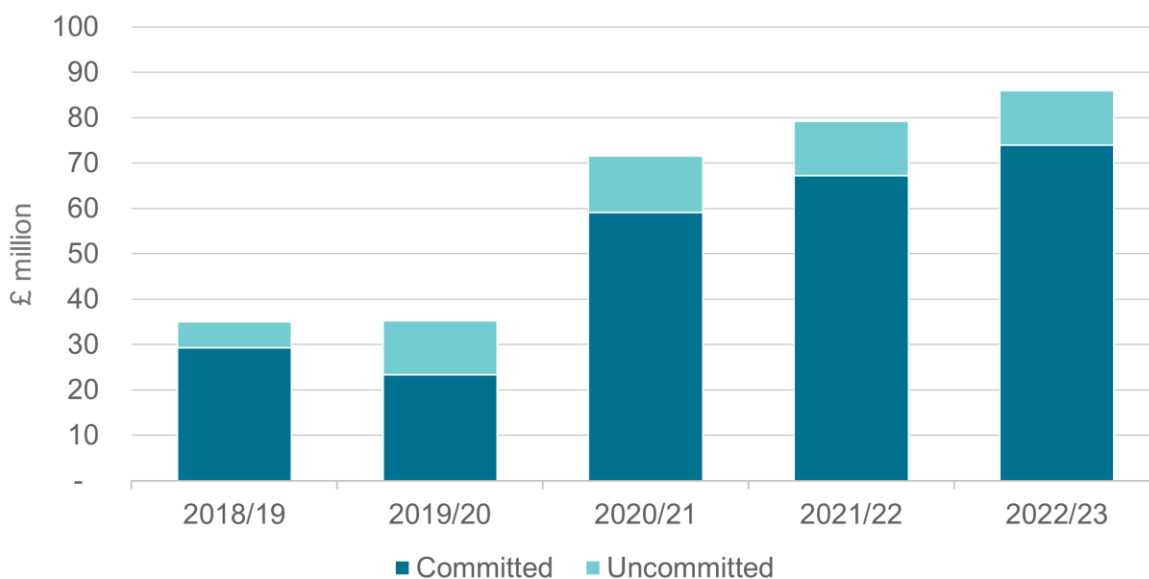
The level of General Fund reserves has slightly increased

19. One of the key measures of the financial health of a body is the level of reserves held. The council's level of usable reserves increased slightly from £71.6 million in 2020/21 to £72.2 million in 2022/23.

20. [Exhibit 1](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. The increase in committed funds over the last three years largely represents unspent capital grants carried forward.

Exhibit 1

Analysis of general fund balance



Source: Audited Accounts

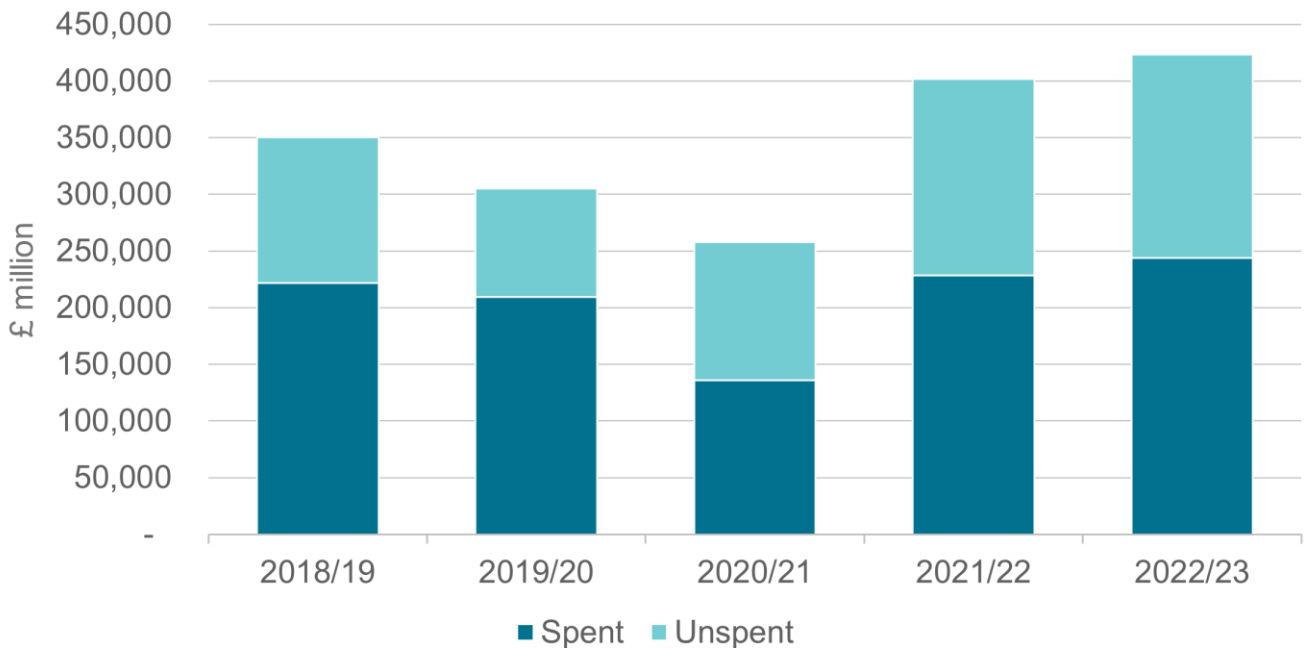
Capital expenditure reduced in 2022/23

21. The total capital budget in 2022/23 was £423 million, of which £241 million related to general services and £182 million to the housing revenue account. There has been significant slippage in both programmes, with £132 million expenditure on general services and £112 million on HRA. Combined, this represents a 42% underspend. [Exhibit 2](#) shows a similar trend in recent years.

22. In the aftermath of Covid-19, capital planning has become more difficult across the public sector due to shortages of materials and labour within the construction industry and a consequent rise in prices especially energy prices. This continues to be the case as demonstrated by the council's decision during the year, to pause construction of New Riverbank Primary School and council housing projects at Craighill and Kincorth, due to rising costs. These projects have now resumed but have been rescheduled over a longer timeframe.

Exhibit 2

Capital Budget showing unspent and spent elements



Source: Aberdeen City Council Outturn Reports

Borrowing levels have increased

23. While the council managed its borrowing activities within the authorised limit and operational boundaries set within its treasury management strategy, its level of external debt is increasing and with that, the cost of interest is increasing. The higher the level of interest to be financed each year, the less there is available in the budget to support service delivery.

24. At 31 March 2023, long-term borrowing stood at £1.2 billion, an increase of £23 million on the previous year. During the same period, short-term borrowing increased from £223 million to £306 million, an increase of £83 million which was due to an increase in deposits made with the council.

The council has appropriate financial control arrangements in place

25. From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach and our testing of the operating effectiveness of specific controls, we did not identify any weaknesses which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

Internal audit provided a reasonable level of assurance

26. The council's internal audit service is provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. The internal audit in respect of financial year 2022/23 was reported to the Audit, Risk and Scrutiny Committee during the year. The chief internal auditor's 2022/23 annual report and opinion was subsequently considered by the committee in June 2023 when he confirmed that, in his opinion, the council had operated an adequate and effective framework for governance, risk management and control during the year under review.

Standards of conduct and arrangements for the prevention and detection of fraud and error were adequate

27. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, to safeguard public assets and aim to prevent and detect fraud, error and irregularities, bribery and corruption.

28. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council submitted datasets on time for the first data matching exercise in January 2023. Our 2023/24 audit work will include a review the council's investigation of high risk matches and the resulting outcomes from this work.

29. The council has established procedures in place including whistleblowing and counter fraud policies.

3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

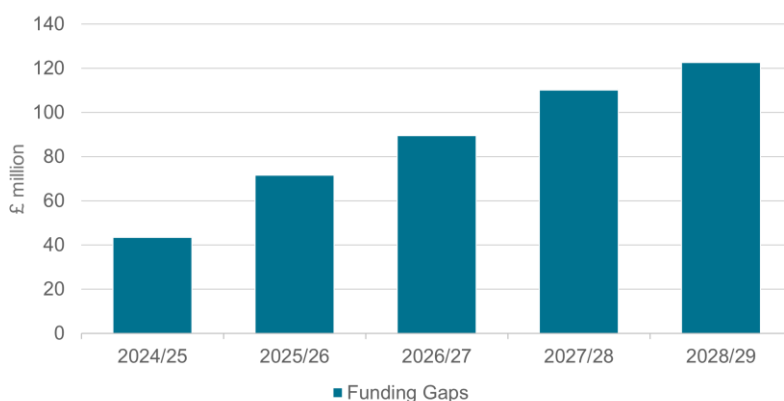
A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A five-year financial plan is prepared showing the savings required each year to deliver a break-even position.

The council has implemented a second programme of challenging transformation and service redesign to address a funding shortfall in excess of £100 million over the next five years.

Medium and longer term financial plans are in place

30. The council approved its current medium term financial strategy (MTFS) in August 2023, which covers the periods 2023/24 to 2027/28. The aim of a medium term financial strategy is to pull together in one place the known factors affecting the financial position and financial sustainability of an organisation over the medium term. The budgets within the financial strategy are showing funding gaps of £43 million in 2024/25 rising to a cumulative £123 million by 2028/29 as illustrated in [Exhibit 3](#).

Exhibit 3 Identified cumulative funding gaps 2024/25 – 2028/29



Source: Aberdeen City Council Medium Term Financial Strategy

Transformation plans

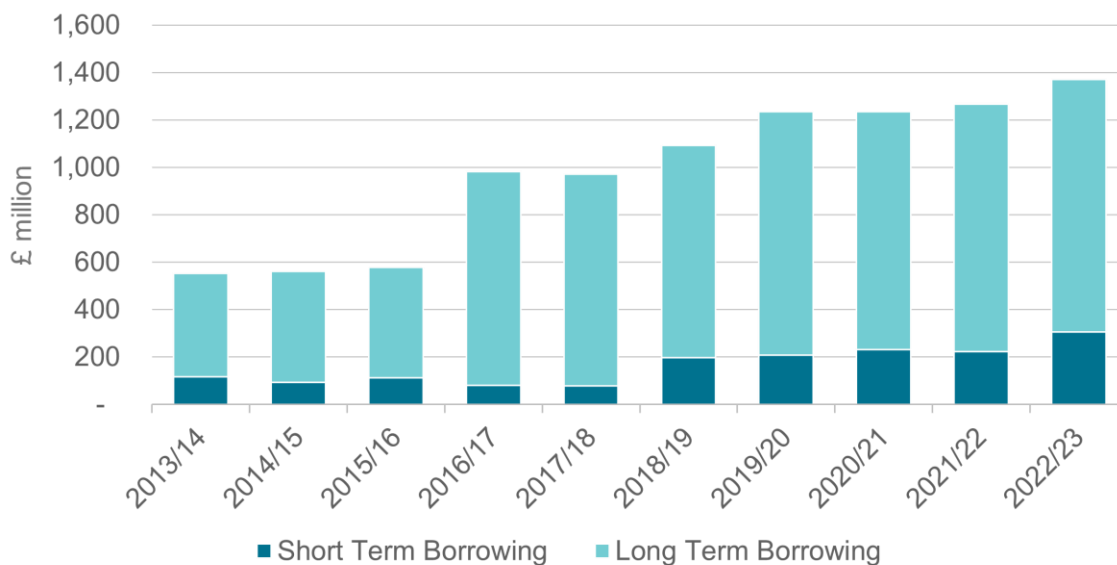
31. The council agreed a new Target Operating Model for 2022-27 to support the transformation needed to deliver savings and efficiencies in excess of £100 million as shown by [Exhibit 3](#). The objectives of the Target Operating Model are to:

- support the council to address the 5-year funding gap
- continue to exploit digital technologies to enable services to adopt new technology for various activities and processes to accelerate and streamline processes
- develop an organisational workforce that is flexible ensuring all staff have the necessary skills to work effectively within the council's operating model.

Costs pressures

32. Council borrowing has increased significantly over the past decade from £552 million to £1.371 billion in 2022/23 as shown in [Exhibit 4](#). Although the cost of borrowing has been historically low, the council's interest costs almost doubled during this period, rising from £34 million to £60 million. With the more recent increases in interest rates, the cost of borrowing will increase. New borrowing will therefore be more expensive, increasing the financial pressures on the council. In addition, existing debt may need to be refinanced.

Exhibit 4 Council Borrowing



Source: Aberdeen City Council Audited Accounts

Reinforced Autoclaved Aerated Concrete (RAAC) Planks

33. In December 2022, the UK government issued a notice regarding Reinforced Autoclaved Aerated Concrete (RAAC) with a guide for estates managers. RAAC is a form of lightweight concrete widely used in the construction of floors and roofs of many buildings between the 1950s and 1990s. However, recent investigations have identified that roof leaks could lead to the deterioration of RAAC planks.

34. At the time of our audit of the 2022/23 accounts, Aberdeen City Council had undertaken structural surveys of its property (excluding housing stock) and while RAAC was found to be present in a small number of council buildings, surveys did not highlight the need for major works to be carried out. In response, the council has implemented roof management practices and is undertaking a programme of three yearly structural reviews and other monitoring arrangements.

35. The council has a planned repairs and maintenance programme in place with flexibility to escalate work based on the latest intelligence.

36. Later in summer 2023, the council identified that RAAC had been used in the construction of some of its council houses. Prompt action was taken to engage with the tenants and owners of the properties concerned and plans are being developed to address the identified risks and concerns. The need for a provision and/or contingent liability in the accounts will be assessed annually and will be informed by the outcome of the council's monitoring activities. We will continue to consider the financial implications for the council as part of the 2023/24 audit.

We carried out audit work in response to financial sustainability risks identified in our 2022/23 Annual Audit Plan

37. [Exhibit 5](#) sets out the wider scope risks relating financial sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 5

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability</p> <p>The council's revenue budgeted expenditure for 2022/23 is approx. £540 million. This reflects proposed savings and efficiencies of some £30 million. Longer term, the council's funding gap shortfall, based on a central scenario,</p>	<ul style="list-style-type: none"> Regular budget monitoring Quarterly management accounts Medium term financial planning arrangements. 	<p>We reviewed the Target Operating Model and Medium Term Financial Strategy. The strategy assesses the financial position over a 5-year period and is refreshed annually as part of the council's budget setting process. A longer-term</p>

Audit risk	Assurance procedure	Results and conclusions
<p>increases from £50 million in 2023/24 to £130 million in 2027/28.</p> <p>Financial sustainability remains a risk with ongoing financial pressures in the short to medium term. This includes inflationary pressures on contracts, the impact of agreed pay awards, supply chain volatility and energy costs.</p> <p>The council has been reducing its cost base in recent years. It needs to deliver efficiencies to balance the budget, otherwise there will be a need to draw on reserves.</p> <p>With ring-fenced funding, and larger scale structural change on the horizon through the development of the National Care Service, there are mounting pressures on the sustainability of council services.</p>		<p>financial plan, developed to support the launch of the bond in 2016, is due to be updated this year. We concluded that sound arrangements are in place.</p>

4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

The council has an effective best value framework in place. Priorities are well articulated and embedded within its strategic planning framework. Positive action has been taken to encourage wider involvement in community engagement and empowerment.

There is an effective Performance Management Framework in place. Steps continue to be taken to further improve the quality of how the council reports its performance but there is scope to focus more on targets, outcomes and impact.

Good progress had been made in addressing the recommendations made in the Best Value Assurance Report published in June 2021.

Best Value work in 2022/23

38. For 2022/23, the scope of Best Value work included conclusions on:

- leadership of the development of new local strategic priorities
- effectiveness of council performance reporting
- progress made against Best Value improvement actions made in previous years.

39. As set out in the [Code of Audit Practice](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in respect of our wider scope responsibilities (refer to [Section 5](#)).

Leadership of the development of new local strategic priorities

40. Following the 2022 local election, the Scottish National Party (SNP) and the Scottish Liberal Democrats formed a majority administration with a Policy Statement 'Working in Partnership for Aberdeen'.

41. Annual thematic Best Value work is set by the Accounts Commission. For the 2022/23 financial year, auditors were asked to focus on councils' leadership of the development of new local strategic priorities. This work was largely undertaken in Autumn 2023. The results, together with our recommendations, are being reported to the Audit, Risk and Scrutiny Committee in May 2024.

42. The key messages from our Best Value work are:

- The council has ambitious plans for Aberdeen, and its vision and priorities are well articulated and embedded within its strategic planning framework. The council's annual delivery plan and budget are aligned to Community Planning Aberdeen's Local Outcome Improvement Plan.
- Positive action has been taken to encourage wider involvement in community engagement and empowerment. The community empowerment strategy has been refreshed following community engagement and the wider public have been involved in developing budget options.
- Tackling poverty and becoming net zero by 2045 have been identified as council priorities. There has been a renewed commitment to addressing poverty and inequality as evidenced through additional outcomes in the Local Outcome Improvement Plan and plans to better align services to improve children's outcomes.
- The council has been proactive in engaging with communities and young people to build more commitment to climate change. In addition, there is positive collaboration on hydrogen development and energy transition plans for the city.
- The council has a sound approach to budgeting and supports longer-term planning. Its workforce strategy sets out expectations on how staff will deliver its vision and priorities but the customer, digital and data strategy continues to be fundamental to service redesign and transformation.
- There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity to implement policy decisions.
- There is scope to develop the Audit, Risk and Scrutiny Committee's scrutiny function and review the powers delegated to officers.
- In view of the tensions between elected members observed in the council chamber, an increased risk of referrals to the Standards Commission and an absence of cross-party working, elected members need to work collaboratively for the benefit of communities.
- The council has made good progress in addressing the recommendations included in the Best Value Assurance Report. Further work is required in three of the seven recommendations.

An effective Performance Management Framework is regularly refreshed

43. The [Best Value: Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities.

44. The council has a comprehensive Performance Management Framework which is refreshed annually and provides a golden thread from Aberdeen's LOIP

to individuals' performance plans via the council's annual delivery plan and service cluster reporting to council committees.

45. A range of performance data is collected and reported during the year including:

- Quarterly reporting against the council delivery plan to management and annually to council. The delivery plan annual review is a narrative report providing updates on policy statements, key achievements for the year and progress against the council's contribution to the LOIP. It is supported by a public website, [Aberdeen Outcomes Framework](#), where LOIP partners capture and publicly report a range of data on an ongoing basis.

With regard to the council, a range of delivery plan key measures, activity numbers and percentages, is collected for each of the delivery plan areas – economy, children and young people, adults and place. Current and prior period data is provided with a direction of travel indicator and colour coding representing better/similar/worse outcomes.

- Service standards are set by each service cluster with quarterly performance scorecard reporting against standards to committee (referred to as KPIs – key performance indicators)
- Annual reporting of statutory performance indicators
- Review and use of Local Government Benchmarking data.

46. The [Best Value: Revised Statutory Guidance 2020](#) also sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting, including Statutory Performance Indicators (SPIs). (Refer also to [paragraph 63](#))

47. Performance scorecards are reported to committee quarterly setting out performance against targets. The [Aberdeen Outcomes Framework](#) also reports a range of measures with comparisons against a prior year and a direction of travel. Annually, SPIs are published on a section of the council's website dedicated to council performance. SPIs are reported for the current year and two previous two years which provides some trend data and an explanatory narrative is set out for each.

48. The council reports a range of information in line with its Performance Management Framework and continues to develop its annual delivery plan and annual review processes. As part of this ongoing work, it should consider how best to show a trend of improvement over time in delivering the council's priorities.

Good progress made with Best Value improvement actions

49. Our Best Value thematic work in 2022/23 reported on progress against ongoing actions to address Best Value recommendations made in 2021 and a summary has been provided in [Exhibit 6](#).

Exhibit 6**Progress against Best Value improvement actions from 2021**

Action	Status	Audit observation
1. Strategic direction		
To help them carry out their Best Value responsibilities, elected members should look to build upon the broad consensus relating to the council and LOIP vision and priorities to explore the potential for creating more opportunities for cross party working.	Action not progressed by elected members	The issue has been considered further as part of the Best Value thematic work and further recommendations have been made.
To help them carry out their best value responsibilities, elected members should take advantage of the learning and development opportunities provided by the council.	Complete	Elected member development arrangements have been implemented including induction, personal development plans and CPD records.
2. Performance and outcomes		
To supplement current council and CPP performance reports, and aide public understanding and scrutiny, the council should produce an annual performance report more clearly reporting the longer-term progress made in improving outcomes. This should include a high-level multi-year trend summary of performance against priority indicators and supporting narrative.	Ongoing	There is a significant level of performance information collected and reported. The action seeks a higher-level view of progress made against priorities e.g. through annual reporting of priority indicators.
3. Effective use of resources		
The council should ensure that its longer-term financial plan is regularly reviewed and that it continues to develop how it reports aspects of the complex capital programme within their accounts.	Complete	The medium-term financial plan was updated to support the 2022 Target Operating Model and plans are in place to update the longer term financial strategy.
4. Partnership working and community engagement		
To fulfil its duties under the Community Empowerment Act 2015, the council should continue to consult with communities and articulate how it intends to meet its target to allocate one per cent of revenue funding through participatory budgeting.	Ongoing	The council has improved the way it engages with communities and partners but recognises that more work is required to meet the 1% participatory budgeting target.

Action	Status	Audit observation
5. Continuous improvement		
The council should carry out post project reviews of major projects, including capital developments, to ensure lessons can be learned timeously and applied to future projects.	Complete	Reviews form a standard part of project management arrangements and are reported to the Capital Board.
The council should review the number and focus of their improvement projects to focus on improving core services areas that support the longer-term ambitions of the LOIP, reflect the views of residents and respond to short-term priority responses to Covid-19.	Complete	The initial recommendation mainly related to Education and Housing. A range of examples have been provided in respect of these services which have been considered appropriate.

5. Vision, leadership, governance and use of resources

Public sector bodies must have a clear vision and strategy and set priorities for improvement. Through effective planning, they work with partners and communities to improve outcomes, make best use of resources and foster a culture of innovation.

Conclusion

Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved and powers delegated to officers reviewed. There is an absence of effective cross-party working and tensions exist between elected members in the council chamber.

There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity.

The council's performance in the Local Government Benchmarking Framework remains positive. It shows improvement in 47% of indicators and performs better than the Scottish average in 54% of indicators.

The council's arrangements for the publication of statutory performance indicators met statutory requirements.

Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved and powers delegated to officers reviewed.

50. The council's governance arrangements were set out in the annual governance statement in the annual accounts. We reviewed these arrangements and concluded that they are appropriate.

51. As we reported in our thematic best value work, the Audit, Risk and Scrutiny Committee has not considered any reports under its scrutiny remit in the last year. There is scope to use the committee more effectively to scrutinise council decisions.

52. While elected members agree it is essential that officers have delegated powers, some members continue to have concerns that they are hearing what they regard as 'politically sensitive' decisions on social media rather than through formal council communication channels. There is scope to review the

delegated powers bestowed on officers to confirm whether these should be allocated to the council's committees or remain delegated to officers.

There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity, there are tensions between elected members in the council chamber and an absence of effective cross-party working.

53. For a combination of reasons, there has been a 40% increase in the number of meetings required to conduct council business. There have been an additional ten meetings since May 2022 and a further five days have been required to complete adjourned council meetings. This has implications for the conduct of council business. There needs to be more recognition by elected members that persistent demands for information can be disruptive. A high volume of requests, combined with supporting additional meetings, limits the time available for implementing policy decisions and may prevent officers from undertaking their roles effectively.

54. We have observed tensions between elected members in the council chamber and in recent times, some heated exchanges have become more personal. This increases the risk of referrals to the Standards Commission while at the same time detracting from the importance of the subject debated. More effective cross-party working could resolve a number of these issues and reduce the risk of escalation.

The council is open and transparent.

55. Agenda papers and minutes for council meetings, including financial and performance information, detail the decisions made and are all publicly available on the council's website. In addition, there is livestreaming of council meetings and webcast recordings are also available from the website.

56. The council's website also allows public access to a wide range of information including the register of councillors' interests, current consultations and a wide range of performance data including the annual accounts. In addition, the council has a listed bond and therefore all stock exchange announcements are publicly available from the website.

57. In recent years, through the council's transformation programme, access to more services has been made available online with help provided via online guidance and the use of chatbots.

Council priorities include net zero.

58. The Scottish Parliament has set a legally binding target of becoming net zero by 2045. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

59. The council has a target to reduce net greenhouse gas emissions by 48% by 2025, 75% by 2030 and to reach net zero by 2045. In 2020, the council approved a Net Zero Vision for the city setting out five strategic objectives to

energy transition. Since then, the council has developed strategies and plans to meet its net zero target.

60. In 2022, a dedicated committee for net zero, the environment and transport was established which has increased the level of scrutiny and interest from elected members. The council declared a climate and nature emergency and reiterated its commitment to ‘continuing proactive work with other public, private, third and community sector partners towards Aberdeen becoming a net zero city by 2037’.

61. Existing initiatives such as carbon budgeting and running a zero emissions fleet continues. The council is also in the early stages of a significant joint venture with BP to develop a hydrogen hub in the city as part of a wider energy transition programme being developed with partners for the north east.

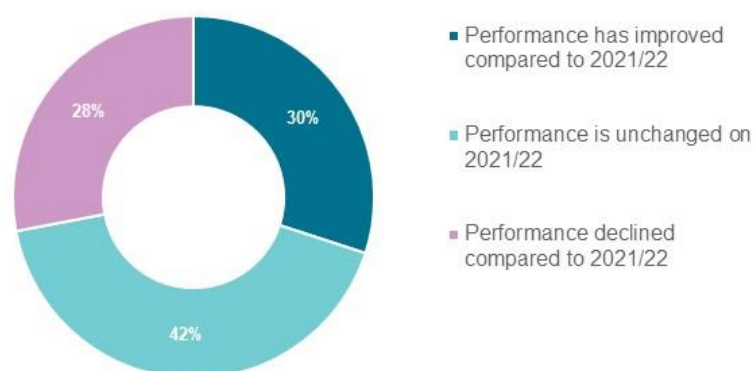
62. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Service performance has been maintained.

63. An analysis of the performance measures for 2022/23 (available as at October 2023) were compared to the prior year. [Exhibit 7](#) includes an analysis showing how the performance compared to 2021/22. The majority of measures reported either showed that performance had been maintained or had improved.

Exhibit 7

Performance Measures Reported to Committees – 2022/23 compared to 2021/22



Source: Aberdeen City Council Performance Reports

Performance improvement remains positive and ranks above the Scottish average.

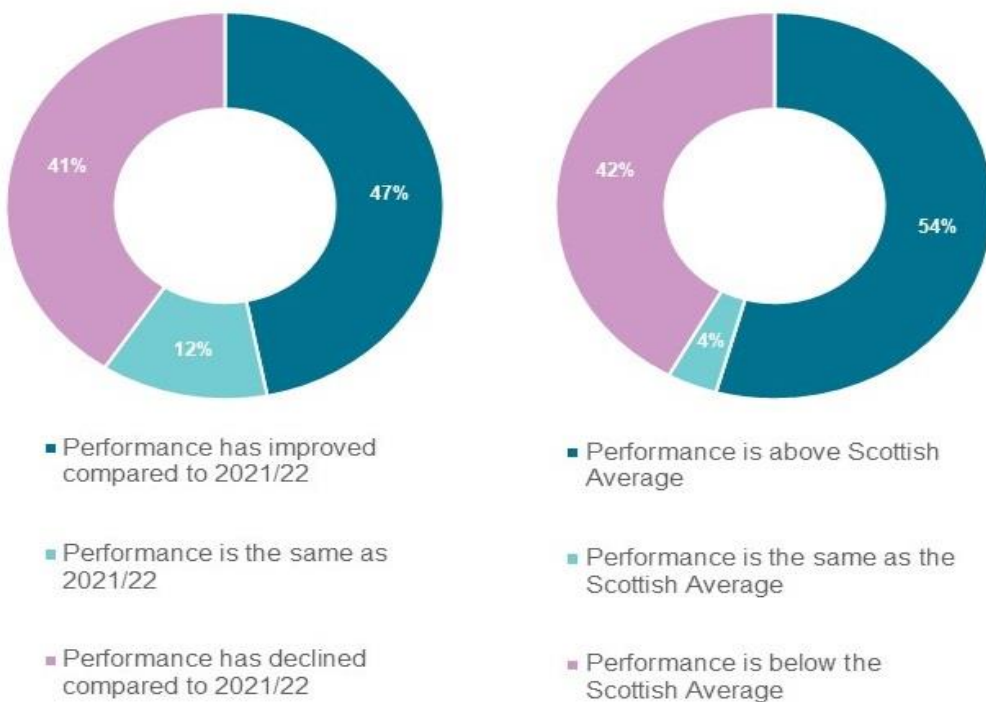
64. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

65. The most recent [National Benchmarking Overview Report 2022-23](https://improvementservice.org.uk) (improvementservice.org.uk) was published by the Improvement Service in March 2024. The report highlighted:

- *‘In terms of overall council service performance, the long-term picture remains positive, with 66% of performance indicators within the LGBF showing improvement since the base year. In recent years, however, year on year trends show a slowing in this improvement, and an increase in the number of performance indicators which are now declining. In 2022/23, for the first time, the rate of decline has overtaken the rate of improvement (45% and 43% respectively). It is apparent that given the deepening fiscal, workforce and demand pressures facing the sector, councils are having to make increasingly difficult decisions about the shape and level of service delivery, and these are beginning to have a clear impact on service performance. If the current trend continues, the improvements and progress that has been achieved thus far, could potentially be lost and council service performance may start to decline over the longer-term’.*

66. The LGBF indicators allow comparison over time and/or with the other 31 Scottish local authorities. An analysis of the 2022/23 data shows that 47% of the measures have improved from 2021/22 (Scottish average 43%) and 12% have remained the same. Against the Scottish average, the council is above average for 54% of the measures and 4% have stayed the same. For 2022/23, the council is performing in the top two quartiles for 45% of the indicators.

Exhibit 8
LGBF comparisons - 2022/23 with 2021/22 and Scottish Average



Source: Local Government Benchmarking Framework

Arrangements for the publication of Statutory Performance Indicators meet requirements.

67. The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) Direction](#) in December 2021 which applies for three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

68. In our opinion, there is scope for the council to be clearer in making its assessment of performance against best value and ensuring there is balance in its annual performance reporting. Overall, we concluded that the council's arrangements met the main requirements of the Direction.

Aberdeen City Council

2022/23 Annual Audit Report

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	09 May 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	External Audit Report – Annual Audit Plan – 2023/24 Audit
REPORT NUMBER	EA/24/004
DIRECTOR	N/A
CHIEF OFFICER	Michael Oliphant, Audit Director Audit Scotland
REPORT AUTHOR	Anne MacDonald, Senior Audit Manager Audit Scotland
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Committee with External Audit's Annual Audit Plan for the 2023/24 audit.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 External Audit has completed the attached report which sets out the audit plan in respect of the 2022/23 audit.
- 3.2 The framework for public sector audit in Scotland is set out in the Code of Audit Practice. In line with the Code, the annual audit plan covers both the audit of the council's financial statements and the auditor's wider scope responsibilities as set out in the Code of Audit Practice.

4. FINANCIAL IMPLICATIONS

- 4.1 The annual audit plan sets out audit fees of £536,810 in respect of the 2023/24 audit. This is split between the council £526,810 and the charitable trusts £10,000.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are detailed in the resultant External Audit reports. Recommendations are made to address the identified risks and External Audit follows up progress with implementing those that are agreed with management.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, External Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an external audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required.

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Appendix A: External Audit – Annual Audit Plan: 2023/24 audit.

12. REPORT AUTHOR CONTACT DETAILS

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Aberdeen City Council

Annual Audit Plan – 2023/24 Audit



 AUDIT SCOTLAND

Prepared for Aberdeen City Council
April 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 audit. The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- audit opinions on other statutory information published with the financial statements in the annual accounts, including the Performance Report, the Annual Governance Statement, and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and where relevant, the Whole of Government Accounts (WGA) return
- review of the council's arrangements for preparing and publishing statutory performance information.

Audit appointment

2. We have been appointed as external auditors of the council for the 5-year period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of our five-year audit appointment. Details of the audit team are included at [Appendix 1](#).

Respective responsibilities of the auditor and Aberdeen City Council

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the council. Key responsibilities are summarised below.

Auditor responsibilities

4. The responsibilities of appointed auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at the council. In doing this, we aim to support improvement and accountability.

Council responsibilities

6. The council is responsible for maintaining adequate accounting records and internal controls and preparing financial statements for audit that give a true and fair view. They are also required to produce other reports in the annual accounts in accordance with statutory requirements.

7. The council has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

Adding Value

8. We aim to add value by tailoring audit work to the circumstances of the council and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit, Risk and Scrutiny Committee; and by recommending and encouraging good practice. In so doing, we will help the council promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual accounts

Introduction

9. The annual accounts are an essential part of demonstrating the council's stewardship of resources and its performance in the use of those resources.

10. As appointed auditors, we are required to perform an audit of the financial statements, consider other information within the annual accounts, and express a number of audit opinions in an Independent Auditor's Report. This is done in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum (which interprets the ISAs for the public sector) and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels as described in [Exhibit 1](#). Based on our assessment of the group ([refer to paragraph 30](#)), we did not consider it necessary to set separate materiality values for the council's group accounts.

Exhibit 1

2023/24 Materiality levels for the council and its group

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's single entity and group operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	£22.5 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance	£14.5 million

materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.

Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This is approximately 2% of planning materiality.	£500,000
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Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of the council, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements including group accounts. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, management's sources of assurance, and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2023/24 Significant risk of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing, make inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and consider the need and extent of detailed journal entry testing. Evaluate significant transactions outside the normal course of business. Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
because of management's ability to override controls that otherwise appear to be operating effectively.		<ul style="list-style-type: none"> • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments.

Source: Audit Scotland

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

18. We have rebutted this risk because the majority of the council's income comes from Scottish Government General Revenue Grant and other grant funding bodies which can be confirmed with third party confirmations. Other key revenue streams include council tax, non-domestic rates income and housing rents which are easily verifiable in total terms. In addition, the council's other income streams comprise of a high volume of low-value transactions, and we have concluded there are limited opportunities or incentives for management to manipulate the recognition of income in the financial statements to a material effect.

19. As a result, we have not incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

20. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

21. We have also rebutted this risk as there are limited opportunities or incentives for management to manipulate the way expenditure is recognised. Having evaluated the council's significant expenditure streams, several, including staff costs, interest payments and non-cash costs such as depreciation and transactions with the integration joint board, are not considered to be areas of risk. A significant level of other expenditure is verifiable in total terms by third party confirmation or relate to a high volume of individual transactions which are relatively small in scale.

22. Although there is a material residual balance, council payments are well-controlled and are therefore unlikely to result in a material misstatement in the financial statements.

23. To address any residual risk, our audit testing is directed towards significant and unusual transactions including accounting estimates. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

24. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements including group accounts. Based on our assessment of the likelihood and magnitude of the risks, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

25. The areas we have identified for specific audit focus are set out below and relate to both the council's single entity and group accounts:

- **Estimation in the valuation of land and buildings:** Valuations are carried out using a mix of in-house and external valuers on a five-year rolling programme basis. There is a significant degree of subjectivity in the valuation of land and buildings due to the assumptions made by the valuer and because of the rolling programme basis of valuation, there is a risk that the carrying value of assets not revalued in the year do not reflect their current value. Where the differences in value are likely to be significant, this increases the risk of material misstatement in the financial statements. Our work in this area includes using the work of an expert. In this case, we will draw assurance from the work of the valuers.
- **Pensions valuations:** Significant estimation and judgements are required in the measurement, valuation and disclosures of pensions valuations under IAS 19. These valuations are based on specialist actuarial and management assumptions. We will assess the work of the actuary, including consideration of the appropriateness of the assumptions used. We will assess the council's procedures for ensuring actuarial valuations provided are appropriate and confirm pension valuations provided by the actuary are correctly reflected in the accounts.

Group Consideration

26. As group auditors, we are required under ISA (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

27. The council's group comprises component entities, including subsidiaries, associates, and joint ventures. The larger components of the group, namely Aberdeen Common Good and Aberdeen City Integration Joint Board are both within our audit portfolio as allocated by the Accounts Commission. We can therefore draw assurance from our work on those audits for the purpose of our group audit opinion.

28. Our planned audit approach for the components is informed by our assessment of risk at the component level and our consideration of the size and nature of assets, liabilities, and transaction streams.

29. While the annual accounts audits of the other components are performed by other auditors, we do not plan to place reliance on their work. Non-current assets and pension assets/liabilities are the key material balances in the group bodies. Given the nature of these balances, we will seek valuations for significant non-current assets in the group and review the actuarial reports and assumptions in respect of employer bodies within the group with significant pension assets/liabilities. We will also consider the assurances the council obtains for its group accounts including year-end reconciliations and the consolidation process.

30. Due to the level of intra-group transactions managed by the council which are eliminated on consolidation, group expenditure is not significantly different from the council's single entity expenditure and therefore we do not consider it necessary to set separate materiality values from the council for the group accounts. Materiality levels are set out in [Exhibit 1](#) on page 5.

Management Commentary, Annual Governance Statement, and the audited part of the Remuneration Report

31. In addition to an opinion on the financial statements, the Accounts Commission prescribes that opinions be given on the other statutory information published with the accounts i.e. an opinion on whether the Management Commentary, Annual Governance Statement and audited part of the Remuneration Report have been compiled in accordance with the appropriate regulations and frameworks and are consistent with the financial statements.

32. To inform these opinions, we consider whether the disclosures within each statement comply with the requirements of the applicable guidance and confirm that relevant information reflects the contents of the financial statements and other supporting documentation.

33. As part of the 2022/23 audit, we highlighted these areas as in need of improvement. Recommendations were agreed by management and are due to be implemented as part of the 2023/24 annual accounts. We will report on progress as part of this year's audit.

Audit of the trusts registered as Scottish charities

34. The Charities Accounts (Scotland) Regulations 2006 require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and Independent Auditor's Report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

35. Members of Aberdeen City Council are the sole trustees for seven trusts registered as Scottish charities, with total assets of some £8 million. Common control is one of the criteria which permits these trusts to be combined within a single set of connected accounts for audit purposes. The preparation and audit of financial statements of registered charities is regulated by the Charities and

Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

36. Other than the presumed significant risk of fraud due to management override of controls, which has also been identified as a significant risk in respect of the council's annual accounts, no specific planning risks were identified in respect of the charity's accounts.

Materiality levels for the 2023/24 audit of trusts registered as Scottish charities

37. Materiality levels for the various trusts are set out in [Exhibit 3](#).

38. We can set lower, specific materiality levels for certain classes of transaction, account balances or disclosures where lesser amounts could influence the decisions of the users of the financial statements. We recognise that transactions with payments are of importance to the users of the financial statements and therefore a lower secondary materiality figure has been set for the Statement of Financial Activities.

Exhibit 3

2023/24 Materiality levels for Aberdeen City Council Charitable Trusts

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
Overall materiality	£170,000 (Based on 2% of audited 2022/23 net asset value)	£127,500 (Based on 75% of planning materiality)	£8,500
Secondary materiality (for the Statement of Financial Activities)	£7,000 (Based on 2% of audited 2022/23 income)	£5,250 (75% of PM)	£350

Source: Audit Scotland

Wider Scope and Best Value

Introduction

39. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

40. In summary, the four wider scope areas are:

- Financial management – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- Financial sustainability – we will look ahead to consider whether the body is planning effectively to continue to deliver services, also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- Vision, leadership, and governance – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by the council. We also consider the effectiveness of the governance arrangements to support delivery.
- Use of resources to improve outcomes – we will consider how the council demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

41. We have identified significant risks in the wider scope areas set out in [Exhibit 4](#). This exhibit sets out the risks, management's sources of assurance, and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 4

2023/24 wider scope risks

Description of risk	Management's sources of assurance	Planned audit response
<p>1. Financial sustainability</p> <p>The council has been reducing its cost base in recent years. A further programme of transformation commenced in August 2022 when the council adopted a new Target Operating Model (TOM 1.2) intended to address a funding gap of £134 million over five years.</p> <p>The council's revenue budgeted expenditure for 2023/24 is approx. £560 million. This reflects proposed savings and efficiencies of some £50 million. Longer term, the council's funding gap shortfall, increases from £30 million in 2024/25 to £110 million in 2028/29. Delivery of planned savings and efficiencies would reduce the above shortfall to £25 million in 2024/25 and £85 million in 2028/29.</p> <p>With ring-fenced funding and significant financial challenges, there are mounting pressures on the sustainability of council services.</p>	<ul style="list-style-type: none"> • Regular budget monitoring. • Quarterly management accounts. • Medium term financial planning arrangements. 	<ul style="list-style-type: none"> • Discussion with officers. • Continue to monitor the financial position throughout the year and provide an update in our 2023/24 Annual Audit Report. • Consider the long-term affordability of budget decisions.

Source: Audit Scotland

Best Value

42. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value duties.

43. The arrangements to secure Best Value at the council will be assessed over the period of the audit appointment and will include an annual evaluation of risks and improvement areas and public performance reporting. We will also follow up findings reported previously to assess the pace and depth of improvement. This work will be integrated with the wider scope audit areas discussed above.

44. As part of our annual audit, we conduct Best Value thematic reviews as directed by the Accounts Commission. In 2023/24, the thematic review will focus on workforce innovation and the actions being undertaken by the council to build future workforce capacity and skills and increase productivity and innovation. Our conclusions and judgements will be reported in our Annual Audit Report.

45. At least once every five years, the Controller of Audit will report to the Accounts Commission on a council's performance in meeting its Best Value duties. The first year of the reporting programme to the Commission runs from October 2023 to August 2024. While the running order may be subject to change, Aberdeen City Council is currently included in the 2026/27 reporting programme.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

46. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

47. We will provide:

- an Independent Auditor's Report to the council and the Accounts Commission setting out our opinions on the annual accounts
- the council and the Controller of Audit with an Annual Audit Report containing judgements and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

48. [Exhibit 5](#) outlines the target dates for our audit outputs. To assist the council in the release of its annual reporting which is treated as a market announcement for the purposes of the London Stock Exchange, we aim to issue the independent auditor's report by 30 June 2024. This date is substantially in advance of the statutory deadline of 30 September 2024.

Exhibit 5

2023/24 Audit outputs

Audit Output	Target completion date set by the Accounts Commission	Planned reporting date to Audit, Risk and Scrutiny Committee
Annual Audit Plan	31 March 2024	9 May 2024
Independent Auditor's Report	30 September 2024	27 June 2024
Annual Audit Report	30 September 2024	27 June 2024

Source: Audit Scotland



49. All Annual Audit Plans and the outputs detailed in [Exhibit 5](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

50. To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 6](#) that has been discussed with the Chief Officer - Finance and his team.

51. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 6 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	9 May 2024
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	Week commencing 6 May 2024
Clearance meeting with the Chief Officer – Finance	By 7 June 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	20 June 2024
Agreement of audited and unsigned annual accounts	20 June 2024
Issue of Annual Audit Report to those charged with governance.	20 June 2024
Signed Independent Auditor's Report	By 30 June 2024
Certified Non-Domestic Rates Return	October 2024
Certified Housing Benefit subsidy claim	31 January 2025 (tbc)
Latest date for WGA assurance (if required)	31 December 2024 (tbc)

Source: Audit Scotland

Audit fee

52. In determining the audit fee, we have taken account of the risk exposure of the council and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £536,810 (2022/23 £522,010). This is split between the council £526,810 (2022/23 £512,010) and the charitable trusts £10,000 (2022/23 £10,000).

53. In setting the fee for 2023/24, we have assumed that the council has effective governance arrangements and will prepare a comprehensive and accurate set of annual accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Using the work of internal audit

54. It is the responsibility of the council to establish adequate internal audit arrangements. Services are provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement.

55. We take internal audit's findings into consideration when assessing the council's governance arrangements and our wider scope responsibilities. Where appropriate, we also assess the impact of internal audit's findings on our financial statements audit work. We are not however, planning to use the work of internal audit to provide assurance for our audit procedures on the financial statements but this is subject to review as the audit progresses.

Independence and objectivity

56. We are independent of Aberdeen City Council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

57. Audit Scotland has robust arrangements in place to ensure compliance with the Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality who serves as Audit Scotland's Ethics Partner.

58. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of the council.

Audit Quality

59. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

60. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and

ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

61. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

62. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Appendix 1: Your audit team

The audit team involved in the audit of Aberdeen City Council have significant experience in public sector audit.

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Auditor

63. The local audit team is supported by a specialist technical accounting team who have significant experience of public bodies and work with accounting regulatory bodies.

Aberdeen City Council

Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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